The Brazilian Economy—What is the tourism scenario today? How well can Brazil compete with other markets?

Gastão Vieira—Brazil is highly competitive in some important ways: Brazil is ranked first in natural resources, 23rd in cultural resources, and 30th in sustainability. However, the government’s challenge is to improve all indicators. In the ranking of international competitiveness in tourism recently published by the World Economic Forum, Brazil is 51st among 140 countries—one position higher than last year. The government needs to improve the business environment, infrastructure, ground transportation, prices, and especially the tax regime. Regarding taxes, we are moving to a new scenario: after granting a series of other tax exemptions, the government is studying new proposals for tourism-related measures.

The crisis affected all countries in all sectors of the economy, to a greater or lesser degree. However, tourism has been performing remarkably well, even in the current difficult international situation. Tourism in Brazil grew 6% in 2012, according to data from the World Travel and Tourism Council—well above GDP growth. And the tourism forecast for 2013 is 5% growth, double the forecast for GDP. The World Tourism Organization is predicting that this sector will not be affected by the crisis in 2013. I say more: Tourism is a tool against the crisis that can help us to grow steadily and sustainably, with social inclusion and environmental preservation.

How do we attract tourists from European countries? How does Brazilian tourism grow when other economies are declining?

Our strategy must be to find new partners. Spending abroad by our traditional visitors has remained stagnant: Last year, Spain spent abroad only 3% more than in 2011, France 7%,
and Italy, our third largest source of visitors, fell 2% in spending abroad. In contrast, China’s spending abroad grew 42% and Russia’s grew 31%. Russians spend US$183 a day in Latin America, while Argentines, our main visitors from the region, spend US$54 a day in Brazil. We need to attract tourists from the BRICS countries, Malaysia, and Canada. We have included tourism on the agenda of the bilateral commission for cooperation between Brazil and Russia, headed by Vice President Michel Temer. Direct flights and facilitated connections between Brazil and Russia are on the agenda. We have also agreed on a memorandum of understanding for tourism cooperation among the BRICS countries to stimulate travel between member countries.

How will the big events in this and coming years further promote Brazilian tourism?
The major impact of these events for tourism is the improvement of infrastructure. In Brazil critical points are airports, roads, and public transport within cities, which are receiving billions in investments. The positive balance of the World Cup and the Olympics will not be felt immediately, although we expect 600,000 tourists and an increase of US$4.7 billion in tourist revenue for the 2014 World Cup. The work of the Ministry of Tourism will really begin with the final whistle of the last game, managing the legacy of the World Cup.

Preparation for the big event is our opportunity to dissolve major constraints. More recognition of Brazil as a world-class tourist destination will be seen in subsequent years.

What are the expectations for attracting tourists and revenues for future years?
Our major goal, set out in the National Tourism Plan, is to transform Brazil so that it has the world’s third highest tourism-related GDP by 2022. Today, we are the sixth. This will require annual growth of over 7%—challenging, but certainly feasible, given everything we are doing.

How will the government’s planned investments in ports, airports, and highways benefit the industry?
The benefit is total: Brazil ranks 129th in the world in land transport infrastructure, according the World Economic Forum . . . . Better roads, ports, and airports mean lower transportation prices. That is one aspect. The other is to open opportunities to visit places that have tourism potential but are not currently accessible. The Ministry of Tourism participated actively in selecting priority airports for the first phase of the federal government program to encourage regional aviation.

Regarding tourism services, what challenges still need to be addressed?
The main one is the shortage of skilled labor,
which is a challenge not only for tourism but for the whole Brazilian economy. The Ministry of Tourism and the Ministry of Education are investing US$195 million to train 240,000 people under the National Program for Access to Technical Education (Pronatec) for the World Cup in 2014. The Ministry of Tourism also is partnering with Austria and Belgium for training courses at the college level for students of tourism in Brazil. The other challenges are infrastructure, prices, and taxation.

How does the number of foreigners visiting Brazil compare with the number of Brazilians traveling abroad?
It is unfavorable for us. Brazil is a country that spends more abroad than many others, which is a sign of the vitality of our economy but produces a permanent deficit in our balance of payments. Today, the deficit is about US$15 billion. The number of foreigners who come to Brazil has varied very little in recent years, hovering around 5 million. In 2012, we did a little better at 5.7 million.

There is much talk of the Brazil cost and how it ultimately affects tourism.
We included the sectors of hospitality, aviation, and road passenger transport in the Greater Brazil Plan last year. All these sectors were exempted from payroll taxes and started paying a flat rate of 2% on gross sales. For the hospitality industry alone, this represents annual savings of over US$100 million. In addition, the federal government lowered electricity rates, which has had significant impact on the entire economy, particularly hotels. We are still studying further tax exemptions for pubs, restaurants, and theme parks. Last year, the government set up a system for foreign trade in services and intangibles … the idea is to return [to tourists] part of the taxes on services purchased here.

How is inflation affecting the sector?
Inflation is bad for everyone. But the major concern for the tourist industry is the exchange rate..

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