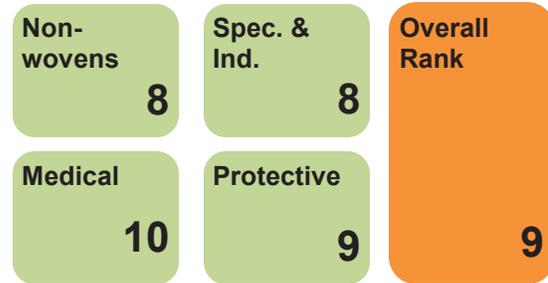


Brazil

Brazil is a growing market for technical textiles with emphasis on the nonwovens sector. ITA expects the Brazilian nonwovens market to lead the region and grow by 8-9 percent this year and next. Substantial and intensifying trade barriers, however, could hamper U.S. producers' ability to realize true market potential in the Brazil.



Brazil is a large, high-growth market that offers U.S. exporters tremendous opportunities. This large, advanced developing country has experienced rapid GDP growth rates and has rebounded most quickly from the global economic crisis. Given Brazil's attractiveness as a growth market, foreign competition in Brazil is intense.

All major competitors are now fully committed to this market. The stakes are raised by the fact that this is also a difficult market for U.S. companies to navigate. In addition to the cultural and bureaucratic differences, U.S. companies attempting to do business in Brazil too often encounter market access barriers. To address these challenges, the United States needs to focus attention on reducing these barriers to trade through continued commercial dialogues with Brazil. This will be vital for U.S. exporters to expand their reach in the Brazilian textile markets.

The Brazilian textile industry is constantly growing owing to the acquisition of modern equipment and technical development applied to production, and also the promotion of its professionals through training programs and increasing productivity. This development program has already received more than \$8 billion. The program's objective is to strengthen Brazil's textile industry in the globalized and competitive market.⁸

Brazil is intensely investing in domestic production, with the goal of the textile sector to expand its operations. To achieve such aims, new investments in technology will be essential. At the same time, Brazil would like to increase its textile trade relationship with the United States but due to the trade barriers to

foreign imports, exporting to Brazil can be difficult. Nonetheless, U.S. textiles are still going to Brazil in increased quantities year over year.

Overview of the Technical Textile Market

Brazil is among the top ten textile industry markets worldwide. Brazil's textile and apparel sector is the second largest employer in the country. The technical textile industry in a key export driven country such as Brazil continues to rapidly develop with investment from both domestic and foreign multinational companies.

The technical textile sector has over 200 companies currently operating in Brazil, employing roughly 40,000 people.

Technical textiles and nonwovens are two sectors which have found an increasingly greater number of applications in recent years in Brazil. The local market is developing at a fast pace, and many local textile manufacturers are now concentrating on this type of production. U.S. exporters have been taking advantage of this growth by increasing exports to Brazil 65 percent from 2008 to 2014. Additionally, exports of nonwovens increased 17 percent annually over this six year period.

The technical textile market expected to grow the fastest include disposable nonwovens with end use applications such as air and liquid filtration at 9.4 percent, absorbent hygiene at 8.4 percent, and wipes 7 percent. Within the durables market the only technical textile near the growth of the disposables is in the automotive market.⁹

Challenges and Barriers to Technical Textiles Exports

Brazil imposes high tariffs on U.S. exports across diverse sectors, including textiles. Brazil also applies federal and state taxes and charges to imports that can effectively double the actual cost of imported products in Brazil.

Textile companies have expressed concern about the imposition of non-automatic import licenses and certificate of origin requirements on non-MERCOSUR textiles. Non-automatic import license requirements and explanations for rejections of non-automatic import license applications are lacking. The lack of transparency surrounding these procedures can create additional burdens for U.S. exporters.

Exporters also note the imposition of additional monitoring, enhanced inspection, and the delayed release of certain goods, all of which can negatively impact the ability to sell U.S. made textiles in the Brazilian market.

Producing textiles in Brazil is expensive and the cost of labor is particularly high. In addition, U.S. companies often find Brazil's bureaucracy challenging, particularly for the import and export of goods.

Opportunities for U.S. Companies

The consumption of technical textiles per-capita in Brazil is considered very low in comparison to the developed world, however, the use of nonwovens and technical textiles has risen 10 percent per year. With an increased capacity for the production of technical textile industries, Brazil manufactures disposables, including absorbents (incontinence pads, diapers, tampons, sanitary towels, surgeon's wear, operating room drapes and staff uniforms, etc.). These products

account for 40 percent of the total technical textile production in Brazil.

Technical textiles in Brazil have a vast space for growth in this sector, based on the expanding consumer market. This has created a significant opportunity for U.S. producers.

Non-wovens

Brazil is the fourth largest market for U.S. exports of nonwovens in the Western Hemisphere. Domestic demand for all types of products is rising in the region, which will help increase the demand of U.S. produced nonwovens. In the Western Hemisphere, U.S. exports of nonwovens is poised to grow fastest in Brazil.¹⁰

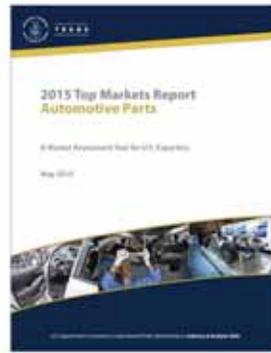
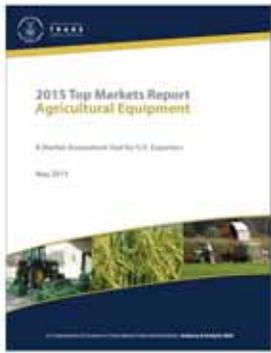
Nonwoven companies are beginning to focus attention on more non-traditional areas of Brazil. New investments are cropping up in the Northeast area of Brazil, which is one of the fastest growing markets in the country.

Specialty and Industrial Fabrics

There is room to substantially expand U.S. export opportunities. In 2009, specialty and industrial fabrics accounted for \$40.7 million of U.S. exports to Brazil. This increased to \$60.6 million by 2014. U.S. exports in this sector are expected to continue to grow to \$64.7 million by 2016, which would be an increase of 59 percent from its 2009 level.

Medical Textiles

The Brazilian market is wide open for U.S. exports of medical textiles of all kinds. The market for disposable diapers (infant and geriatric) is dominated by foreign companies. U.S. exports of medical textiles to Brazil have increased at an annual growth rate of 7.6 percent since 2008. U.S. exports have increased from \$17.4 million in 2008 to \$27.1 million in 2014.



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