

1. INTRODUCTION

1.1 Objectives of the Study

This study, commissioned by the Canadian Consulate General in Sao Paulo from Katzender & Associates, is a market assessment which aims to give Canadian companies an overall picture of the telecommunications sector in Brazil. Through a description and analysis of the present market structure and size, an estimation of short and medium term trends and an outline of strategic approaches to the market, the study will assist Canadian companies to identify business opportunities for their equipment or services.

Since March 1990, Brazil's economy has undergone a major move towards modernization and a reexamination of the state's role in domestic economic affairs. This move, has been driven principally by means of a more transparent trade regime, deregulation and privatization of state companies. The telecommunications sector offers excellent opportunities for investments of foreign capital and technology. At the same time, the government is taking decisive action to revise current legislation, aimed at changing Brazil's international image as a protectionist, highly interventionist and state controlled economy. As a consequence, the telecommunications market, as an important infrastructure of the modern state, will necessarily be affected by the impacts of these changes. New business opportunities for foreign companies will be a natural consequence of recently initiated deregulation and privatization processes, requiring investment, technology and human resources currently unavailable in Brazil. In fact, several Canadian companies are already reaping the rewards of this new business climate.

The first chapter of this study delineates the state's monopoly in telecommunications services as opposed to the first steps taken by the Government towards privatization, which should be further defined by the formal Constitutional revision, scheduled for 1993. It also describes the Government's efforts to gradually reduce the state's presence as a regulator of private industrial and service activities, and its efforts to promote free competition, largely absent in Brazil in the last decade. In addition, some of the niche equipment and service market opportunities deriving from these processes are mentioned.

The second chapter describes the current scope and future trends of the main telecommunication markets for both services and equipment. Service markets, classified by the type of human,