The risk of investing in Brazil at this time, is that the necessary fiscal reforms to the country's serious public debt problem are not yet in place. The government will need to overcome fiscal imbalance by restructuring the social welfare system, by balancing the finances of the state and federal governments and privatizing a number of state companies. As well, it faces the real possibility of losing important political support for these measures and for those policies already implemented in order to sustain the Real stabilization plan.

Specific Opportunities

Telecommunications

The telecommunication sector offers the most significant business opportunities in Brazil. Late in 1995, the federal government launched a major investment program in the communications sector. The Minister of Communications announced that the investment program for the Telebrás System in the next eight years will amount to R$75 billion. For 1996, he foresaw investments of $8 billion, nearly twice that which was planned to be invested in 1995. He also announced an aggressive program to attract private sector involvement.

According to a study by the Brazilian Institute for the Development of the Telecommunications Sector, ***cellular service*** (Band B) should attract over $5 billion in the medium term.

Mobile telephone service companies are becoming fierce competitors to the traditional data line providers. The key behind their success is that large numbers of phone lines can be set up faster than installing traditional copper wire lines.

In the ***satellite*** segment, Itamarati Group (through LocaSat), Globo Group, and Odebrecht have already announced their intention to invest.

In ***telephony***, with a density of only nine telephones per 100 inhabitants, Brazil ranks 39th in the world and eighth in Latin America. Investment in telephony is expected to grow by 12% over the next three years, as Telebrás's planned telephone expansion unfolds.

Both Telesp (state of São Paulo phone company) and Telemig (state of Minas Gerais phone company) have announced that, early in 1996, they will issue calls for bids for a total of 440,000 new terminals and related systems. Telesp will issue calls for 140,000 new terminals over and above the 440,000 terminals already contracted. Telemig will issue calls for a total of 300,000 terminals. This will mean investments of around R$210 million.

Brazil's market potential for ***cable TV*** and ***pay TV*** is considered to be the largest in Latin America and among the largest unexploited markets in the world. The three largest Brazilian cable TV operators, NET, Multicanal, and TVA are investing US$200 million to expand their operations. The industry goal is to have 30% of Brazilian homes cabled by the year 2000. São Paulo alone has 6 million residences with televisions, representing a potential of 1.2 million subscribers and country-wide revenue of $200 million monthly.

Energy

The demand for power and electricity is growing rapidly. There appears to be little resistance to privatization in this sector in Brazil, although current private sector participation is small at only 4 percent. Brazil's plan for the construction of an additional 60 000 kilometres of transmission lines by the year 2002 offers