CULTURAL ISSUES: A BARRIER TO THE DEVELOPMENT OF E-BUSINESS ACTIVITIES IN BRAZIL

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Rafael Clever Gomes Duarte

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CULTURAL ISSUES: A BARRIER TO THE DEVELOPMENT OF

E-BUSINESS ACTIVITIES IN BRAZIL

BY

RAFAEL CLEVER GOMES DUARTE

has been approved

for the Center for International Studies by

Raymond Frost
Professor, Management Information Systems

Josep Rota
Director, Center for International Studies
To buy from and sell to every nation in the world is the common goal, particularly among those who have access, make use of and negotiate through the Internet. These Internet users desire the reasonable and rationally well regulated freedom without limitations to conduct business and otherwise make use of the resources and facilities existing in this virtual world. However, they often neglect the problems of the real and virtual worlds that might impede the development of Internet-based activities. This thesis will discuss how cultural traits have been an obstruction to the economic and commercial expansion of Brazil's domestic and international trade through e-business. It will present a comparative analysis and parametric approach to facilitate the understanding of the negative impact of this problem on the improvement and the growth of e-business in Brazil.

Approved: Raymond Frost

Professor, Management Information Systems
To the people for whom I have been doing everything in my life, my wife Edna and my sons Felipe and Bernardo.

To my parents Osmar and Nilza (in memoriam) and my sisters Fernanda and Valéria.

An acknowledgment of gratitude and admiration.
To Dr. Thomas, Ana, Jimmy, and Emily Walker for their kindness and friendship.

To my Ohio University professors for all the knowledge they gave me.

To Patrick Miller, Greg Kessler and John McVicker for their patience.

To Bill Lemons, Esthela Slater and Moris Lopez for their friendship.

To the Hermosillas for their help.
Preface

Achieving a *world without frontiers* is a secular aspiration among governments, politicians, executives, and citizens around the world. This great desire has made Globalization and the Global Information Infrastructure (GII) one of the most important issues for several decades past. Globalization has been breaking down legal, commercial, political, and economic barriers among almost all countries. It connects many nations through treaties, agreements, and economic blocs such as the EU¹, MERCOSUR², NAFTA³, and FTAA⁴. By the same token, the GII has been drastically reducing the time and distance that separates people, places, and things. It has been transforming the modern world into a *very small global community* through telecommunication resources and facilities such as optical cables, digital data transmission by satellites, interactive television, and computer networks. There is no doubt that Globalization and the Global Information Infrastructure have been transforming the world. Together, they have been changing the age-old desire to have a *world without frontiers* into a reality.

However, nothing has changed people's behavior, lives and societies so quickly and deeply as the Internet. This *high-tech* GII medium has generated an *Electronic Revolution* that is as important as the Industrial Revolution at the end of the eighteenth century. The White House’s report *A Framework for Global Electronic Commerce* confirms that the Internet has strongly empowered citizens and democratized societies,

---

¹ The European Union.
² MERcado COMum del SUR, or South Common Market (The equivalent word in Portuguese for the Mercosur is Mercosul - MERcado COMum do SUL).
³ North American Free Trade Agreement.
⁴ Free Trade Area of the Americas.
transforming classic commercial and economic models and breaking down old paradigms. The Internet has been encouraging the development of new business models such as the commercial interaction of businesses and consumers in the e-marketplace\(^5\) (2).

The electronic marketplace is replete with resources that help governments, corporations, organizations, institutions, firms, Internet-related professionals, and consumers to promote the expansion of their domestic and international business. Among the e-marketplace resources, e-business has been revolutionizing retail and direct marketing. E-business has been creating greater competition and increasing consumer choices. It has been lowering transaction costs, facilitating new types of commercial transactions, and providing easier means to start businesses. By using e-business facilities, entrepreneurs, consumers, firms, and governments are able to negotiate, buy, or sell an enormous variety of products and services all over the world without leaving their houses or offices. These characteristics and facilities have made e-business a very powerful electronic tool increasingly utilized around the world.

However, many countries are experiencing difficulties in conducting their e-business activities. They are lacking the regulations and infrastructure to promote their Internet-based activities and resources. Their e-marketplaces must be modernized to increase their domestic and international competitiveness. These countries require physical and regulatory reform by governments and the privated sector to transform their

---

\(^5\) E-marketplace “is an electronic environment created to facilitate trading between suppliers and buyers for the purposes of procurement and sourcing. These can be vertical, horizontal, private and/or public environments.” (Miraculum as quoted in TWEB, “What is an E-marketplace Anyway?”).
e-marketplace into an efficient, safe, transparent, and predictable environment for e-business.

Brazil is one example. In spite of the rapid development of its virtual and real environments, the country still has problems and must improve the framework necessary to support the growth of its e-business activities. Problems directly and indirectly related to its legal, financial and market access are frequently detected and measured as demonstrated by a very considerable quantity of research, surveys, and reports.

These Brazilian problems present a very real challenge. However, there is another very important and powerful issue that also has been impeding the development and growth of e-business activities in Brazil. Namely: cultural traits. The problem exists to such an extent, that not only has it prevente consumers from conducting e-business transactions, but entrepreneurs, firms and the government avoid conducting business by using the Internet as well.

---

6 “Virtual” is defined as something “almost or nearly the thing described, but not completely” (Hornby 1329). Virtual environment, or virtual world, is the electronic environment where the internet, e-commerce, e-business, e-marketing, on-line market, programs, systems, software, virtual reality, electronic games, pictures, data, and images, and so on take place.

“On-line market” is defined as “a high-tech, strategic and tactical extension of information gathering, direct marketing, and customer feedback, which are all important activities of the Integrating Marketing Communication (IMC) program” (Reedy, Schullo, and Zimmerman 4).

“IMC Strategic Program” is defined as “a two-way communication targeted to specific customers and their needs coordinated through a variety of media” (Dwyer and Tanner 639).

7 “Real environment,” or “real world,” of course, is the physical environment where we live. Every tangible thing is a part of the real world: the universe, stars, planets, the earth, desks, cars, tables, food, trees, rivers, house, people, animals, sea, etc.
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Chapter I - Brazil: Background

I. The Brazilian Economy

When people around the world consider Brazil, generally what comes to mind are beautiful beaches and cities, its five-time world champion soccer team, its fantastic carnival season, its cordial people, its wide range of music and dance, its religions, its foods, its great diversity of natural resources and rapid technological development. In 2001, the Brazilian economy was the eleventh largest in the world (The World Bank Group ‘Total GDP 2001’). This fact demonstrates Brazil’s importance as an international market. Table 1 presents the main data of the Brazilian economy.

The World Bank Group demonstrates that the Brazilian economy is the largest not only in South America but in all of Latin America as well (World Development Report 2000/2001 270-319). Table 2 compares Brazil’s surface, population, and GDP with the total of Mercosur and South America.
Table 1: The Brazilian Economy

<table>
<thead>
<tr>
<th>Economic Index Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>* GDP - Purchasing Power Parity (2002 est.)</td>
<td>US$ 1,376.00 billions</td>
</tr>
<tr>
<td>** GDP - Average annual growth (1990–99)</td>
<td>2.9%</td>
</tr>
<tr>
<td>* Percentile GDP - Real Growth Rate (2002 est.)</td>
<td>1.5%</td>
</tr>
<tr>
<td>* GDP Per Capita (2002 est.)</td>
<td>7,600</td>
</tr>
<tr>
<td>* Percentile GDP Agriculture (2002 est.)</td>
<td>8%</td>
</tr>
<tr>
<td>* Percentile GDP Industry (2002 est.)</td>
<td>36%</td>
</tr>
<tr>
<td>* Percentile GDP Services (2002 est.)</td>
<td>56%</td>
</tr>
<tr>
<td>** GNP (1999 est.)</td>
<td>US$ 742.8 billions</td>
</tr>
<tr>
<td>** GNP - Rank (1999 est.)</td>
<td>8th</td>
</tr>
<tr>
<td>** GNP - Avg. annual growth rate (1998–99)</td>
<td>-2.0%</td>
</tr>
<tr>
<td>** GNP Per Capita (1999 est.)</td>
<td>US$ 4,420.00</td>
</tr>
<tr>
<td>** GNP Per Capita - Rank (1999 est.)</td>
<td>70th</td>
</tr>
<tr>
<td>** GNP Per Capita - Avg. annual growth rate (1998–99 est.)</td>
<td>-3.2%</td>
</tr>
<tr>
<td>* Unemployment Rate (2001 est.)</td>
<td>6.4%</td>
</tr>
<tr>
<td>* Industry Production Growth Rate (2002 est.)</td>
<td>2.3%</td>
</tr>
<tr>
<td>* Revenues (2000 est.)</td>
<td>US$ 100.6 billions</td>
</tr>
<tr>
<td>* Expenditures (2000 est.)</td>
<td>US$ 91.6 billions</td>
</tr>
<tr>
<td>* Budget (Revenues – Expenditures – 2000 est.)</td>
<td>US$ 9.0 billions</td>
</tr>
<tr>
<td>* External Debt (2002)</td>
<td>US$ 222.4 billions</td>
</tr>
</tbody>
</table>

Sources:  
* Adapted from Central Intelligence Agency (The World Fact Book 2003)  
** Adapted from the World Bank Group (World Development Report 2000/2001)

Table 2: Brazilian, South American, and Mercosur Markets

<table>
<thead>
<tr>
<th></th>
<th>Total Area</th>
<th>Population (2003 est.)</th>
<th>GDP (2002 est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>8,511,965 sq. km</td>
<td>182.0 millions</td>
<td>US$ 1,376.0 billions</td>
</tr>
<tr>
<td>Mercosur</td>
<td>11,861,825 sq. km</td>
<td>230.1 millions</td>
<td>US$ 1,831.8 billions</td>
</tr>
<tr>
<td>South America</td>
<td>17,806,335 sq. km</td>
<td>364.2 millions</td>
<td>US$ 2,580.3 billions</td>
</tr>
<tr>
<td>Brazil - in relation to Mercosur</td>
<td>71.8 %</td>
<td>79.1 %</td>
<td>75.1 %</td>
</tr>
<tr>
<td>Brazil - in relation to South America</td>
<td>47.8 %</td>
<td>50.0 %</td>
<td>53.3 %</td>
</tr>
</tbody>
</table>

Source: Adapted from Central Intelligence Agency (The World Factbook 2003)
The Central Intelligence Agency reports the following:

‘Brazil’ s main export commodities are manufactured products, iron ore, soybeans, footwear, and coffee. Its main import commodities are: machinery and equipment, chemical products, oil, and electricity. Brazil’s main natural resources are bauxite, gold, iron ore, manganese, phosphates, timber, nickel, platinum, tin, uranium, petroleum, and hydropower. Its main industries are textiles, shoes, chemicals, cement, lumber, iron ore, steel, motor vehicles and motor vehicles parts, aircrafts and aircraft parts, and other machinery and equipment. Brazil’s main agricultural products are coffee, soybeans, wheat, rice, corn, sugarcane, cocoa, citrus, and beef. Brazil’s main export partners are Argentina, the Netherlands, and Japan. Its main import partners are Argentina, Germany, Italy, Japan, and the USA” (The World Factbook 2003).

Table 3 delineates the main data related to Brazil’s export and import activities.

**Table 3: Brazil: Exports and Imports**

<table>
<thead>
<tr>
<th>Exports and Imports</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports (f.o.b. 2002 est.)</td>
<td>US$ 59.4 billions</td>
</tr>
<tr>
<td>Imports (f.o.b. 2002 est.)</td>
<td>US$ 46.2 billions</td>
</tr>
<tr>
<td>Exports – Imports (f.o.b. 2002 est.)</td>
<td>US$ 13.2 billions</td>
</tr>
</tbody>
</table>

Source: Adapted from Central Intelligence Agency (The World Fact Book 2003)

Based on the information presented above, Brazil may appear to be a perfect tropical paradise and an excellent place to live. However, Brazil has long endured the uncomfortable title of an ‘underdeveloped country’ where a large percentage of the population lives in poor conditions. The financial, health, and housing conditions of many Brazilians are shockingly poor.
In 1991, fifty percent of Brazil’s wealth was concentrated in ten percent of the population. Table 4 compares the percentage of total income owned by the wealthiest ten percent of the population in the fifteen most unequal countries in income distribution.

### Table 4: Income of the Wealthiest 10% of the Population: 1991

<table>
<thead>
<tr>
<th>Ranking Position (starting from the worst position)</th>
<th>Countries</th>
<th>Participation of 10% Richest on Total of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Brazil</td>
<td>50.0 %</td>
</tr>
<tr>
<td>02</td>
<td>Zambia</td>
<td>46.4 %</td>
</tr>
<tr>
<td>03</td>
<td>Kenya</td>
<td>45.8 %</td>
</tr>
<tr>
<td>04</td>
<td>Paraguay</td>
<td>44.2 %</td>
</tr>
<tr>
<td>05</td>
<td>Peru</td>
<td>42.9 %</td>
</tr>
<tr>
<td>06</td>
<td>Turkey</td>
<td>40.7 %</td>
</tr>
<tr>
<td>07</td>
<td>Mexico</td>
<td>40.6 %</td>
</tr>
<tr>
<td>08</td>
<td>Malaysia</td>
<td>39.8 %</td>
</tr>
<tr>
<td>09</td>
<td>Philippines</td>
<td>37.0 %</td>
</tr>
<tr>
<td>10</td>
<td>Argentina</td>
<td>35.2 %</td>
</tr>
<tr>
<td>11</td>
<td>Sri Lanka</td>
<td>34.7 %</td>
</tr>
<tr>
<td>12</td>
<td>Thailand</td>
<td>34.1 %</td>
</tr>
<tr>
<td>13</td>
<td>India</td>
<td>33.6 %</td>
</tr>
<tr>
<td>14</td>
<td>Portugal</td>
<td>33.4 %</td>
</tr>
<tr>
<td>15</td>
<td>Egypt</td>
<td>33.2 %</td>
</tr>
</tbody>
</table>

Source: Adapted from Peliano (“Números da Desigualdade e Pobreza no Brasil”)

Poverty and income distribution inequality have existed in Brazil since the fifteenth century when Brazil was a colony of Portugal. According to Skidmore, during the colonial period, the processes of territorial occupation and land distribution were the main causes of poverty and income distribution inequality in Brazil. The labor intensive requirements on sugar cane and coffee plantations necessitated the importation of
thousands of African slaves. Also, exploration for natural resources and the settlement of the continental Brazilian territory demanded the use of thousands of African and native Indian slaves as well as the employment of many free foreign workers (1-27).

Helwege and Cardoso maintain that after the abolition of slavery, nothing changed significantly in Brazil’s process of colonization, territorial occupation, and land distribution until 1950. However, between the 1950s and 1980s, Latin America’s poverty and income distribution inequality increased as rapidly as its population growth (2-40). O’Donnell and Tokman state that this problem continued to increase during the 1980s a decade known as *Latin America’s lost decade*. Through the 1990s, in spite of the Brazilian government’s efforts, the situation did not change (25-66).

Table 5 presents the percentage of income and wealth possessed by the wealthiest one percent of the population in Brazil, the United Kingdom, and the United States in 1980. The data demonstrates again that the situation in Brazil is by far the worst amongst these three countries. Brazil’s wealth distribution is so unequal to such an extent that both its income distribution and concentration of wealth are almost double the percentages of those in the United Kingdom and the United States.

Table 5: Wealth of the Wealthiest 1% of the Population: 1980

<table>
<thead>
<tr>
<th></th>
<th>Brazil</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>17%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Wealth</td>
<td>53%</td>
<td>29%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Adapted from Peliano (‘Números da Desigualdade e Pobreza no Brasil’)

---

8 Estimated slave imports between 1451 and 1870: by the Spanish America as a whole - 1.6 million, and by Brazil - 9.6 million (Skidmore 53).

9 Rubber, wood, gold, silver, emeralds and diamonds (Skidmore 52-58).
The World Bank Group shows that Brazil’s Gini Coefficient is one of the worst in the world (World Development Report 2000/2001 282-283). In 1996, it was 60.0.

Among the countries’ Gini of all the coefficients presented in this document, only Sierra Leone’s one was worse than Brazil’s index. For example, Sierra Leone’s Gini Coefficient was 62.9\(^{11}\). According to the Central Intelligence Agency, Brazil’s Gini Index was 59.1\(^{12}\).

\(^{10}\) According to Greenwald, the Gini Coefficient (or concentration ratio) is a “summary measure of the degree of inequality”. It is the ratio of the shaved area in picture 1 to the entire area under the line of perfect equality \((A/A + B)\) (617). The above Lorenz Curve shows that a country’s income distribution becomes worse when the shaved area \(A\) becomes bigger and the white area \(B\) becomes smaller.

Greenwald wrote:

"The Lorenz Curve is a graph device which presents a vivid picture of the extent of inequality in the size distribution of wealth or income distribution and its components. The curve consists of a unit square, a diagonal to that square, and at least one true curve, which passes through the endpoints of the diagonal. The horizontal of the square represent the cumulative share of population units and run from 0 to 100 percent. The verticals represent cumulative shares of income (or wealth), starting with the poorest, and likewise range from 0 to 100 percent. The diagonal therefore, represents perfect equality. At point \(Z\), for example, the bottom 30 percent of the population receives 30 percent of income. The closer the curved line is to the diagonal, the smaller is the degree of inequality." (616).

\(^{11}\) It was obtained by research in 1989.
\(^{12}\) It was obtained by research in 1997.
(The World Fact Book 2002). In 1998, this index became worse again. It rose to 60.7

According to Peliano, Brazil is also the most inefficient country in the world in income distribution (“Números da Desigualdade e Pobreza no Brasil”). Table 6, and Charts 1 and 2 compare Brazil’s Gini Coefficient and distribution of income with some of its main export and import partners’ Gini Coefficient and distribution of income.

Table 6: Brazil's and its Commercial Partners' Gini Coefficient and Distribution of Income

<table>
<thead>
<tr>
<th>Countries</th>
<th>Survey Years</th>
<th>Gini Index</th>
<th>Percentage Share of Income or Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lowest 10%</td>
</tr>
<tr>
<td>Brazil</td>
<td>1996</td>
<td>60.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Chile</td>
<td>1994</td>
<td>56.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Germany</td>
<td>1994</td>
<td>30.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Italy</td>
<td>1995</td>
<td>27.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Japan</td>
<td>1993</td>
<td>24.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1994</td>
<td>32.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Peru</td>
<td>1994</td>
<td>46.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1989</td>
<td>42.3</td>
<td>2.1</td>
</tr>
<tr>
<td>USA</td>
<td>1997</td>
<td>40.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: Adapted from the World Bank Group (World Development Report 2000/2001)
Chart 1: Comparative Gini Coefficient

Source: Adapted from the World Bank Group (World Development Report 2000/2001)
Chart 2: Comparative Distribution of Income

Source: Adapted from the World Bank Group (World Development Report 2000/2001)
According to the World Bank Group, Brazil’s poverty rate increased greatly during the Brazilian economic crisis of 1997-99. It also reports that after this crisis the situation in Brazil’s economy changed again. Since late 1999, the Brazilian poverty rate has been declining. However, this reduction has been very slow and it has not been large enough to produce a representative alleviation of poverty and income distribution (World Development Report 2000/2001 12).

In 2001, Brazil had about 49.6 million people living with an income of R$79.00 a month (approximately US$32.00 a month or US$416.00 year)\(^{13}\). As a result, these problems are still strongly affecting many sectors of the Brazilian economy, including the Internet-based activity of businesses (Martins "São Quase 50 Milhões de Brasileiros Miseráveis").

Certainly, the government of Brazil has been trying to eliminate poverty and income distribution inequality. Many different economic plans have been implemented to achieve this objective. Despite all the plans adopted, none were successful in reducing poverty and income distribution inequality significantly. In 1998, approximately 22% of Brazil’s population was living below the poverty line (Central Intelligence Agency The World Fact Book 2002).

According to Berry, during the 1970s, external negative economic influences provoked severe adjustment challenges on the Brazilian economy. However, the orthodox economic plans adopted by the Brazilian military governments were inadequate to

---

13 R$ means ‘Real.’ This is the name of the Brazilian currency. The ‘Real’ exchange rate to the Dollar on July 11, 2001 was: R$1.00 to US$2.56 (“Dollar”). The ‘Real’ exchange rates to Dollar were R$1.00 to: US$1.16 (1998), US$1.81 (1999), US$1.83 (2000), US$2.36 (2001), and US$2.92 (2002) (Central Intelligence Agency The World Fact Book 2003). In 2003 R$1.00 was equal to US$2.87 (“Finanças Pessoais”).
14 Brazilians receive 13 salaries an year.
combat or reduce poverty and inequality (229). Skidmore states that the increase in these problems during the 1970’s was so great that they strongly contributed to the end of the Brazilian military government period (159-188).

From the begin until the middle of the 1980’s, Brazilian economic plans produced "a trade surplus large enough to balance its current account" by promoting a rapid and extremely successful "adjustment of the Brazilian balance of payments" (Berry 229). However, the necessary economic adjustments resulted in inflation and eventually hyperinflation and real wage decline. As a result, poverty and income distribution inequality rose considerably during this period. According to Berry, at the end of the 1980s, Brazil was dominated by "consecutive attempts to avoid hyperinflation" (229) combining orthodox and heterodox economic plans. Nevertheless, the trajectory of the Brazilian economy worsened more than in the previous period. The average GDP grew significantly but the unemployment rate did not fall to the levels of the first half of the decade. "By the end of the decade, all levels of the personal income distribution were poorer (in real terms) than in 1981 – and inequality was higher" (229).

In the beginning of the 1990s, the Brazilian economy "was in a situation opposite to that of two decades before" (Berry 229). The Brazilian government tried “shock therapy” (229) against inflation. Basically, this shock therapy consisted of a reduction in the money supply and structural reforms including "trade liberalization, privatization, and the attempt to eliminate wage indexation" (229). The first results on the anti-inflationary front were moderate and a deep recession was generated without the necessary increase in benefits offered through unemployment insurance system. According to Berry, "the main counterpart of the diminution of the formal sector’s share in overall employment
during this period was the growth of informal employment\(^{(229)}\) which produced a reduction of the difference between the wage rate of the formal and the informal sectors.

Based on the Brazilian criteria of economic classes classification\(^{15}\), table 7 and chart 3 show comparatively the percentage of Brazil’s population per economic classes in 1993, 1996, 2000 and 2001.

Table 7: Comparative Distribution of Brazil’s Population in Economic Classes:

<table>
<thead>
<tr>
<th>Economic Classes</th>
<th>*Percentage of Population per Economic Class in 1993</th>
<th>*Percentage of Population per Economic Class in 1996</th>
<th>*Percentage of Population per Economic Class in 2000</th>
<th>*Percentage of Population per Economic Class in 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>B</td>
<td>12</td>
<td>19</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>C</td>
<td>26</td>
<td>31</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td>D</td>
<td>42</td>
<td>33</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>E</td>
<td>18</td>
<td>12</td>
<td>8</td>
<td>12</td>
</tr>
</tbody>
</table>

Sources:
* Adapted from "Menos Miseráveis" (9)
** Adapted from DATAVALE ("Critério Brasil")

\(^{15}\) The Brazilian criteria of economic class classification uses the head of the family’s possessions and educational level to define the economic classes in Brazil’s population.
Chart 3: Comparative Distribution of Brazil’s Population in Economic Classes:


Sources: Adapted from DATAVALE (“Critério Brasil”) and "Menos Miseráveis"

Based on the Brazilian criteria of economic classification, table 8 shows the 2001 distribution of Brazil’s population in seven economic classes.
Table 8: Distribution of Brazil’s Population in Economic Classes: 2001

<table>
<thead>
<tr>
<th>Economic Classes</th>
<th>*Income per Day (in US$)</th>
<th>*Average of Income per Day (in US$)</th>
<th>*Average of Income per Year (in US$)</th>
<th>Percentile of Population per Economic Class</th>
<th>Population per Economic Class (in millions people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>64.16 or more</td>
<td>68.08</td>
<td>24,849.20</td>
<td>1</td>
<td>1.73</td>
</tr>
<tr>
<td>A2</td>
<td>34.00 - 64.15</td>
<td>43.24</td>
<td>15,782.60</td>
<td>4</td>
<td>6.92</td>
</tr>
<tr>
<td>B1</td>
<td>20.47 - 33.99</td>
<td>28.22</td>
<td>10,300.30</td>
<td>7</td>
<td>12.11</td>
</tr>
<tr>
<td>B2</td>
<td>12.30 - 20.46</td>
<td>18.64</td>
<td>6,803.60</td>
<td>12</td>
<td>20.76</td>
</tr>
<tr>
<td>C</td>
<td>5.74 - 12.29</td>
<td>9.74</td>
<td>3,555.10</td>
<td>31</td>
<td>53.63</td>
</tr>
<tr>
<td>D</td>
<td>3.04 - 5.73</td>
<td>4.94</td>
<td>1,803.10</td>
<td>33</td>
<td>57.09</td>
</tr>
<tr>
<td>E</td>
<td>3.03 or less</td>
<td>2.64</td>
<td>963.60</td>
<td>12</td>
<td>20.76</td>
</tr>
</tbody>
</table>

Source: Adapted from DATAVALE (“Critério Brasil")

* Distribution based on the exchange rate (R$ - US$) of December 1996

The World Bank Group states that "since late 1999 thanks to the rebound in growth" Brazil’s poverty rate has been decreasing. Poor people have been gaining from strong economic growth and the decrease in inflation. However, their livelihood continues to be precarious. Evidences from employment surveys in some metropolitan areas demonstrate that there are large oscillations in poverty in Brazil. In addition, because of poor access to education, income inequality and poverty continue to impede poor people from taking advantage of the opportunities created by the economic growth (Poverty Trends and Voices of the Poor 12).

II. Evolution of Brazil’s Main Economic Indicators

Table 9 and charts 4 and 5 show the evolution of Brazilian macroeconomic activity from 1996 through 2002 and demonstrate that Brazil’s Real GDP and the Real
GDP per Capita have had a tendency to increase. In other words, they show that Brazil’s economy has grown through the last five years.

Table 9: Macroeconomic Data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (in US$ x 1,000)</td>
<td>925,986</td>
<td>956,265</td>
<td>987,535</td>
<td>989,708</td>
<td>1,031,276</td>
<td>1,340,000</td>
<td>1,376,000</td>
</tr>
<tr>
<td>Total Population (in US$ x 1,000)</td>
<td>165,210</td>
<td>167,320</td>
<td>169,306</td>
<td>171,155</td>
<td>172,860</td>
<td>176,030</td>
<td>182,033</td>
</tr>
<tr>
<td>GDP Per Capita (in US$ Per Capita)</td>
<td>5.61</td>
<td>5.72</td>
<td>5.83</td>
<td>5.78</td>
<td>5.97</td>
<td>7.61</td>
<td>7.56</td>
</tr>
</tbody>
</table>

Sources: * Adapted from Countrywatch.com  
** Adapted from Central Intelligence Agency (The World Fact Book 2002)  
*** Adapted from Central Intelligence Agency (The World Fact Book 2003)
Table 10 and chart 6 show the changes in the Brazilian external debt from 1993 through 2002. One can perceive that it had a small reduction in 2000. However, this reduction resulted in making Brazil’s external debt in 2000 decrease from its 1998 level.
Table 10: Brazil’s External Debt Evolution: 1993 through 2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (in US$ billions)</td>
<td>145.7</td>
<td>148.3</td>
<td>159.3</td>
<td>179.9</td>
<td>200.0</td>
<td>241.6</td>
<td>241.5</td>
<td>236.2</td>
<td>226.1</td>
<td>227.7</td>
</tr>
</tbody>
</table>

Sources: Adapted from Banco Central do Brasil (as quoted in IPEADATA)  
* Adapted from Central Intelligence Agency (The World Fact Book 2003)

Chart 6: Brazil’s External Debt Evolution: 1993 through 2002

Sources: Banco Central do Brasil (as quoted in IPEADATA) and Central Intelligence Agency (The World Fact Book 2003)

Tables 11, 12 and 13 as well as charts 7, 8 and 9 show the evolution of the Brazilian inflation rate from 1996 through 2003. Brazil has been enormous variations in the inflation rates produced by several different economic plans adopted by the
governments from 1980 through 2003. In 1995, the Brazilian inflation rate decreased again and continues at a relatively reasonable level.

Table 11: Changes in Brazil’s Inflation Rate: 1965 – 1990 (National Index of Prices for Consumers)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rates</td>
<td>37.0</td>
<td>19.0</td>
<td>29.0</td>
<td>100.2</td>
<td>225.5</td>
<td>2,739.7</td>
</tr>
</tbody>
</table>

Source: Adapted from IBGE (as quoted in IPEADATA)

Chart 7: Changes in Brazil’s Inflation Rate: 1965 – 1990 (National Index of Prices for Consumers)

Source: Adapted from IBGE (as quoted in IPEADATA)
Table 12: Changes in Brazil’s Annual Inflation Rate: 1991 through 2003 (National Index of Prices for Consumers)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rates</td>
<td>414.7</td>
<td>991.4</td>
<td>2,103.7</td>
<td>2,406.8</td>
<td>14.8</td>
<td>9.3</td>
<td>4.0</td>
<td>2.7</td>
<td>8.6</td>
<td>6.0</td>
<td>7.7</td>
<td>13.88</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Sources: * Adapted from IBGE (as quoted in IPEADATA)
  ** Adapted from the World Bank Group (Development Data: Brazil)
  *** Adapted from “Índice Nacional de Preços ao Consumidor - INPC: Série Histórica”
  **** Adapted from Central Intelligence Agency (The World Fact Book 2002)
  ***** Adapted from “Finanças Pessoais”

Chart 8: Changes in Brazil’s Annual Inflation Rate: 1991 through 2003 (National Index of Prices for Consumers)

Table 13: Changes in Brazil’s Inflation Rate- 2003 (National Index of Prices for Consumers)

<table>
<thead>
<tr>
<th>Month</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Total 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rate</td>
<td>2.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.0</td>
<td>-0.1</td>
<td>0.0</td>
<td>0.2</td>
<td>0.8</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Source: Adapted from "Finanças Pessoais"

Chart 9: Changes in Brazil’s Inflation Rate – 2003 (National Index of Prices for Consumers)

Source: Adapted from "Finanças Pessoais"
III. People and Geography

Brazilian Resources, Inc shows that the Federative Republic of Brazil (República Federativa do Brasil) is the largest country in South America as well in Latin America. The Brazilian territory (3,287,906 square miles) is larger than the United States (3,027,732 square miles) excluding Alaska. Brazil has twenty-six states plus one Federal District where its capital city, Brasilia, is located. In addition, 60% of the Brazilian territory is made up of the Amazon Forest (8,511,996 km$^2$)\(^{16}\). This rain forest is larger than all of Western Europe. In addition, it is the largest continuous tropical forest in the world and contains one fifth of all the fresh water of the earth\(^{17}\) (Amazon Forest Service).

According to Morales, Brazilian people are descendants of a mixture of native Indians and people from an incredibly wide variety of countries around the world, mainly Portugal, Nigeria, Angola, Holland, France, Germany, Italy, Poland, and Japan. As a result, Brazilian people are one of the most racially mixed people in the world (Virtual Trip to Brazil).

Brazil’s official language is Portuguese; however, English, French, and Spanish are other languages that are spoken and used in the Brazilian business world (Central Intelligence Agency The World Factbook 2002).

Table 14 presents the main data about Brazil’s geography and population.

\(^{16}\) Tropical forest and cerrado.
\(^{17}\) Several governments, institutions and organizations do not recognize this information as a reality.
### Table 14: Brazil: Geography and People

<table>
<thead>
<tr>
<th>Description</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>** Population (July 2003 est.)</td>
<td>182,032,604</td>
</tr>
<tr>
<td>* Total Area</td>
<td>8,511,965 sq. km</td>
</tr>
<tr>
<td>Population Density (people per sq. km – 2003 est.)</td>
<td>21.4</td>
</tr>
<tr>
<td>* Population Growth Rate (2003 est.)</td>
<td>1.15 %</td>
</tr>
<tr>
<td>* Birth Rate (2003 est.)</td>
<td>17.67 births/1,000 population</td>
</tr>
<tr>
<td>* Death Rate (2003 est.)</td>
<td>6.13 deaths/1,000 population</td>
</tr>
<tr>
<td>* Infant Mortality Rate (2003 est.)</td>
<td>31.74 deaths/1,000 live births</td>
</tr>
<tr>
<td>* Life Expectancy at Birth (2003 est.)</td>
<td>71.13 years</td>
</tr>
<tr>
<td>* Total Fertility Rate (2003 est.)</td>
<td>2.01 children born per woman</td>
</tr>
<tr>
<td>* Labor Force (1999 est.)</td>
<td>79.0 million</td>
</tr>
<tr>
<td>* Percentage Labor Force Agriculture (1999 est.)</td>
<td>23.0 %</td>
</tr>
<tr>
<td>* Percentage Labor Force Industry (1999 est.)</td>
<td>24.0 %</td>
</tr>
<tr>
<td>* Percentage Labor Force Services (1999 est.)</td>
<td>53.0 %</td>
</tr>
<tr>
<td>* Literacy (age 15 and over can read and write – 2003 est.)</td>
<td>86.4 %</td>
</tr>
</tbody>
</table>

Sources: * Adapted from Central Intelligence Agency (The World Fact Book 2000)
** Adapted from ‘Estimativas da População’
Chapter II – Internet and E-business: Background

I. E-business Vs E-commerce

What is the correct term to use “e-business” or “e-commerce” activities?

This is a very common question asked by people all around the world conducting economic activities on the Internet. However, specialists in Internet-based activities do not have a standard answer for it yet. Some specialists consider e-business and e-commerce the same thing. Some of them consider these electronic trades two different activities18, and others consider e-business as part of e-commerce and vice versa.

This question has generated controversy. However, the objective of this research paper is not to settle the controversy that surrounds this question. In fact, a standard and practical definition is sufficient to guide the development of this research.

Regarding these considerations, a good way is to start with a basic definition of business and commerce. According to Maguire, business is

"the occupation, trade, or work that provides a person with a means of living. ... Commercial, industrial, and professional dealings considered as a group. ... A commercial establishment, such as a store or factory. ... The volume or amount of trade. ... One’s rightful or proper concern. ... An affair; a matter. Synonyms: industry, commerce, trade, and traffic" (119).

18 For example, e-commerce can be defined as a business-to-consumer activity, while e-business can be defined as a business-to-business activity. Business-to-consumer (B2C) "is the marketing aimed at influencing their personal purchasing" (Dwyer and Tanner Jr. 6).
She also defines traditional commerce as "the buying and selling of goods, especially on a large scale; trade" (172).

Based on Maguire’s definitions, this paper will consider e-business as a term that includes both e-commerce and e-business activities.

II. What does E-business mean?

According to Reedy, Schullo, and Zimmerman, e-business (or e-commerce) is "the conducting of business communications and transmissions over networks and through computers, specifically the buying and selling of goods and services, and the transfer of funds through digital communications. Electronic commerce can also include all intercompany and intracompany functions (such as marketing, finance, manufacturing, sales, and negotiation) that enable commerce and that use electronic mail, EDI (Electronic Data Interchange)19, file transfer, fax, video conferencing, workflow, or interaction with a remote computer. Electronic commerce can include buying and selling over the World Wide Web and the Internet, electronic funds transfer, smart cards, digital cash, and all other ways of doing business over digital networks" (4).

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19 EDI (Electronic Data Interchange) is a computer resource that permits "the use of electronic transmission of data between buyers and sellers to order and maintain product inventory" (Dwyer and Tanner 637).
III. Advantages of E-business

What can e-business do for corporations, organizations, governments, Internet-related professionals, institutions, and personal consumers?

The question cited directly above is another very common and important question that has been discussed by Internet users when analyzing the costs and benefits of the development and utilization of e-business facilities.

Based on Pricewaterhouse Coopers’ considerations of this subject, Reedy, Schullo, and Zimmerman state that the use of e-business resources should bring the following advantages to their users:

"achieve market leadership, reach new markets, create new products and services, build customer loyalty, optimize business processes, enhance human capital, harness technology, and manage risk and compliance" (353-354).

IV. Internet and E-business in the World: Main Trends

E-business activities "are growing and will continue to grow, no matter what happens with the rest of the economy."

Ratcliffe (element k journals)

Ratcliffe’s affirmation directly above seems to be correct in the sense that in countries such as Brazil, Argentina, Venezuela and Colombia, e-business activities are
Table 15: World’s Internet’s Main Issues – Evaluation and Predictions: 1999 through 2005

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Users (in millions)</td>
<td>280</td>
<td>414</td>
<td>539</td>
<td>673</td>
<td>825</td>
<td>945</td>
<td>N/A</td>
</tr>
<tr>
<td>Domestic Internet Users (in millions)</td>
<td>280</td>
<td>414</td>
<td>445</td>
<td>538</td>
<td>660</td>
<td>756</td>
<td>N/A</td>
</tr>
<tr>
<td>Wireless Users (%)</td>
<td>N/A</td>
<td>N/A</td>
<td>0.16</td>
<td>0.25</td>
<td>0.33</td>
<td>0.42</td>
<td>N/A</td>
</tr>
<tr>
<td>Cell phones (in millions)</td>
<td>328</td>
<td>469</td>
<td>600</td>
<td>1,050</td>
<td>1,630</td>
<td>1,890</td>
<td>N/A</td>
</tr>
<tr>
<td>E-Commerce (in US$ billions)</td>
<td>130</td>
<td>282</td>
<td>517</td>
<td>1,167</td>
<td>1,845</td>
<td>3,365</td>
<td>5,030</td>
</tr>
<tr>
<td>B2B (in US$ billions)</td>
<td>110</td>
<td>210</td>
<td>365</td>
<td>916</td>
<td>1,420</td>
<td>2,800</td>
<td>4,300</td>
</tr>
<tr>
<td>B2C (in US$ billions)</td>
<td>20</td>
<td>72</td>
<td>152</td>
<td>251</td>
<td>425</td>
<td>565</td>
<td>730</td>
</tr>
<tr>
<td>M-Commerce (in US$ billions)</td>
<td>N/A</td>
<td>4.0</td>
<td>15.0</td>
<td>5.8</td>
<td>16.6</td>
<td>40.4</td>
<td>75.5</td>
</tr>
<tr>
<td>Expenditures on Online Advertising (in US$ billions)</td>
<td>3.3</td>
<td>6.4</td>
<td>9.2</td>
<td>11.0</td>
<td>13.0</td>
<td>16.0</td>
<td>19.8</td>
</tr>
<tr>
<td>Percentage of expenditures on Online advertising in Relation to the Total (%)</td>
<td>1.20</td>
<td>2.10</td>
<td>3.30</td>
<td>4.70</td>
<td>6.40</td>
<td>4.00</td>
<td>5.80</td>
</tr>
<tr>
<td>Expenditures on Information Technology (in US$ billions)</td>
<td>348</td>
<td>387</td>
<td>429</td>
<td>448</td>
<td>466</td>
<td>495</td>
<td>539</td>
</tr>
</tbody>
</table>

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC (International Data Corporation), and Yankee Group (as quoted in ‘Insiderinformation’)
* Adapted from Martinez (“Facilitando o Desenvolvimento da Economia On-line”)

PS.: N/A = Not Available

Sources: Adapted Martinez ("Facilitando o Desenvolvimento da Economia On-line"), eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insiderinformation")


Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insiderinformation")

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insider Information")


Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insider Information")

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in 'Insiderinformation')

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Chart 16: World’s Expenditures on Online Advertising – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Chart 17: World’s Percentage of Expenditures on Online Advertising in Relation to the Total – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)


Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

According to Comitê Gestor da Internet no Brasil (Committee for Management of the Internet in Brazil), another important indication of Internet activity is a country’s total number of hosts\(^{20}\) (‘Indicadores: Crescimento da Internet’). Table 16 demonstrates the growth of the total number of hosts in the 16 leading countries of this committee ranking, from January 1998 through January 2003.

<table>
<thead>
<tr>
<th>Countries</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>20,623,995</td>
<td>30,488,565</td>
<td>53,167,229</td>
<td>80,557,512</td>
<td>106,182,291</td>
<td>120,571,516</td>
</tr>
<tr>
<td>Japan</td>
<td>1,168,956</td>
<td>1,687,534</td>
<td>2,636,541</td>
<td>4,640,863</td>
<td>8,713,920</td>
<td>9,260,117</td>
</tr>
<tr>
<td>Italy</td>
<td>243,250</td>
<td>338,822</td>
<td>658,307</td>
<td>1,630,526</td>
<td>2,958,899</td>
<td>3,864,315</td>
</tr>
<tr>
<td>Canada</td>
<td>839,141</td>
<td>1,119,172</td>
<td>1,669,664</td>
<td>2,364,014</td>
<td>3,129,884</td>
<td>2,993,982</td>
</tr>
<tr>
<td>Germany</td>
<td>994,926</td>
<td>1,316,893</td>
<td>1,702,486</td>
<td>2,163,326</td>
<td>2,508,151</td>
<td>2,891,407</td>
</tr>
<tr>
<td>U. Kingdom</td>
<td>987,733</td>
<td>1,423,804</td>
<td>1,901,812</td>
<td>2,291,369</td>
<td>2,496,683</td>
<td>2,583,753</td>
</tr>
<tr>
<td>Australia</td>
<td>665,403</td>
<td>792,351</td>
<td>1,090,468</td>
<td>160,526</td>
<td>2,150,379</td>
<td>2,564,339</td>
</tr>
<tr>
<td>Netherlands</td>
<td>381,172</td>
<td>594,129</td>
<td>820,944</td>
<td>1,309,911</td>
<td>2,052,770</td>
<td>2,415,286</td>
</tr>
<tr>
<td>Brazil</td>
<td>117,200</td>
<td>215,086</td>
<td>446,444</td>
<td>876,596</td>
<td>1,644,575</td>
<td>2,237,527</td>
</tr>
<tr>
<td>Taiwan</td>
<td>176,661</td>
<td>308,676</td>
<td>598,036</td>
<td>1,095,718</td>
<td>1,712,539</td>
<td>2,170,233</td>
</tr>
<tr>
<td>France</td>
<td>333,306</td>
<td>488,043</td>
<td>779,879</td>
<td>1,229,763</td>
<td>1,988,321</td>
<td>2,157,628</td>
</tr>
<tr>
<td>Spain</td>
<td>168,913</td>
<td>264,245</td>
<td>415,641</td>
<td>663,553</td>
<td>1,497,450</td>
<td>1,694,601</td>
</tr>
<tr>
<td>Switzerland</td>
<td>319,065</td>
<td>431,809</td>
<td>594,627</td>
<td>764,011</td>
<td>1,141,093</td>
<td>1,209,266</td>
</tr>
<tr>
<td>Denmark</td>
<td>159,358</td>
<td>279,790</td>
<td>336,928</td>
<td>435,556</td>
<td>707,141</td>
<td>1,154,053</td>
</tr>
<tr>
<td>Finland</td>
<td>450,044</td>
<td>546,244</td>
<td>631,248</td>
<td>771,725</td>
<td>944,670</td>
<td>1,140,838</td>
</tr>
<tr>
<td>Mexico</td>
<td>41,659</td>
<td>112,620</td>
<td>404,873</td>
<td>559,165</td>
<td>918,288</td>
<td>1,107,795</td>
</tr>
</tbody>
</table>

Source: Adapted from Network Wizards (as quoted in Comitê Gestor da Internet no Brasil ‘Indicadores: Crescimento da Internet’)

\(^{20}\) According to the online dictionary NetLingo, "host is a computer that functions as the beginning and end point of data transfers. It is most commonly thought of as the place where your Web site resides. An Internet host has a unique Internet address (IP address – a numeric address that is given to servers and users connected to the Internet) and a unique domain name (domain name is the address or URL of a particular Web site, it is the text name corresponding to the numeric IP address of a computer on the Internet. For example: www.netlingo.com is the domain name for the numeric IP address "66.201.69.207") or host name. A host can also refer to a Web hosting company."
Table 17 demonstrates these countries’ positions per total number of hosts from January, 1998 through January, 2003. This table also demonstrates that only the United States and Japan have maintained their position at the top of this ranking through the six years presented. It also shows that Brazil, Italy, and Mexico (in bold face) have risen in this ranking at a greater rate than the other countries. It means these three countries have developed/increased their Internet activities at a greater rate than the others through the years cited.

Table 17: Position per Total Number of Hosts of the Sixteen Leading Countries:

January 1998 through January 2003

<table>
<thead>
<tr>
<th>Countries</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Japan (.jp)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Italy (.it)</strong></td>
<td><strong>12</strong></td>
<td><strong>11</strong></td>
<td><strong>9</strong></td>
<td><strong>6</strong></td>
<td><strong>7</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>Canada (.ca)</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Germany (.de)</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>U. Kingdom (.uk)</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Australia (.au)</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Netherlands (.nl)</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td><strong>Brazil (.br)</strong></td>
<td><strong>19</strong></td>
<td><strong>16</strong></td>
<td><strong>13</strong></td>
<td><strong>11</strong></td>
<td><strong>11</strong></td>
<td><strong>9</strong></td>
</tr>
<tr>
<td>Taiwan (.tw)</td>
<td>13</td>
<td>13</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>France (.fr)</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Spain (.es)</td>
<td>15</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Switzerland (.se)</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Denmark (.dk)</td>
<td>16</td>
<td>15</td>
<td>17</td>
<td>19</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Finland (.fi)</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>12</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td><strong>Mexico (.mx)</strong></td>
<td><strong>26</strong></td>
<td><strong>23</strong></td>
<td><strong>15</strong></td>
<td><strong>15</strong></td>
<td><strong>15</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

Source: Adapted from Network Wizards (as quoted in Comitê Gestor da Internet no Brasil ‘Indicadores: Crescimento da Internet’)


The Coffee Studio presents an interesting point of view concerning predictions for the development and growth of the Internet and e-business activities. According to this organization, any predictions for the development of the Internet and e-business activities must take into consideration the fact that many new products and services appear on the Net each day giving new options to consumers of all races, religions, nationalities, ages and sexes all around the world ("Dados do Brasil"). This important comment indicates that Internet activities can make available not only the most recently developed products and services, but it also demonstrates that when the entire world is considered, what is an old and obsolete product for one person, may be new and interesting for another.

---

21 According to Birch and Peter, the Net "joins all of the computers and telephones on Earth. It is formed by radio, telephone and cellular links with microwave transmitters beaming information into orbit and beyond" ("What Is Cyberspace?" 2).
Obviously, the tremendous growth of the Internet and the electronic economy demanded a methodology to measure countries’ Internet-based conditions in the same way that their regular economy is evaluating. To deal with this problem, the Economist Intelligence Unit and the Pyramid Research developed their own methodology\textsuperscript{22} to measure and rank countries’ Internet-based activities.

\textsuperscript{22} In 2001, the Economist Intelligence Unit and the Pyramid Research ranking’s methodology analyzed seven issues that affect the development of e-business to fuel countries’ ranking. They were:

1. Connectivity (30%) - "E-business simply cannot function without adequate telecommunications and Internet infrastructure. Connectivity measures the access that individuals and businesses have to basic fixed and mobile telephony services, including voice and both narrowband and broadband data. Affordability and availability of service (both a function of the level of competition in the telecoms market) also figure as determinants of connectivity" ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings");

2. Business environment (20%) - "In evaluating the general business climate, the Economist Intelligence Unit screens 70 indicators covering criteria such as the strength of the economy, political stability, the regulatory environment, taxation, and openness to trade and investment. The resulting ‘business environment ranking’ measures the expected attractiveness of the general business environment over the next five years. Calculated regularly as part of the Economist Intelligence Unit’s Country Forecasts, a comparative index for the 60 major economies," Business environment is "the resulting ‘business environment ranking’ measures the expected attractiveness of the general business environment over the next five years. Calculated regularly as part of the Economist Intelligence Unit’s Country Forecasts, a comparative index for the 60 major economies" ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings");

3. E-commerce consumer and business adoption (20%) - "Payment and logistics systems form the backbone of this criteria. Here the Economist Intelligence Unit and Pyramid Research evaluate the extent of credit-card ownership as well as the existence of secure, reliable and efficient electronic payment mechanisms, the ability of vendors to ensure timely and reliable delivery of goods, and the extent of web site development by local firm" ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings");

4. Legal and regulatory environment (15%) - "The legal framework governing e-business is a vital factor than can enhance or inhibit the development of electronic trading. The Economist Intelligence Unit and Pyramid Research consider the extent of legal support for virtual transactions and digital signatures. Ease of licensing and the ability of firms to operate with a minimal but effective degree of regulation are other criteria" ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings");

5. Supporting e-services (10%) - "No business or industry can function efficiently without intermediaries and ancillary services to support it" ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings");

6. Supporting e-services for e-business markets, these include portals (according to Actores y Tendencias de la Nueva Economía, portals are web sites that work as entrances or passages presenting "distinct thematic options and functions from which users can choose a specific destination in the Internet") and other online intermediaries, web-hosting firms, application service providers (ASPs), as well as website developers and e-business consultants" ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings");

7. Social and cultural infrastructure (5%) - "Education and literacy are necessary preconditions to a population’s ability to navigate the web and drive future domestic Internet development. Because entrepreneurship and risk-taking play such an important role in building new e-commerce models, the Economist Intelligence Unit and Pyramid Research also assess the national proclivity to business innovation and receptiveness to web content" ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings").
Table 18 demonstrates the rank of the 60 leading countries according to the results of the 2001 research done by the Economist Intelligence Unit and the Pyramid Research. It also divides these countries into four categories depending on their position in the ranking and the situation of their Internet environment. These categories are:

- **E-business leaders** – countries that already ‘have most of the elements of e-readiness in place, though there are still some concerns about regulatory safeguards (“The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings”);

- **E-business contenders** – countries that ‘have both a satisfactory infrastructure and a good business environment. But parts of the e-business equation are still lacking” (“The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings”);

- **E-business followers**23 – countries that ‘have begun to create an environment conducive to e-business, but have a great deal of work still to do” (“The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings”);

- **E-business laggards** – countries that ‘risk being left behind, and face major obstacles to e-business growth, primarily in the area of connectivity24” (“The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings”).

---

23 The largest group in the Table 18 ranking.
24 According to The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings
Connectivity
"measures the access that individuals and businesses have to basic fixed and mobile telephone services, including voice and both narrowband and broadband data. Affordability and availability of service (both a function of the level of competition in the telecoms market) also figure as determinants of connectivity” (“The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings”).
Table 18: E-readiness Ranking\textsuperscript{25}: May 2001

<table>
<thead>
<tr>
<th>E-readiness (ranking of 60)</th>
<th>Countries</th>
<th>E-readiness (score of 10)</th>
<th>E-readiness (ranking of 60)</th>
<th>Countries</th>
<th>E-readiness (score of 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-business Leaders</td>
<td></td>
<td></td>
<td>E-business Contenders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>USA</td>
<td>8.73</td>
<td>14</td>
<td>Ireland</td>
<td>7.28</td>
</tr>
<tr>
<td>2</td>
<td>Australia</td>
<td>8.29</td>
<td>15</td>
<td>France</td>
<td>7.26</td>
</tr>
<tr>
<td>3</td>
<td>UK</td>
<td>8.10</td>
<td>16</td>
<td>Austria</td>
<td>7.22</td>
</tr>
<tr>
<td>4</td>
<td>Canada</td>
<td>8.09</td>
<td>16</td>
<td>Taiwan</td>
<td>7.22</td>
</tr>
<tr>
<td>5</td>
<td>Norway</td>
<td>8.07</td>
<td>18</td>
<td>Japan</td>
<td>7.18</td>
</tr>
<tr>
<td>6</td>
<td>Sweden</td>
<td>7.98</td>
<td>19</td>
<td>Belgium</td>
<td>7.10</td>
</tr>
<tr>
<td>7</td>
<td>Singapore</td>
<td>7.87</td>
<td>20</td>
<td>New Zealand</td>
<td>7.00</td>
</tr>
<tr>
<td>8</td>
<td>Finland</td>
<td>7.83</td>
<td>21</td>
<td>South Korea</td>
<td>6.97</td>
</tr>
<tr>
<td>9</td>
<td>Denmark</td>
<td>7.70</td>
<td>22</td>
<td>Italy</td>
<td>6.74</td>
</tr>
<tr>
<td>10</td>
<td>Netherlands</td>
<td>7.69</td>
<td>23</td>
<td>Israel</td>
<td>6.71</td>
</tr>
<tr>
<td>11</td>
<td>Switzerland</td>
<td>7.67</td>
<td>24</td>
<td>Spain</td>
<td>6.43</td>
</tr>
<tr>
<td>12</td>
<td>Germany</td>
<td>7.51</td>
<td>25</td>
<td>Portugal</td>
<td>6.21</td>
</tr>
<tr>
<td>13</td>
<td>Hong Kong</td>
<td>7.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-business Followers</td>
<td></td>
<td></td>
<td>E-business Laggards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Greece</td>
<td>5.85</td>
<td>48</td>
<td>Bulgaria</td>
<td>3.38</td>
</tr>
<tr>
<td>27</td>
<td>Czech Republic</td>
<td>5.71</td>
<td>49</td>
<td>China</td>
<td>3.36</td>
</tr>
<tr>
<td>28</td>
<td>Hungary</td>
<td>5.49</td>
<td>50</td>
<td>Ecuador</td>
<td>3.30</td>
</tr>
<tr>
<td>29</td>
<td>Chile</td>
<td>5.28</td>
<td>50</td>
<td>Iran</td>
<td>3.30</td>
</tr>
<tr>
<td>30</td>
<td>Poland</td>
<td>5.05</td>
<td>52</td>
<td>Romania</td>
<td>3.20</td>
</tr>
<tr>
<td>31</td>
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Source: Adapted from The Economist Intelligence Unit and the Pyramid Research (“The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings”)

PS.: **Bold** = Latin American Countries

\textsuperscript{25} According to the Economist Intelligence Unit, E-readiness
‘is shorthand for the extent to which a country’s business environment is conducive to Internet-based commercial opportunities. It is a concept that spans a wide range of factors, from telephone penetration to online security to intellectual property protection’ (‘Doing E-business in...’).
Table 19 shows the results of the 2002 research and compares it with the 2001 results.

26 According to The Economist Intelligence Unit and the Pyramid Research, ‘In 2001 the model was enhanced to include a much wider range of quantitative and qualitative criteria. In 2002, it worked in association with IBM’s Institute for Business Value, the Economist Intelligence Unit adjusted the rankings framework to take into account the shift away from the dotcom era’s emphasis on e-commerce to the new imperatives of corporate efficiency, security and global connectivity. The Economist Intelligence Unit was solely responsible for scoring the 60 countries.

The new model tallies scores across six categories: five of these include a total of 29 indicators, while the sixth is the Economist Intelligence Unit’s business environment rankings. Each variable in the model is scored on a scale from one to ten. Where possible, the variables rest on quantitative, statistical data; others reflect qualitative assessments by Economist Intelligence Unit country analysts. The six categories that feed into the Economist Intelligence Unit’s rankings (and their weight in the model) are:

- **Connectivity and technology infrastructure (25%).** ‘Connectivity’ measures the access that individuals and businesses have to basic fixed and mobile telephone services, personal computers and the Internet. Affordability, quality and reliability of service (both a function of the level of competition in the telecoms market) also figure as determinants of connectivity.

- **Business environment (20%).** In evaluating the general business climate, the Economist Intelligence Unit screens 70 indicators covering criteria such as the strength of the economy, political stability, the regulatory environment, taxation, and openness to trade and investment. The resulting business environment rankings measure the expected attractiveness of the general business environment over the next five years. Calculated regularly as part of the Economist Intelligence Unit Country Forecasts, these rankings have long offered investors an invaluable comparative index for 60 major economies.

- **Consumer and business adoption (20%).** The e-readiness rankings assess how prevalent e-business practices are in each country. To what extent is the Internet used to overhaul and automate traditional business processes? How and where are companies helped in this effort by the development of logistics and online payment systems, the availability of finance, and state investment in IT (Information Technology)?

- **Social and cultural infrastructure (15%).** Literacy and some degree of education are preconditions to being able to navigate the web. The rankings also consider a population’s ‘e-literate’ experience using the Internet and its receptivity to it—and the technical skills of the workforce. And because Internet business involves risk-taking, the rankings assess the national proclivity to business innovation and entrepreneurship.

- **Legal and policy environment (15%).** A country’s overall legal framework and its specific laws governing Internet use are both vital to e-business development. How easy is it to register a new business, and how strong is protection of private property, including intellectual property? Governments that support—both through policy and capital allocation—the development of IT infrastructure get high scores. Those more concerned with censoring content score lower.

- **Supporting e-services (5%).** No business or industry can function efficiently without intermediaries and ancillary services to support it. For e-business, these include consulting and IT services, and back-office solutions. The rankings also take into account whether there are consistent, industry-wide technology standards for platforms and programming languages.

Ps.: *Dotcom* is the term used to refer to private companies that operate electronic business on the Internet. This term has its origin on these companies’ domain names. All of them have a ”.com” at the end of their domains (i.e.: www.thebest.com).
Table 19: Comparative E-readiness Ranking: 2001 and 2002

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<th>E-readiness (ranking of 60)</th>
<th>Countries</th>
<th>E-readiness (score of 10)</th>
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Sources: Adapted from the Economist Intelligence Unit and the Pyramid Research ("The Economist Intelligence Unit and the Pyramid Research E-readiness Rankings;" "The Economist Intelligence Unit E-readiness Rankings, July 2002")

PS.: Bold = Latin American Countries
According to the Economist Intelligence Unit and the Pyramid Research, the key points of the 2002 research are:

- “North America, northern Europe and Australia take the top ten positions” ("The Economist Intelligence Unit E-readiness Rankings, July 2002");
- “Emerging markets suffer from poor IT infrastructure and a lack of financing” ("The Economist Intelligence Unit E-readiness Rankings, July 2002");
- “Location isn’t destiny – all regions feature both standouts and laggards” ("The Economist Intelligence Unit E-readiness Rankings, July 2002");
- “Top-notch infrastructure is vital, but business culture is even more critical” ("The Economist Intelligence Unit E-readiness Rankings, July 2002");
- “Conducive government policy gives leading countries a competitive edge” ("The Economist Intelligence Unit E-readiness Rankings, July 2002").
Table 20 shows the results of the 2003 research\textsuperscript{27} and compares it with the 2002 results. According to the Economist Intelligence Unit and the Pyramid Research, the key points of the 2003 research are:

- ‘Sweden deposes US to take first place’ (“The 2003 E-readiness Rankings”);
- ‘Northern Europe, North America and Australia claim top nine spots’ (“The 2003 E-readiness Rankings”);
- ‘Hong Kong and South Korea make significant advances’ (“The 2003 E-readiness Rankings”);
- ‘Economic difficulties inhibit, but by no means cripple, Internet development’ (“The 2003 E-readiness Rankings”);
- ‘Conducive government policy boosts e-readiness in developed and developing countries alike’ (“The 2003 E-readiness Rankings”).

\textsuperscript{27} According to the Economist Intelligence Unit and the Pyramid Research, since they launched their rankings in 2000, they have repeatedly upgraded and refined their methodology. In 2003, their methodology used

‘nearly 100 quantitative and qualitative criteria, organized into six distinct categories, fed into the e-readiness rankings. The six categories (and their weight in the model) are connectivity and technology infrastructure (25%); business environment (20%), using the 70 indicators covered by the Economist Intelligence Unit’s business environment rankings for 60 countries; consumer and business adoption (20%); social and cultural environment (15%); legal and policy environment (15%); and supporting e-services (5%)’ (“The 2003 E-readiness Rankings”).

The Economist Intelligence Unit and the Pyramid Research pointed out that

‘this year, the model is unchanged from the previous ranking, making direct annual comparison of scores possible for the first time. The source of the majority of the data is from the Economist Intelligence Unit and Pyramid Research. Qualitative criteria are assessed by the Economist Intelligence Unit’s extensive network of country’s experts’; (“The 2003 E-readiness Rankings”) and their assessments are reviewed by their top economists. For both the 2002 and 2003 rankings, ‘the Economist Intelligence Unit worked in association with IBM’s Institute for Business Value, a leader in e-business strategy that provides senior executives with insights into today’s technology driven marketplace. IBM worked together with the Economist Intelligence Unit to build the rankings model. The Economist Intelligence Unit is entirely responsible for the rankings and related white paper’ (“The 2003 E-readiness Rankings”).
### Table 20: Comparative E-readiness Ranking: 2002 and 2003

<table>
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<tr>
<th>E-readiness (ranking of 60)</th>
<th>Countries</th>
<th>E-readiness (score of 10)</th>
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<th>E-readiness (ranking of 60)</th>
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<tr>
<td>29 29</td>
<td>Hungary</td>
<td>6.23</td>
<td>60</td>
<td>Azerbaijan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6.05</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>30 31</td>
<td>Poland</td>
<td>5.57</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.52</td>
<td>59</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Adapted from the Economist Intelligence Unit and the Pyramid Research ("The Economist Intelligence Unit E-readiness Rankings, July 2002;" "The 2003 E-readiness Rankings")

PS.: **Bold** = Latin American Countries
According to The Economist Intelligence Unit and the Pyramid Research, the main conclusions indicated by this year’s rankings are:

- ‘Scandinavia leads. When the Economist Intelligence Unit’s e-readiness rankings were introduced in 2000, the US led the pack. With the downturn in the US economy and the evaporation of venture capital, however, challengers – particularly Scandinavian countries – have gained ground. Sweden is now the front-runner, and Denmark (2nd place), Finland (6th) and Norway (7th) have each advanced significantly over last year’s rankings. What sets Scandinavia apart is the extent to which the Internet has pervaded the marketplace and reshaped business transactions, and the eagerness with which citizens have incorporated Internet technology into their daily routines;

- In contrast to their northern neighbors, Southern Europeans regard the Internet skeptically, and are reluctant to move business online. Among the region’s stragglers are Italy (21st), Portugal (22nd), Spain (23rd) and Greece (26th);

- Regional champions. Western economies continue to dominate the top slots in our ranking. They have the right conditions for e-business: healthy macroeconomic, political and regulatory environments; highly developed IT infrastructure; and a large pool of regular – and relatively wealthy – Internet users. But every region has pockets of promise. In Asia-Pacific, Australia (9th) is ahead in a competitive field, thanks partly to early and intensive telecoms deregulation. South Korea (16th) is making the largest strides, spurred by an ambitious government and heavy infrastructure spending. In the Middle East, Israel (25th) holds the lead by leveraging an entrepreneurial culture and an abundance of IT experts. And in Eastern Europe, the Czech Republic (27th), Hungary (29th) and Poland (30th) are expanding broadband coverage and promoting competition among Internet service providers, to good effect;

- Small countries have an edge. Economic might influences, but does not determine, e-readiness. The world’s strongest economies– the US, Germany and Japan – have taken 3rd, 13th and 24th place, respectively, in our rankings. They are outstripped by smaller, nimbler economies, such as Sweden (1st), Hong Kong (10th) and Singapore (12th), which are better able to implement nationwide infrastructure projects. The city-state of Singapore, for example, is the first country in the world to have nationwide broadband coverage;

- Economic downturn affects e-readiness. Most countries have improved their scores since last year, thanks to continued rollout of broadband services, uptake of mobile telephony, and a spate of Internet-related legislation and government programs. Where there has been a slight reduction in score, economic and political turmoil are to blame, dampening business prospects across the board, not just e-business. Canada and Mexico, for example, are intimately tied to the US economy, and have suffered the effects of reduced
trade and investment. Regional economic woes have had an impact on Brazil, Chile and Venezuela. In some European countries, too, business conditions have deteriorated since last year;

- No country is a back-pedaller. But no country is a back-pedaller. Even in tough economic times, governments are pushing through IT infrastructure projects; programs to bring the Internet to schools, post offices and other public venues; and legislation to encourage e-business and safeguard its participants. They are reducing connection charges by liberalizing local telecoms markets, subsidizing public access and regulating prices. And they are putting government services online at a fast clip;
- Governments set the stage. The e-business revolution is not led by businesses and consumers alone. Smart government initiatives are boosting the Internet’s potential around the world, from Sweden to Hungary, from Canada to South Africa” (“The 2003 E-readiness Rankings”).

For this paper’s purpose, other important facts demonstrated by Economist Intelligence Unit and the Pyramid Research’s e-ranking are:

- The United States turned down from the isolated 1st position (in 2002) to the 3rd position in the 2003 ranking – tied with Netherlands and United Kingdom (“The 2003 E-readiness Rankings”);
- Brazil turned down from the 34th position (in 2002) to the 36th position in the 2003 ranking (“The 2003 E-readiness Rankings”);
- Analyzing table 20, it is possible to perceive that the Latin American Countries’ ranking position and/or score are worse in 2003 than they were in 2002 – except Argentina (it kept the same situation in relation to 2002) and Ecuador (it improved its Internet activities and framework in relation to 2002) (“The 2003 E-readiness Rankings”).

Other respect report about the Internet was published at the end of 2003 by the UNCTAD – United Nations Conference to Trade and Development. This document displays the UN’s (United Nations) ranking of access to the Internet by countries. To
established this ranking, the ITU – International Telecommunications Union, a United Nations’ agency, considered five items: infrastructure, prices related to the Internet, literacy, quality of Internet related services, and total number of users (as quoted in ‘ONU Divulga Ranking Mundial de Acesso Digital; Brasil é 65º’).

According the ITU, at the end of 2002, there were 591.6 million people in the world connected to the Internet. It was a 27.2% over 2001. Brazil had 14.3 million users (the greatest amount of users in Latin America and the eleventh in the world’s ranking of Internet users), Mexico had 4.66 million (the second in Latin America’s ranking), Argentina had 4.1 million (the third), and Chile 3.1 million (the fourth) (as quoted in ‘Internet Mundial Tem 591,6 Milhões de Usuários, Segundo a ONU’).

It also shows that the United States had 155 million users (the first in the world’s ranking of Internet users), China had 59.1 million (the second), and Japan had 57.2 million (the third) (as quoted in ‘Internet Mundial Tem 591,6 Milhões de Usuários, Segundo a ONU’).

In spite of its good number of Internet users, Brazil is only in the sixth-fifth position in the world’s ranking of access to the Internet.

Asia had 201.0 million users, North America had 170.2 million users, Europe had 166.5 million users, Latin America (including the Caribbean) had 35.5 million users, Oceania had 10.5 million users, and Africa had 7.94 million users. Table 21 and chart 19 compare these numbers (ITU as quoted in ‘Internet Mundial Tem 591,6 Milhões de Usuários, Segundo a ONU’).
Table 21: Number of Internet Users by World’s Region in 2002 (Million)

<table>
<thead>
<tr>
<th>Region</th>
<th>World</th>
<th>Asia</th>
<th>North America</th>
<th>Europe</th>
<th>Latin America</th>
<th>Oceania</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users</td>
<td>591.6</td>
<td>201.0</td>
<td>170.2</td>
<td>166.5</td>
<td>35.5</td>
<td>10.5</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: Adapted from ITU (as quoted in “Internet Mundial Tem 591,6 Milhões de Usuários, Segundo a ONU”)

Chart 19: Number of Internet Users by World’s Region in 2002 (Million)

Other important information pointed out by the ITU, is the fact that there is a significant inequality of access to the Internet in the world. The document demonstrates
that the fifteen ‘less connected countries’ of the world are in Africa. The report also shows that 189.8 million users of the world were in developing countries and 401.7 million were in rich countries (as quoted in ‘Web no Brasil Sofre 7.294 Ataques em 2002; É a 2ª Mais Vulnerável.’).

V. Internet and E-business Activities in Latin America

According to ViewsWire Latin America, in Latin America, ‘Internet penetration remains very low in poorer countries.’ In addition, it shows that the development of e-business activities is still ‘spotty within regions, with some countries advancing rapidly and others lagging far behind’ (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’).

Comparing the research results of the Economist Intelligence Unit and the Pyramid Research of 2001, the Economist Intelligence Unit E-readiness Rankings of 2002, and the Economist Intelligence Unit E-readiness Rankings of 2002, it is possible to observe that e-business activities are only beginning to develop in Latin American countries. In 2002, they were classified only below the 28th position (as follower and laggard countries). Chile was the best classified (28th). Brazil was 34th and Mexico (30th). Argentina was classified in the 35th position, Venezuela in the 37th, Colombia in the 38th,

---

28 According to Lopes, in 2000, users negotiated only around US$1 billion through e-business activities in the Latin America as a whole (“América Latina Tem 15 Milhões de Internautas”).
Peru in the 39th, and Ecuador in the 50th position\(^{29}\). Except Venezuela, all these countries became better only a little or became worse from 2001 through 2002.

ViewsWire Latin America states that much of the e-commerce in Latin America is highly concentrated in “the four relatively developed markets:” Argentina, Brazil, Chile and Mexico (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’). According to "E Commerce Development Report, 2002", these countries together contain more than 66% of the Internet users and approximately “85% of all paid dial-up Internet accounts in the region” (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’).

ViewsWire Latin America also states that business-to-business activity remains more widespread than business-to-consumer” (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’). According to it, in 2001, ‘between 50% and 70% of Latin American enterprises had access to the Internet, and by early 2002 virtually all companies with 200 or more employees had their own website.

For this reason, large multinational corporations have been at the forefront of developing online B2B\(^{30}\) and B2C\(^{31}\) transactions in the region. This is particularly true in Mexico and Brazil, as well as in global industries such as the automotive industry. Thus the adoption of e-commerce in Latin America has been spearheaded not by dotcom companies, but by traditional businesses seeking to diversify distribution channels and improve the efficiency of their supply chain management. Online car sales are the largest e-retail item in Latin America, and online banking is also increasingly popular among businesses and consumers” (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’).

\(^{29}\) The others Latin American countries were not classified among the 60 countries in neither the 2001 or the 2002 research.


\(^{31}\) ‘B2C” means business -to-consumer.
Table 22 and charts 20 through 28 demonstrate the evaluation and predictions for the growth of the Internet activities and its main frameworks in Latin America from 1999 through 2005.

Table 22: Latin America’s Internet’s Main Issues – Evaluation and Predictions:

1999 through 2005

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Users (in millions)</td>
<td>10.2</td>
<td>16.2</td>
<td>22.6</td>
<td>32.0</td>
<td>44.0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Domestic Internet Users (in millions)</td>
<td>5.3</td>
<td>8.5</td>
<td>10.5</td>
<td>14.5</td>
<td>19.8</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Installed PCs (in millions)</td>
<td>21.3</td>
<td>26.0</td>
<td>31.0</td>
<td>38.5</td>
<td>42.4</td>
<td>48.7</td>
<td>N/A</td>
</tr>
<tr>
<td>Cell phones (in millions)</td>
<td>36.9</td>
<td>54.2</td>
<td>67.6</td>
<td>75.8</td>
<td>93.0</td>
<td>102.0</td>
<td>115.0</td>
</tr>
<tr>
<td>E-Commerce (in US$ billions)</td>
<td>0.6</td>
<td>1.4</td>
<td>4.2</td>
<td>8.8</td>
<td>17.0</td>
<td>29.3</td>
<td>45.1</td>
</tr>
<tr>
<td>B2B (in US$ billions)</td>
<td>0.4</td>
<td>0.9</td>
<td>2.9</td>
<td>6.5</td>
<td>12.5</td>
<td>21.5</td>
<td>33.1</td>
</tr>
<tr>
<td>B2C (in US$ billions)</td>
<td>0.2</td>
<td>0.5</td>
<td>1.3</td>
<td>2.3</td>
<td>4.5</td>
<td>7.8</td>
<td>12.0</td>
</tr>
<tr>
<td>M-Commerce (in US$ billions)</td>
<td>N/A</td>
<td>0.00</td>
<td>0.01</td>
<td>0.02</td>
<td>0.05</td>
<td>0.13</td>
<td>N/A</td>
</tr>
<tr>
<td>Expenditures on Online Advertising (in US$ billions)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>0.9</td>
<td>1.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Percentage of expenditures on Online advertising in Relation to the Total (%)</td>
<td>0.20</td>
<td>0.50</td>
<td>1.00</td>
<td>1.80</td>
<td>3.00</td>
<td>4.90</td>
<td>7.00</td>
</tr>
<tr>
<td>Expenditures on Information Technology (in US$ billions)</td>
<td>8.8</td>
<td>10.1</td>
<td>11.7</td>
<td>12.7</td>
<td>13.2</td>
<td>15.5</td>
<td>18.1</td>
</tr>
</tbody>
</table>

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”)

PS.: N/A = Not Available

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Chart 21: Latin America’s Domestic Internet Users – Evaluation and Predictions:

1999 through 2003

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Chart 22: Latin America’s Installed PCs – Evaluation and Predictions: 1999 through 2004

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”)

Chart 23: Latin America’s Number of Cell Phones – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”)

Expenditures (in US$ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0.00</td>
</tr>
<tr>
<td>2001</td>
<td>0.01</td>
</tr>
<tr>
<td>2002</td>
<td>0.02</td>
</tr>
<tr>
<td>2003</td>
<td>0.05</td>
</tr>
<tr>
<td>2004</td>
<td>0.13</td>
</tr>
</tbody>
</table>

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insiderinformation")

Expenditures (in US$ Millions)

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”)
Chart 26: Latin America’s Expenditures on Online Advertising – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Chart 27: Latin America’s Percentage of Expenditures on Online Advertising in Relation to the Total – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’).
Table 23 and chart 29 show the products and services that were most purchased through the Internet in Latin America in 1999.

Table 23: Main Products and Services Purchased through the Internet in Latin America: 1999 (in US$ Millions)

<table>
<thead>
<tr>
<th>Products and Services</th>
<th>Travels</th>
<th>Computers</th>
<th>Books</th>
<th>Electronic Products</th>
<th>Other Goods</th>
<th>Software</th>
<th>CDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>158</td>
<td>70</td>
<td>28</td>
<td>18</td>
<td>16</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Adapted from Newsbytes ("55% do Tráfico da Web é Gerado Fora dos EUA")
According to ViewsWire Latin America, the main barriers that have impeded the development of the Internet and e-business activities in Latin America are:

- "lagging telecommunications infrastructure in some countries" (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’),
- "digital divide" between poorer and more affluent income classes" (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’);
• “limited access to credit cards” (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’);

• “low rate of computer ownership” (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’);

• “E-business skills deficiency” (as quoted in The Economist Intelligence Unit ‘Latin America: Internet Advances’).

VI. Internet and E-business Activities in the United States of America

The United States is the world leader of Internet activity. In 2001, a survey undertaken by Newsbytes pointed out that the U.S. for conducted alone almost 50% of all the traffic on the Net. In that year, countries with strong economies such as Canada, Japan and Germany each had traffic on the Internet approximately one-tenth of that of the United States. Table 24 and chart 30 compare the traffic on the Internet of the United States, Canada, Germany, Japan, South Korea, and all the other countries in the world as a unit in 2001 (Newsbytes “55% do Tráfego da Web é Gerado Fora dos EUA”).

Table 24: Comparison of Traffic over the Internet: June 2001

<table>
<thead>
<tr>
<th>Countries</th>
<th>Canada</th>
<th>Germany</th>
<th>Japan</th>
<th>South Korea</th>
<th>USA</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentages</td>
<td>5.0 %</td>
<td>5.6 %</td>
<td>4.3 %</td>
<td>4.6 %</td>
<td>45 %</td>
<td>35.5 %</td>
</tr>
</tbody>
</table>

Source: Adapted from Newsbytes (“55% do Tráfego da Web é Gerado Fora dos EUA”)
According to Macklin, in 2013, 80% of the United State’s population will have access to the Internet. He also states that currently 153 million North Americans are connected to the Net, and 10 million more will connect this year. This means that currently, 55% of the population of the United States is connected to the Net (as quoted in "80% da População dos EUA Estará On-line em 2013, Diz Estudo").
Table 25 and charts 31 through 40 show the evaluation and predictions for the growth of Internet activities and its main frameworks in the United States from 1999 through 2005.

Table 25: The United States’ Internet’s Main Issues – Evaluation and Predictions:

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Users (in millions)</td>
<td>101.5</td>
<td>135.0</td>
<td>169.0</td>
<td>178.0</td>
<td>187.0</td>
<td>193.0</td>
<td>N/A</td>
</tr>
<tr>
<td>Domestic Internet Users (in millions)</td>
<td>102.0</td>
<td>113.5</td>
<td>119.0</td>
<td>128.0</td>
<td>138.0</td>
<td>147.0</td>
<td>N/A</td>
</tr>
<tr>
<td>Cell phones (in millions)</td>
<td>75.4</td>
<td>100.0</td>
<td>135.0</td>
<td>146.4</td>
<td>169.8</td>
<td>185.1</td>
<td>199.9</td>
</tr>
<tr>
<td>Wireless Users (%)</td>
<td>N/A</td>
<td>N/A</td>
<td>0.05</td>
<td>0.12</td>
<td>0.20</td>
<td>0.28</td>
<td>N/A</td>
</tr>
<tr>
<td>Broadband Access (in millions)</td>
<td>5.6</td>
<td>11.7</td>
<td>21.2</td>
<td>36.0</td>
<td>54.1</td>
<td>75.7</td>
<td>98.4</td>
</tr>
<tr>
<td>E-Commerce (in US$ billions)</td>
<td>58.0</td>
<td>161.0</td>
<td>303.6</td>
<td>557.0</td>
<td>818.5</td>
<td>1,256.0</td>
<td>1,841.6</td>
</tr>
<tr>
<td>B2B (in US$ billions)</td>
<td>41.7</td>
<td>122.7</td>
<td>253.8</td>
<td>482.0</td>
<td>721.0</td>
<td>1,139.2</td>
<td>1,686.0</td>
</tr>
<tr>
<td>B2C (in US$ billions)</td>
<td>16.3</td>
<td>38.3</td>
<td>49.8</td>
<td>75.0</td>
<td>97.5</td>
<td>126.8</td>
<td>155.6</td>
</tr>
<tr>
<td>M-Commerce (in US$ billions)</td>
<td>N/A</td>
<td>0.8</td>
<td>1.8</td>
<td>2.8</td>
<td>7.4</td>
<td>15.2</td>
<td>27.6</td>
</tr>
<tr>
<td>Expenditures on Online Advertising (in US$ billions)</td>
<td>2.8</td>
<td>5.4</td>
<td>7.3</td>
<td>8.1</td>
<td>9.6</td>
<td>11.3</td>
<td>13.5</td>
</tr>
<tr>
<td>Percentage of expenditures on Online advertising in Relation to the Total (%)</td>
<td>2.2</td>
<td>2.4</td>
<td>2.9</td>
<td>3.2</td>
<td>3.5</td>
<td>3.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Expenditures with Information Technology (in US$ billions)</td>
<td>160.3</td>
<td>177.4</td>
<td>181.8</td>
<td>197.4</td>
<td>219.2</td>
<td>248.6</td>
<td>282.0</td>
</tr>
</tbody>
</table>

Sources: Adapted from eMarketer, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”)

PS.: N/A = Not Available
Chart 31: The United States’ Internet Users – Evaluation and Predictions: 1999 through 2004

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)


Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

**Chart 33: The United States’ Number of Cell Phones – Evaluation and Predictions:**

**1999 through 2005**

![Chart showing the number of cell phones in millions from 1999 to 2005](chart33)

*Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)*

**Chart 34: The United States’ Percentage of Wireless Users – Evaluation and Predictions: 2001 through 2004**

![Chart showing the percentage of wireless users from 2001 to 2004](chart34)

*Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)*

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Internet Broadband Access (in Millions)

<table>
<thead>
<tr>
<th>Years</th>
<th>1999</th>
<th>2000</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.6</td>
<td>11.7</td>
<td>36.0</td>
<td>54.1</td>
<td>75.7</td>
<td>98.4</td>
</tr>
</tbody>
</table>


Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Expenditures (in US$ Millions)

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in 'Insiderinformation')

Chart 38: The United States’ Expenditures on Online Advertising – Evaluation and Predictions: 1999 through 2005

Expenditures (in US$ Millions)

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in 'Insiderinformation')
Chart 39: The United States’ Percentage of Expenditures on Online Advertising in Relation to the Total – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)}
Table 26 and chart 41 demonstrate comparatively the Internet and PCs penetration in the United States and other European, Asian and Latin American countries in 1999 and 2002.
### Table 26: Comparative Internet and PCs Penetration: 1999 and 2002 (First Half)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Internet Penetration (%)</th>
<th>Growth (%)</th>
<th>PCs Penetration (%)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
<td>2002</td>
<td></td>
<td>1999</td>
</tr>
<tr>
<td>Argentina</td>
<td>2.0</td>
<td>7.3</td>
<td>13</td>
<td>265</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.0</td>
<td>5.2</td>
<td>14</td>
<td>160</td>
</tr>
<tr>
<td>Chile</td>
<td>5.3</td>
<td>8.0</td>
<td>15</td>
<td>50</td>
</tr>
<tr>
<td>Ecuador</td>
<td>N/A</td>
<td>1.7</td>
<td>16</td>
<td>N/A</td>
</tr>
<tr>
<td>Germany</td>
<td>12.1</td>
<td>54.1</td>
<td>17</td>
<td>347</td>
</tr>
<tr>
<td>Italy</td>
<td>17.9</td>
<td>37.5</td>
<td>18</td>
<td>109</td>
</tr>
<tr>
<td>Japan</td>
<td>21.3</td>
<td>57.1</td>
<td>19</td>
<td>168</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.1</td>
<td>5.6</td>
<td>20</td>
<td>195</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20.0</td>
<td>59.0</td>
<td>21</td>
<td>702</td>
</tr>
<tr>
<td>Peru</td>
<td>N/A</td>
<td>2.1</td>
<td>22</td>
<td>N/A</td>
</tr>
<tr>
<td>USA</td>
<td>18.5</td>
<td>70.7</td>
<td>23</td>
<td>282</td>
</tr>
<tr>
<td>Venezuela</td>
<td>3.7</td>
<td>4.7</td>
<td>24</td>
<td>127</td>
</tr>
</tbody>
</table>

Sources adapted from:

1. The Economist Intelligence Unit (Doing E-business in Brazil: At-a-glance)
2. The Economist Intelligence Unit (Doing E-business in Chile: At-a-glance)
3. The Economist Intelligence Unit ("Doing E-business in Ecuador: At-a-glance")
4. The Economist Intelligence Unit ("Doing E-business in Germany: At-a-glance")
5. The Economist Intelligence Unit ("Doing E-business in Italy: At-a-glance")
6. The Economist Intelligence Unit ("Doing E-business in Japan: At-a-glance")
7. The Economist Intelligence Unit ("Doing E-business in Mexico: At-a-glance")
8. The Economist Intelligence Unit ("Doing E-business in the United States: At-a-glance")
9. The Economist Intelligence Unit ("Doing E-business in Netherlands: At-a-glance")
10. The Economist Intelligence Unit (Doing E-business in Peru: At-a-glance)
11. The Economist Intelligence Unit ("Doing E-business in the United States: At-a-glance")
12. The Economist Intelligence Unit ("Doing E-business in Venezuela: At-a-glance")
13. The Economist Intelligence Unit ("Doing E-business in Argentina")
14. The Economist Intelligence Unit ("Doing E-business in Brazil")
15. The Economist Intelligence Unit ("Doing E-business in Chile")
16. The Economist Intelligence Unit ("Doing E-business in Ecuador")
17. The Economist Intelligence Unit ("Doing E-business in Germany")
18. The Economist Intelligence Unit ("Doing E-business in Italy")
19. The Economist Intelligence Unit ("Doing E-business in Japan")
20. The Economist Intelligence Unit ("Doing E-business in Mexico")
21. The Economist Intelligence Unit ("Doing E-business in the Netherlands")
22. The Economist Intelligence Unit ("Doing E-business in Peru")
23. The Economist Intelligence Unit ("Doing E-business in the United States")
24. The Economist Intelligence Unit ("Doing E-business in Venezuela")

Ps.: N/A = Not Available

**Bold**: Latin American Countries.
### Chart 41: Comparative Internet and PCs Penetration: 1999 and 2002 (First Half)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Internet Penetration (%)</th>
<th>PCs Penetration (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>30.3</td>
<td>59.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.0</td>
<td>20.4</td>
</tr>
<tr>
<td>Chile</td>
<td>5.3</td>
<td>18.5</td>
</tr>
<tr>
<td>Ecuador</td>
<td>0.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Germany</td>
<td>12.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Italy</td>
<td>17.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Japan</td>
<td>21.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Mexico</td>
<td>7.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Peru</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Venezuela</td>
<td>3.7</td>
<td></td>
</tr>
</tbody>
</table>

Based on the ranking of the Economist Intelligence Unit and Pyramid Research (see table 26), chart 42 compares the growth of Internet and PCs penetration in the United States with eleven other countries PCs Penetration in 1999 and 2002 (first half).

**Chart 42: Growth of Internet and PC Penetration: 1999 and 2002 (First Half)**

Table 27, 28, 29 and 30 as well as charts 43, 44, 45 and 46 demonstrate how Americans have spent their money buying from the e-marketplace in 2000.

**Table 27: E-business Activities in the United States: 2000**

<table>
<thead>
<tr>
<th>Products and Services</th>
<th>Travel Tickets</th>
<th>Computers</th>
<th>Hotels Reservations</th>
<th>Electronic Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in US$ billions)</td>
<td>7.8</td>
<td>5.1</td>
<td>2.1</td>
<td>28.0</td>
</tr>
</tbody>
</table>

Source: Adapted from Associated Press ("E-commerce Movimentou US$ 28 bi nos EUA em 2000")

**Chart 43: E-business Activities in the United States: 2000**

Source: Adapted from Associated Press ("E-commerce Movimentou US$ 28 bi nos EUA em 2000")

<table>
<thead>
<tr>
<th>Years</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in US$ billions)</td>
<td>7.7</td>
<td>17.3</td>
<td>28.0</td>
</tr>
</tbody>
</table>

Source: Adapted from Associated Press ("E-commerce Movimentou US$ 28 bi nos EUA em 2000")


Source: Adapted from Associated Press ("E-commerce Movimentou US$ 28 bi nos EUA em 2000")
Table 29: The Online Contents Sector\textsuperscript{32} in the United States – Evaluation and Predictions: 2001 through 2007

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in US$ billions)</td>
<td>0.7</td>
<td>1.6</td>
<td>2.0</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Sources: * Adapted from Online Publishers Association (as quoted in “Gastos com Conteúdo Online Cresce 95% nos EUA em 2002”)
** Adapted from Jupiter Research (as quoted in “Internautas Gastarão US$ 2 bi em Conteúdo Online nos EUA em 2003”)


Sources: Adapted from Jupiter Research (as quoted in “Internautas Gastarão US$ 2 bi em Conteúdo Online nos EUA em 2003”) and Online Publishers Association (as quoted in “Gastos com Conteúdo Online Cresce 95% nos EUA em 2002”)

\textsuperscript{32} The “online content sector” includes online news, articles, reports, chats and games (Online Publishers Association as quoted in “Gastos com Conteúdo Online Cresce 95% nos EUA em 2002”).

<table>
<thead>
<tr>
<th>Years</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (in US$ billions)</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Adapted from Giga Information Group (as quoted in “Varejo On-line Movimentará US$ 100 Bilhões nos EUA em 2005”)


Source: Adapted from Giga Information Group (as quoted in “Varejo On-line Movimentará US$ 100 Bilhões nos EUA em 2005”)


According to the CommerceNet, the United States has the biggest slice of the global e-marketplace. However, its growth and participation in the world Internet-based activities appears to have a tendency to be beginning to decline (element k journals).

VII. Internet and E-business in Brazil: Current Characteristics

A. General Information

‘Brazil has been regarded as one of the most promising countries for the development of the Internet.’

Economist Intelligence Unit ("Doing E-business in Brazil: E-commerce")

Competitiveness depends more on “how” governments, corporations, organizations, institutions, firms and companies offer their products and services to citizens and clients than “what kind” of products and services they provide. This perspective can give a very important competitive advantage to the development of e-business activities. Therefore, to make it possible for their economies to grow in the global world, countries must organize and develop their Internet environment as fast as possible.

The Brazilian government, politicians, lawmakers, organizations, entrepreneurs, corporations, institutions, firms, and Internet-related professionals are aware to a certain

---

33 To become organized means that countries must pay attention to and solve the problems related to issues such as customs and taxation, electronic payments, a commercial code for e-business, intellectual property protection, privacy, security, telecommunications infrastructure and information technology, web sites content, and technical standards.
exent of this. As a result, Brazil’s business activities, as well as its framework have been increasing quantitatively and qualitatively. This fact can be perceived as a result of much research and many surveys conducted there.

Table 31 and charts 47 through 57 show the evaluation and predictions for the growth of the Internet activities and its main frameworks in Brazil from 1999 through 2005.

Table 31: Brazil’s Internet’s Main Issues – Evaluation and Predictions: 1999 through 2005

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Users (in millions)</td>
<td>4.8</td>
<td>9.0</td>
<td>11.0</td>
<td>14.3</td>
<td>17.5</td>
<td>N/A</td>
<td>*36.0</td>
</tr>
<tr>
<td>Domestic Internet Users (in millions)</td>
<td>2.5</td>
<td>4.7</td>
<td>5.9</td>
<td>7.9</td>
<td>10.9</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Installed PCs (in millions)</td>
<td>7.8</td>
<td>9.5</td>
<td>11.3</td>
<td>12.7</td>
<td>14.2</td>
<td>16.3</td>
<td>18.7</td>
</tr>
<tr>
<td>Cell phones (in millions)</td>
<td>15</td>
<td>22</td>
<td>27</td>
<td>31</td>
<td>46</td>
<td>53</td>
<td>N/A</td>
</tr>
<tr>
<td>Broadband Access (in millions)</td>
<td>0.0</td>
<td>0.2</td>
<td>0.3</td>
<td>0.6</td>
<td>1.0</td>
<td>2.4</td>
<td>3.5</td>
</tr>
<tr>
<td>E-Commerce (in US$ billions)</td>
<td>0.3</td>
<td>0.6</td>
<td>2.1</td>
<td>5.1</td>
<td>8.7</td>
<td>13.5</td>
<td>21.9</td>
</tr>
<tr>
<td>B2B (in US$ billions)</td>
<td>0.2</td>
<td>0.3</td>
<td>1.6</td>
<td>3.7</td>
<td>6.8</td>
<td>10.9</td>
<td>18.1</td>
</tr>
<tr>
<td>B2C (in US$ billions)</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>1.4</td>
<td>1.9</td>
<td>2.6</td>
<td>3.8</td>
</tr>
<tr>
<td>E-government (in US$ billions)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1.2</td>
<td>2.6</td>
<td>5.3</td>
<td>9.4</td>
</tr>
<tr>
<td>M-Commerce (in US$ billions)</td>
<td>N/A</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Expenditures on Online Advertising (in US$ billions)</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>0.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Percentage of expenditures on Online advertising in Relation to the Total (%)</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>0.04</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>Expenditures on Information Technology (in US$ billions)</td>
<td>4.9</td>
<td>6.2</td>
<td>6.6</td>
<td>7.0</td>
<td>7.8</td>
<td>8.9</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”)
* Adapted from International Data Corporation (as quoted in “E-business E-pectations for Brazil”)

PS.: N/A = Not Available
Chart 47: Brazil's Internet Users – Evaluation and Predictions: 1999 through 2003 and 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”) and International Data Corporation (as quoted in “E-business E-xpectations for Brazil”)


Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in “Insiderinformation”)
Chart 49: Brazil's Installed PCs – Evaluation and Predictions: 1999 through 2004

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in 'Insiderinformation')

Chart 50: Brazil's Number of Cell Phones – Evaluation and Predictions: 1999 through 2004

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in 'Insiderinformation')
Chart 51: Brazil's Internet Broadband Access – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)}

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insiderinformation")

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)


Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in ‘Insiderinformation’)

Chart 55: Brazil's Expenditures on Online Advertising – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insiderinformation")

Chart 56: Brazil's Percentage of Expenditures on Online Advertising in Relation to the Total – Evaluation and Predictions: 1999 through 2005

Sources: Adapted from eMarker, Forrester, Gartner Group, IDC, and Yankee Group (as quoted in "Insiderinformation")
At the beginning of 2003, 50% of the sites accessed by Brazilians are national web sites (2001). In Argentina this percentage is 12%, and in Mexico it is only 8% (Câmara Brasileira do Comércio Eletrônico as quoted in "Brasil Terá E-commerce de US$3,2 bi em 2003").

Table 32 demonstrates comparatively the growth of the total number of hosts in Brazil and other countries in the Americas from January 1998 through the January 2003, and table 33 demonstrates these countries’ positions per total number of hosts from January 1998 through January 2003.
Table 32: Brazil and the Americas – Countries’ Position per Total of Hosts:

January 1998 through January 2003

<table>
<thead>
<tr>
<th>Countries</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>20,623,995</td>
<td>30,488,565</td>
<td>53,167,229</td>
<td>80,557,512</td>
<td>106,182,291</td>
<td>120,571,516</td>
</tr>
<tr>
<td>Canada</td>
<td>839,141</td>
<td>1,119,172</td>
<td>1,669,664</td>
<td>2,364,014</td>
<td>3,129,884</td>
<td>2,993,982</td>
</tr>
<tr>
<td>Brazil</td>
<td>117,200</td>
<td>215,086</td>
<td>446,444</td>
<td>876,596</td>
<td>1,644,575</td>
<td>2,237,527</td>
</tr>
<tr>
<td>Mexico</td>
<td>41,659</td>
<td>112,620</td>
<td>404,873</td>
<td>559,165</td>
<td>918,288</td>
<td>1,107,795</td>
</tr>
<tr>
<td>Argentina</td>
<td>19982</td>
<td>66,454</td>
<td>142,470</td>
<td>270,275</td>
<td>465,359</td>
<td>495,920</td>
</tr>
<tr>
<td>Chile</td>
<td>17821</td>
<td>30,130</td>
<td>40,190</td>
<td>74,708</td>
<td>122,727</td>
<td>135,155</td>
</tr>
<tr>
<td>Uruguay</td>
<td>10295</td>
<td>15,394</td>
<td>25,385</td>
<td>54,065</td>
<td>70,892</td>
<td>78,660</td>
</tr>
<tr>
<td>Colombia</td>
<td>10173</td>
<td>16,200</td>
<td>40,565</td>
<td>46,819</td>
<td>57,419</td>
<td>55,626</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>4853</td>
<td>4,825</td>
<td>6,754</td>
<td>7,907</td>
<td>41,761</td>
<td>45,508</td>
</tr>
<tr>
<td>Venezuela</td>
<td>3869</td>
<td>7,912</td>
<td>14,281</td>
<td>16,154</td>
<td>22,614</td>
<td>24,138</td>
</tr>
<tr>
<td>Peru</td>
<td>3415</td>
<td>4,794</td>
<td>9,230</td>
<td>10,705</td>
<td>13,504</td>
<td>19,447</td>
</tr>
<tr>
<td>Guatemala</td>
<td>N/C</td>
<td>913</td>
<td>N/C</td>
<td>5,603</td>
<td>5,603</td>
<td>9,789</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2965</td>
<td>3,261</td>
<td>7,771</td>
<td>7,357</td>
<td>8,551</td>
<td>7,725</td>
</tr>
<tr>
<td>Panama</td>
<td>N/C</td>
<td>N/C</td>
<td>1,235</td>
<td>15,084</td>
<td>7,825</td>
<td>7,393</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>N/C</td>
<td>1,944</td>
<td>5,448</td>
<td>6,704</td>
<td>6872</td>
<td>7,209</td>
</tr>
</tbody>
</table>

Source: Adapted from Network Wizards (as quoted in Comitê Gestor da Internet no Brasil ‘Indicadores: Crescimento da Internet’)

PS.: N/C = country not classed among the top 15 for that particular year
Table 33: Brazil and the Americas Countries Position per Total of Hosts: January 1998 through January 2003

<table>
<thead>
<tr>
<th>Countries</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Canada (.ca)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Brazil (.br)</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Mexico (.mx)</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Argentina (.ar)</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Chile (.cl)</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Uruguay (.uy)</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Colombia</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Dominican Republic (.do)</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Venezuela (.ve)</td>
<td>10</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Peru (.pe)</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Guatemala (.gt)</td>
<td>N/C</td>
<td>N/C</td>
<td>N/C</td>
<td>15</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Costa Rica (.cr)</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>13</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Panama (.pa)</td>
<td>N/C</td>
<td>N/C</td>
<td>N/C</td>
<td>10</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Trinidad and Tobago (.tt)</td>
<td>N/C</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Ecuador (.ec)</td>
<td>13</td>
<td>15</td>
<td>15</td>
<td>N/C</td>
<td>N/C</td>
<td>N/C</td>
</tr>
</tbody>
</table>

Source: Adapted from Network Wizards (as quoted in Comitê Gestor da Internet no Brasil ‘Indicadores: Crescimento da Internet’)

PS.: N/C = country not classified among the 15 better ones in that year

Regarding Brazil and Mexico’s positions in the ranking of countries’ total of hosts (table 17), table 33 does not show significant changes. The top countries of this ranking have a certain stability in relation to their position. Among all these countries, only Guatemala (on bold) requires special attention. This country was included in the ranking (among the 15 better countries) only in 2000. After this year, Guatemala has developed/increased its Internet activities and has risen in its position in the ranking. However, as table 33 shows, Guatemala is still far from Peru’s position – Peru being the next better classified than Guatemala in the ranking.
At this point it is important to observe Brazil’s and Mexico’s positions in this ranking (table 33) and in the Economist Intelligence Unit and Pyramid Research ranking (tables 19 and 20). These countries occupy different positions in these rankings because they use different methodologies to define positions. However, in both rankings Brazil and Mexico have risen in their positions through the last years.

Another way to show the development of the Internet in Brazil is through the Internet penetration\(^\text{34}\). Table 34 and chart 58 show this evaluation from 1999 through the middle of 2001 and show comparatively the Brazilian percentage of May 2001 with the Latin American index of the same month.

Table 34: Internet Penetration\(^6\): Evolution and Comparative Approach

<table>
<thead>
<tr>
<th>Places</th>
<th>Brazil</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td>1Dec.</td>
<td>2Dec.</td>
</tr>
<tr>
<td>Internet Penetration</td>
<td>2.0%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Sources adapted from:
1. The Economist Intelligence Unit ("Brazil At-a-glance")
2. Lopes ("Brasil Já Tem Mais de 10 Milhões de Internautas")
3. Lopes ("Brasil já Ultrapassa 11 Milhões de Internautas")
4. IBOPE ("Ranking Nacional - Junho 2001")
5. "América Latina Tem 15 Milhões de Internautas"

\(^{34}\) Internet penetration is the percentage of a country’s population that has access to the Internet.
In 2001, the Brazilian dot.coms demonstrated a very important characteristic: the majority of them did not negotiate their stocks on the stock market. This characteristic had advantages and disadvantages. It was disadvantageous because these companies could not grow as fast as companies that used the stock market. This fact made it more likely that they could lose part of their share of the e-marketplace to the larger companies. On the other hand, it was advantageous because these e-companies were protected against...
falls in the stock market such as occurred with the stocks negotiated on the NASDAQ\(^{35}\) at the beginning of 2001 (Lopes "Brasil Deve Fechar 2001 com 12 Milhões de Internautas"). Table 35 and chart 59 show the percentages that e-business transactions represented in the income of the 200 largest Brazilian companies in 1999, as well as presenting expectations for 2001.

Table 35: Percentage of Revenue Aquired by E-business Activities by the 200 Largest Brazilian Companies: 1999 and 2001 (Forecasting)

<table>
<thead>
<tr>
<th>Percentage of Income</th>
<th>Less than 2%</th>
<th>Between 2% and 5%</th>
<th>Between 5% and 10%</th>
<th>Between 10% and 25%</th>
<th>More than 25%</th>
<th>Do not Returned Questionaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>43.1</td>
<td>10.0</td>
<td>5.0</td>
<td>1.3</td>
<td>1.9</td>
<td>38.8</td>
</tr>
<tr>
<td>2001</td>
<td>13.8</td>
<td>20.0</td>
<td>11.9</td>
<td>10.0</td>
<td>8.8</td>
<td>35.6</td>
</tr>
</tbody>
</table>

Source: Adapted from Newsbytes ("55% do Tráfego da Web é Gerado Fora dos EUA")

---

\(^{35}\) "Nasdaq" is the electronic stock market of the United States.
It should seem logical that a country such as Brazil, that has the eighth largest economy in the real world, also should have the eighth largest e-marketplace in the virtual world\(^\text{36}\) (The World Bank Group “Total GDP 2001”). Ho wever, this is not the current situation. Brazil is far from the eighth position in the rank of the leading countries that have been successful at developing e-business activities. It is still striving to improve

\(^{36}\) “Virtual environment”, or “virtual world”, is defined as the electronic environment where the Internet, e-commerce, e-business, e-marketing, on-line market, programs, systems, software, virtual reality, electronic games, pictures, data, and images, and so on take place.
economical, financial, legal, and political systems to improve and to support its e-
business activities. However, the Brazilian e-business activities have been developing and
growing recently. By comparing Brazil with other countries, it is possible to perceive that
Brazil’s Internet-based activities have not been growing and developing fast enough to
place the country among the E-business Leaders Countries of the Economist Intelligence
Unit’s and the Pyramid Research’s ranking 2001. Brazil is classified only as E-business
Follower Country and classified in the 36th position behind countries that are more well
prepared for the implementation of e-business activities. Also, the Economist Intelligence
Unit and the Pyramid Research conclude that Brazil, like other developing countries, will
not be converted into a leader in the next five years ("Thought Leadership: Understanding
the global digital divide").

B. Legal Issues

By the end of 2000, necessary regulations to sustain e-business activities in Brazil
remained almost inexistent. The few rules that regulate the environment for e-business
were tangled and complex. In addition, a proposal of laws to solve this problem was in
the Brazilian Congress’s Chamber of Deputies waiting to be analyzed and voted upon.
However, it had a low priority on the legislative agenda (The Economist Intelligence Unit
"Doing E-business in Brazil: Law and Regulations").

Until at the end of 2003, nothing changed in Brazil. According to Castro, the
federal government of Brazil has taken only isolated initiatives to apply the law to e-
business activities. She states that laws to regulate and control privacy, security and
consumer rights on the Internet environment are still waiting for debates, compromise and resolution in Congress’s Chamber of Deputies and Senate (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico”).

This situation demonstrates the development of e-business activities in Brazil. According to Bittencourt, Brazil’s main source of commercial law is its Commercial Code, which became law on July 25 1850 (“Brazil: E-commerce – Uma Abordagem”). Obviously, this set of laws does not have anything concerning e-business activities. As a result, all legal issues referring to Internet transactions need complementary laws to be analyzed and enacted.

1. Commercial Code for E-business

The commercial code of Brazil does not have any specific law to control consumer rights on the Internet environment (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico”). However, the government of Brazil has been changing the Brazilian Consumer Protection Code to use it to adjudicate disputes regarding Internet purchases. Hence, law to control consumer rights on the Internet environment is still currently waiting for debate in Congress’s Chamber of Deputies and Senate (The Economist Intelligence Unit "Doing E-business in Brazil: Law and Regulations").
2. Intellectual Property Protection

“Irregular registering of addresses and domain” names is the biggest problem relating to intellectual property right on the Internet in Brazil. It is very common for people and firms to register addresses and domain names that belong to large, well-known and reputable businesses, government and entities. They act through this way to ‘request a cash payment for relinquishing the URL’37. ‘Such cases are normally taken to the courts.’ However, ‘courts have produced divergent rulings concerning rights to so-called domain names’ (The Economist Intelligence Unit "Doing E-business in Brazil: Law and Regulations").

3. Privacy

The inexistence of regulations to sustain e-business activities in Brazil also affects privacy on e-business transactions. Again, the few rules to regulate the environment for e-business are both tangled and complex (The Economist Intelligence Unit "Doing E-business in Brazil: Law and Regulations").

The federal government of Brazil has taken only isolated initiatives to lawfully control e-business activities. According to this author, laws to regulate and control privacy on the Internet environment are still currently waiting for debates in Congress’s

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37 URL (Uniform Resource Locator) – it is ‘the address to any Internet site that is part of the www,” such as www.ohiou.edu (“HTML GUIDE: The Ultimate Reference Guide to Hypertext Markup Language”).
Chamber of Deputies and Senate (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’).

4. Security

Brazil’s provisory law 2.200 created the Infra Estrutura de Chaves Públicas Brasileiras – ICP Brasil (Brazilian Public Keys Infrastructures). She states that this system was created to guarantee security, integrity, authenticity and legal validity of electronic contracts, documents and signatures. However, in Brazil several laws concerning e-business, electronic signature, digital signature, contracts and electronic documents are also currently waiting for debate in Congress’s Chamber of Deputies and Senate (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’).

C. Financial Issues

1. Customs and Taxation

The weakness of specific legislation for taxation makes purchases made over the Internet subject to ‘the same taxes as a normal transaction. The most important requirement is a value-added tax on good and services’ (ISS

38

– Imposto Sobre Serviços –

38 This tax can, and often is different, because the government of each particular state creates the rate.
the Brazilian Value Added Tax on services) (The Economist Intelligence Unit ‘Doing E-business in Brazil: Taxation’).

‘In real’ transactions, the tax is charged in the state where the good is produced. But, with the Internet, taxes are charged by the state where the e-commerce firm is based, rather than the place where the good was produced or the state where the buyer actually lives’ (The Economist Intelligence Unit ‘Doing E-business in Brazil: Taxation’).

In addition, ‘this is one of the most important issues of e-commerce, but it remains to be resolved in Brazil’ (The Economist Intelligence Unit ‘Doing E-business in Brazil: Taxation’).

In Brazil, another significant problem for e-business is the flat tax established for imported products. Brazilian lawmakers imposed a ‘60% flat tax on the declared value of goods arriving in Brazil via express-delivery services such as Federal Express and United Parcel Service (both US).’ This rate is high, and the result is ‘to discourage foreign investors from establishing e-ventures in the country’ and to reduce purchases from other countries by using e-business facilities (The Economist Intelligence Unit ‘Doing E-business in Brazil: Law and Regulations’).

Another problem related to the taxation of Internet activities in Brazil is the tax that must be paid by Internet Service Providers (ISPs). Castillo shows that ‘the legislature, the courts, and tax authorities do not agree on the nature of the activities conducted by ISPs.’ Brazilian State tax authorities believe that ISPs offer communication service. For this reason, ISPs must to pay a previously established ISS tax rate of 25% (Castillo ‘Taxation of Internet Service Providers in Brazil’).
However, municipal tax authorities maintain that ‘the services rendered by the ISPs are already included in the list of services that are subject to the ISS tax’ (the Brazilian 5% municipal tax on services). Finally, Castillo presents evidence that ‘services rendered by ISPs are neither communications services nor services included in the existing lists of taxable services set forth by municipal laws.’ As a result, these services should not be subjected to both ICM$^{39}$ and ISS (‘Taxation of Internet Service Providers in Brazil’).

2. Electronic Payment Systems

The electronic payment system of Brazil operates well enough to sustain its Internet transactions. The system ranges from simple payment with credit card to sophisticated financial services. In addition, these facilities are available to pay for things such as consumer goods (from CDs to cars), services, investments and insurance (The Economist Intelligence Unit ‘Doing E-business in Brazil’).

\[\text{ICM} (\text{Imposto sobre Circulação de Mercadorias – the Brazilian Value Added Tax on industrial products})\]
D. Market Access Issues

1. Telecommunications Infrastructure and Information Technology

In 2002, levels of telephone line density in Brazil have long been among the lowest in Latin America"^{40}. However, the privatization of Brazilian public telecommunication companies which began in 1997 should change this situation. Competition among private companies will reduce the costs of phone lines and will provoke a considerable reduction in the tariff level of local phone calls by the end of 2005^{41}. Consequently, the number of people connected to the Internet and the average time of connections should tend to rise (The Economist Intelligence Unit ‘Doing E-business in Brazil’).

2. Content

This issue is affected by the same problem that affects security, legal and privacy issues on e-business transactions in Brazil. As was demonstrated, the country does not have specific regulations to sustain its e-business activities yet. As Castro states, the federal government of Brazil has taken only isolated initiatives to lawfully control

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^{40} According to ANATEL - Agência Nacional de Telecomunicações – (as quoted in "Brasil Tem 73.4 Milhões de Telefones"), in December 2002 Brazil had only 38,806 million of regular telephones (1,367 million of them are public phones) and 33,272 cell phones. Its important to consider that Brazil’s population at that time was approximately 176 million people ("Estimativas da População") and that in these totals of regular telephones and cell phones are included also all commercial telephones.

^{41} Currently, in Brazil, telephone calls are the most expensive in the world ("Telefonia do Brasil: a Mais Cara do Mundo").
Internet activities and issues such as content. He also shows that laws to regulate and to control content on the Internet environment are also currently waiting for debate in Congress’s Chamber of Deputies and Senate (‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’).

3. Technical Standards

In 2002, ‘broadband services started to develop slowly in Brazil.’“Currently, this country offers only a small number of these services. Most of them are ‘digital subscriber lines (DSL) and cable lines.’”They are ‘available only in large cities such as São Paulo, because of considerably high fees ($47 per month).’” As a result, these services can be used only by ‘a limited number of the country’s population’ (The Economist Intelligence Unit ‘Doing E-business in Brazil’).

E. Poverty and Income Distribution Inequality: Particular Issues

In Brazil, ‘the biggest obstacle in developing the Internet is the huge disparity of wealth.’”

Lipschultz (80-82)

According to Lipschultz, income distribution and inequality are significant obstacles ‘in developing the Internet in Brazil” (82). This corresponds with the arguments of Bredarioli, Escobar, and Lopes. They state that a lack of financial standing has been a
powerful barrier preventing Internet popularization in Brazil ("Popularização da Internet Esbarra na Baixa Renda"). Basically, all these authors conclude that because of the huge disparity in distribution of wealth, there is a relatively modest PC and Internet penetration in Brazil.

Table 36 presents Brazil’s data of PCs and Internet penetration, and Internet assessment per economic classes in 2001.

### Table 36: Economic Class Comparison: Brazil’s Population and PC Penetration

<table>
<thead>
<tr>
<th>Economic Classes</th>
<th><em>Income per Year</em>&lt;sup&gt;1&lt;/sup&gt; (Thousand US$)</th>
<th>Percent of Population Per Economic Class&lt;sup&gt;1&lt;/sup&gt; (2001)</th>
<th>Estimated Population Per Economic Class&lt;sup&gt;2&lt;/sup&gt; (million people 2000)</th>
<th>Personal Computer Penetration Rate per Economic Class&lt;sup&gt;3&lt;/sup&gt; (1996)</th>
<th>Estimated Number of Computer Owners per Economic Class&lt;sup&gt;3&lt;/sup&gt; (million people 2000)</th>
<th>Estimated Percent of Computer Owners per Economic Class&lt;sup&gt;4&lt;/sup&gt; In relation to Brazil’s Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>64.16 or more</td>
<td>1%</td>
<td>1.73</td>
<td>69%</td>
<td>1.19</td>
<td>1.08%</td>
</tr>
<tr>
<td>A2</td>
<td>34.00 - 64.15</td>
<td>4%</td>
<td>6.92</td>
<td>51%</td>
<td>3.53</td>
<td>3.20%</td>
</tr>
<tr>
<td>B1</td>
<td>20.47 - 33.99</td>
<td>7%</td>
<td>12.11</td>
<td>32%</td>
<td>3.88</td>
<td>3.52%</td>
</tr>
<tr>
<td>B2</td>
<td>12.30 - 20.46</td>
<td>12%</td>
<td>20.76</td>
<td>11%</td>
<td>2.28</td>
<td>2.07%</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td><strong>24%</strong></td>
<td><strong>41.52</strong></td>
<td><strong>10.88 (85.2%)</strong></td>
<td><strong>6,29%</strong></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>5.74 - 12.29</td>
<td>31%</td>
<td>53.63</td>
<td>3%</td>
<td>1.61</td>
<td>1.46%</td>
</tr>
<tr>
<td>D</td>
<td>3.04 - 5.73</td>
<td>33%</td>
<td>57.09</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>E</td>
<td>3.03 or less</td>
<td>12%</td>
<td>20.76</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td><strong>76%</strong></td>
<td><strong>131.48</strong></td>
<td><strong>1.61 (14.8%)</strong></td>
<td><strong>0.93%</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>12.49</strong></td>
<td></td>
<td><strong>7.22%</strong></td>
</tr>
</tbody>
</table>

Sources adapted from:

<sup>1</sup> DATAVALE ("Critério Brasil")

<sup>2</sup> Calculated based on Brazil’s population = 173 million people (2000).

<sup>3</sup> Calculated based on Brazil’s population = 173 million people (2000) and the percentage of computer owners per economic class (1996).

<sup>4</sup> Calculated based on Brazil’s population = 173 million people (2000), percentage of computer owners by economic class (1996), and total of Brazilians computer owners in June 2001.

* Distribution based on US$ of December 1996. Also, in Brazil employees are paid once a month plus one “extra” month’s pay. In other worlds, they are paid thirteen times a year.

Ps.: the two methods used to estimate the number of computer owners per economic class present a little difference between their sub_totals and totals, however, this is not relevant for this table’s propose.
Analyzing this table, it is possible to see that in that year 76% of Brazil’s population, 131.5 million people\textsuperscript{42}, was concentrated in its poorest economic classes C, D, and E. The remaining 24% of the population, 41.5 million people, was in its four richest economic classes A1, A2, B1, and B2. Table 34 also demonstrates that the population (76%) of the country’s three poorest economic classes owned only 14.8% of all personal computers sold in Brazil in 2000. On the other hand, the richest part of the population (24%) owned 85.2% of the computers sold in the country.

In 2001, only 10% of the people who access the Internet in Brazil belonged to its economic classes C, D, and E. Also, the majority of this 10% was concentrated in class C. The richest part of the population, in the economic classes A1, A2, B1 and B2, possessed 90% of the accesses to the Internet in Brazil (Lopes "Maioria dos Internautas Brasileiros é de Alta Renda") – see table 37 and chart 60.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|}
\hline
Economic Classes & Classes A1 and A2 & Classes B1 and B2 & Classes C, D, and E \\
Penetration Rate & 50\% & 40\% & 10\% \\
\hline
\end{tabular}
\caption{Brazil’s Internet Assessment per Economic Class: 2001\textsuperscript{43}}
\end{table}

\textsuperscript{42} This number is equivalent to almost half of the United States’ population. In 1999 the population of the United States was 272.6 million people (The Economist Intelligence Unit "Doing E-business in the United States: At-a-glance").

\textsuperscript{43} This research considers only computer owners (Lopes "Maioria dos Internautas Brasileiros é de Alta Renda").
Considering that Brazil’s economic problems (except the inflation rate), income distribution, and poverty did not change from 2001 through 2003; it is possible to deduce that the percentages presented on table 37 also did not have sizeable changes. In other words, these percentages per economic class are almost the same as in 2003.

Looking through these tables and charts, it is possible to think that Brazilian economic classes C, D, and E is a very large, attractive, and unexplored marketplace. However, these people often barely have enough money to pay for their basic needs. Therefore, computational resources, and services and the infrastructure necessities to
access the Internet are out of their reach. Their incomes are less than US$1,024.00 a month or 13,312.00 per year\textsuperscript{44} (see table 36 above).

In addition, the economic factors in Brazil are a powerful barrier preventing the development of e-business activities in Brazil (Silva ‘Interpretando Dados Sobre Comércio Eletrônico’). Table 38 and chart 61 groups Brazil’s population per income/year and shows the percentage of each group that uses the Internet.

Table 38: The Economic Power of Brazil’s Population and Internet User: 2002\textsuperscript{45}

(US$ Per Year\textsuperscript{46})

<table>
<thead>
<tr>
<th>Percentile of Brazil’s Population per Total of Income/Year</th>
<th>Until 5,131.75</th>
<th>5,131.76 through 10,263.50</th>
<th>10,263.51 through 20,527.00</th>
<th>20,527.01 through 51,317.50</th>
<th>Over 51,317.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentile of Internet Users Per Group</td>
<td>62</td>
<td>20</td>
<td>11</td>
<td>6</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Adapted from ‘Interpretando dados Sobre Comércio Eletrônico’

\textsuperscript{44} Law requires that Brazilians receive 13 salaries a year.
\textsuperscript{45} The income was calculated based on the Brazilian Minimum Salary of April 2003 and on the Real exchange rate to Dollar on April 22, 2003: R$3.04 = US$1.00 (“Dólar Comercial”).
\textsuperscript{46} Brazilians receive 13 salaries an year.
Chart 61: The Economic Power of Brazil’s Population and Internet User: 2002\textsuperscript{47} – (US$ an Year\textsuperscript{48})

Source: Adapted from Newsbytes

\textsuperscript{47} The income was calculated based on the Brazilian Minimum Salary of April 2003 and on the Real exchange rate to Dollar on April 22, 2003: R$3.04 = US$1.00 (“Dólar Comercial”).

\textsuperscript{48} Brazilians receive 13 salaries an year.
On the other hand, in spite of the strong concentration of wealth\footnote{According to the Central Intelligence Agency, 63.8% of Brazil’s income is in the hands of its richest 20% of the population (World Development Report 2000/2001).}, Brazil is still has a large niche of the market in its economic classes A1, A2, B1, and B2. As tables 38 and chart 60 show, only 25% of Brazilians in the four richest economic classes own personal computers. This means that only by focusing on the economic classes A1, A2, B1, and B2 and on e-business-to-business\footnote{Business-to-Business (B2B or Business Marketing) "is marketing products or services to other companies, governments bodies, institutions (such as hospitals), and other organizations" (Dwyer and Tanner 6).} activities, will Brazil be able to make its e-marketplace two or three times larger than it is currently. People of these economic classes have sufficient money to buy computers and to spend money buying many types of products and services through the Internet.

In other words, the action taken in Brazil has had as its main objective to encourage the growth of PCs and Internet penetration among the three poorest economic classes and has not been successful. In fact, personal computers as well as the Internet-based resources, as with any other kind of new products or services, have to follow a top-down path (from the richest to the poorest economic class) and then to spread out among the major layers of the society. Currently, in spite of all efforts, computers and Internet access are still very expensive for poor people wherever they live.
Chapter III – Cultural Issues: A Barrier to E-business in Brazil

I. The Mixed Brazilian Culture

“The Brazilian jeitinho is a means that Brazilians use to accomplish things – it may involve something as simple as a wink and a smile or something as serious as bribery.”

Murphy (“The Art of Being Brazilian”).

To facilitate comprehension, before discussing how cultural traits act as a barrier preventing e-business growth in Brazil, it is necessary to discuss and explain somewhat Brazil’s culture and the circumstances whereby it developed.

At the beginning of the year, in 1500, a Portuguese man, Pedro Alvares Cabral discovered (read arrived in) Brazil. Immediately, the Portuguese Crown, within the framework of the Catholic Church\textsuperscript{51}, started the process of domination and colonization of this new land. As part of this process and to protect the colony from invasions by other European countries, they (Portugal and the Vatican) brought Africans (as slaves), Asians and Middle East Europeans (as settlers and entrepreneurs) to Brazil.

Throughout the years, these incoming people and the native Indians established many close relationships, and along with miscegenation spread multiracial people all over

\textsuperscript{51} The Catholic Church has influenced Brazilian economy, politics and culture since the beginning of the Portuguese colonization.
the Brazilian territory. The mixture of so many people (each group with its own culture) created the Brazilian culture that is considered unique in the world.

The influence of the Catholic Church made Brazil the largest Catholic country. In fact, its official religion is Catholic,

‘but in practice the country’s religious life incorporates Indian animism, African cults, Afro-Catholic syncretism and Kardecism, a spiritualist religion embracing Eastern mysticism, which is gaining popularity with Brazilian Whites” (Lonely Planet ‘Lonely Planet Worldguide: Brazil’) 52.

According to Lonely Planet, Brazil’s official language is Portuguese, but it ‘is infused with many words from Indian and African languages.” Evidently, this infusion produced several regional accents, dialects and slang. However, it was not sufficient to cause problems or to impede communication among Brazilians from all regions of the country (except for tribes of native Indians that have kept their natural native languages) (‘Lonely Planet Worldguide: Brazil’).

Obviously, the splendid culture that developed into this mixed and complex country has some distinct characteristics.

According to Freitas, the Brazilian culture has five basic cultural traits that unite the majority of its people (as quoted in Murphy, “The Art of Being Brazilian”). On the next page, table 39 presents these traits.

Murphy discusses main points related to these cultural traits. According to her, Brazilians have “an unique capacity to adapt to situations which would be unfathomable for people from other cultures. During periods of currency devaluation, Brazilians witnessed rates of inflation that reached 100% in 1980 and 200% in 1983 and 1984.

52 Obviously, this “religious life” also includes the evangelicals.
Inflation became hyperinflation in 1993: 2679.4%. This turbulent epoch would be a mystery to Americans and other people. However, by using the jeitinho, flexibility and capacity of adaptation, Brazilians adapted themselves to that hostile economic environment without serious damage to their economic assets or patrimony ("The Art of Being Brazilian").

Table 39: Brazilian Cultural Traits and Characteristics

<table>
<thead>
<tr>
<th>Cultural Traits*</th>
<th>Main Characteristics*</th>
<th>Main Points**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hierarchy</strong></td>
<td>&quot;Tendency towards centralization of power among social groups;&quot;</td>
<td>‘Catholicism, slavery and patrimonialism’</td>
</tr>
<tr>
<td></td>
<td>‘Distance in relations among different social groups;’</td>
<td></td>
</tr>
<tr>
<td></td>
<td>‘Passivity and subservience of inferior groups.’</td>
<td></td>
</tr>
<tr>
<td><strong>Personalism</strong></td>
<td>‘Society based on personal relationships;’</td>
<td>‘Familism and ‘Live and Let Live’”</td>
</tr>
<tr>
<td></td>
<td>‘Search for proximity and affection in relations;’</td>
<td></td>
</tr>
<tr>
<td></td>
<td>‘Paternalism: moral and economic domination.’</td>
<td></td>
</tr>
<tr>
<td><strong>Malandragem</strong></td>
<td>‘Flexibility and adaptability as a means of social navigation;’</td>
<td>‘Jeitinho, Flexibility and Lack of Respect for Rules”</td>
</tr>
<tr>
<td>(Hero without Morals)</td>
<td>&quot;Jeitinho.”</td>
<td></td>
</tr>
<tr>
<td><strong>Sensuality</strong></td>
<td>‘Preference for the sensual and the exotic in social relations.’</td>
<td>“Calor Humano and Affection”</td>
</tr>
<tr>
<td><strong>Adventurer</strong></td>
<td>‘More dreamer than disciplined;’</td>
<td>‘Creativity vs. Method”</td>
</tr>
<tr>
<td></td>
<td>‘Tendency toward aversion of manual or methodical labor.’</td>
<td></td>
</tr>
</tbody>
</table>

Sources: * Adapted from Freitas ("The Art of Being Brazilian")
** Adapted from Murphy ("The Art of Being Brazilian")
Paradoxically, it is important to say that although there exists much creativity and flexibility, there are also problems in these areas. According to Fleith, personal creativity has nine issues obstructing its development in Brazil. These barriers are: 1) inhibition and shyness, 2) lack of time and opportunity, 3) social repression, 4) lack of motivation, 5) resistance to new ideas, 6) necessity to improvise all the time, 7) consideration of fantasy as a waste of time, 8) fear of taking risks, and 9) passivity (“Creativity in the Brazilian Culture”).

It is true that all these traits and characteristics exist in the Brazilian culture. However, Murphy maintains that “not all Brazilians fit into these patterns” and that it is not correct to stereotype all people into these cultural traits and characteristics. According to her, these features must be used only as a basis “to analyze Brazilian culture and organizational behavior” (“The Art of Being Brazilian”).

II. The Influence of Culture on Business in Brazil

“It can be said that cultural knowledge is a competitive advantage.”

Murphy (“The Art of Being Brazilian”)

Globalization increased business competition all around the world. Currently, learning the language of a foreign country is no longer enough to succeed in business in its marketplace. According to Murphy, in order to be more successful and to become more efficient in a foreign country, corporations (read businessmen) need to increase their understanding of other cultures and practices. She maintains that entrepreneurs must
‘be able to understand other forms of communication – gestures, nuances and even other
subtler forms of human interaction, which may go unvoiced and therefore go unseen to
the untrained eye’ (‘The Art of Being Brazilian’).

Businesses in Brazil are not different. Cultural traits strongly influence the
country’s marketplace.

According to Cohen, good employees and managers are those whom eliminate
and solve problems. The ones who keep trying to plan are seen as ‘boring, bureaucratic,
dreaming and unrealistic.’ These characteristics create serious concerns about Brazilian
executives to spread in the businesses world. They are known as ‘eliminators of fires and
flexible managers who react quickly to emergencies” (as quoted in Fleith, ‘Creativity in
the Brazilian Culture’).

Obviously, the Brazilian jeitinho is behind these businessmen’s qualities and acts
as a positive cultural trait for companies. According to Murphy, in this case, the jeitinho
acts as a creator of mental processes, facilitating ‘flexibility and capability of
adaptation’ (“The Art of Being Brazilian”).

Although there is much flexibility and capability of adaptation, Brazilians have
several obstacles to creativity in businesses. According to Fleith, in Brazil, the most
prevalent obstacles to creativity in corporate and governmental environments are:

• Organizational structures are rigid, bureaucratic, and have an excess of hierarchy and
  power centralization (“Creativity in the Brazilian Culture”);
• Managers do not accept new ideas (“Creativity in the Brazilian Culture”);
• Personal relationships that lack dialogue which results in conflict (“Creativity in the
  Brazilian Culture”);
• Organizational culture does not accept new ideas, does not support risk taking, and
cultivates the fear of making mistakes (‘Creativity in the Brazilian Culture’).

To avoid cultural problems, conducting business in Brazil or wherever a foreign company is located,

‘the knowledge of and respect for the individuals with whom one negotiates
is necessary in order to foster positive business relationships and to avoid
possible offense. By familiarizing ourselves with cultural traits, we can make
ourselves aware of and even learn to expect certain behaviors in given
situations and know how to react to this. With this knowledge, we can make
our international business affairs and company mergers more efficient and
therefore more successful’(Murphy, “The Art of Being Brazilian”).

III. Brazilian Cultural Traits Preventing the Development of E-business

In Brazil, cultural traits are powerful to such an extent that they can make
government, corporations, organizations, firms, entrepreneurs,
institutions, and personal consumers avoid conducting
businesses by using the Internet.

The previous chapter shows that e-business activities have been growing,
increasing consumer choices and facilitating commercial transactions in several
countries. It also demonstrates that in Brazil e-business activities are going along
similarly. Nevertheless, some of the country’s Internet related issues such as financial53,

53 Customs and taxation and electronic payment systems.
legal\textsuperscript{54}, market access\textsuperscript{55}, poverty and income distribution inequality still have need of improvement.

Certainly, these issues are very important matters obstructing the expansion of e-business activities in Brazil. However, some Brazilian cultural traits are so powerful that they also became greatly impeding the development and growth of this country’s e-business activities.

It is not always easy to perceive these cultural issues and to realize how they affect e-business. They can be very subjective or they can be hidden behind the other issues (financial, legal, market access, poverty and income distribution inequality). Sometimes, it is easy to distinguish them. People say that they do not buy through the Internet because they are under the influence of one or more cultural traits. As a result, all these issues make the Brazilian cultural traits negatively affect e-business in Brazil.

\textbf{A. Indirect Effects of Cultural Issues on Brazilian E-business Activities}

To show how cultural traits indirectly affect the development of e-business activities in Brazil, it is necessary to cross-analyze some problems related to the issues\textsuperscript{56} (these were presented in the previous chapter) with the cultural traits related to them (discussed in this chapter).

\textsuperscript{54} Commercial code for e-business, intellectual property protection, privacy and security.
\textsuperscript{55} Telecommunications infrastructure and information technology, content and technical standard.
\textsuperscript{56} Legal, financial and market access issues, poverty and income distribution inequality.
1. Cultural Traits Affecting Legal Issues

In Brazil, laws to regulate the environment for e-business activities still are waiting and have low priority on the Brazilian Congress’s Chamber of Deputies.

Table 40 shows some important details that would facilitate the analyses and comprehension of the manner whereby cultural traits affect e-business activities in Brazil by affecting negatively this country’s legal system.

Table 40: Problems with Legal Issues and Their Related Cultural Traits

<table>
<thead>
<tr>
<th>Commercial Code for E-business</th>
<th>Privacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The legislation code of Brazil does not have any specific law to protect consumer rights on the Internet environment (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’);</td>
<td>• Inexistence of regulations for privacy on e-business transactions (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’);</td>
</tr>
<tr>
<td>• The government of Brazil has changed the Brazilian Consumer Protection Code to use it to adjudicate disputes regarding Internet purchases (The Economist Intelligence Unit, &quot;Doing E-business in Brazil: Law and Regulations&quot;);</td>
<td>• Laws to regulate and protect privacy on the Internet environment still waiting for debates in Congress’s Chamber of Deputies and Senate so far (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’);</td>
</tr>
<tr>
<td>• Law to protect consumer rights on the Internet environment are waiting for debate in Congress’s Chamber of Deputies and Senate (The Economist Intelligence Unit, &quot;Doing E-business in Brazil: Law and Regulations&quot;);</td>
<td>• The federal government of Brazil has taken only isolated initiatives to lawfully protect e-business activities (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’);</td>
</tr>
</tbody>
</table>
As table 40 shows, the lack of specific laws is the greatest legal problem obstructing the development of e-business activities in Brazil. On the other hand, the statement at the beginning of this topic shows that these specific laws are waiting (with a low priority) for attention in the Brazilian Congress’s Chamber of Deputies and Senate. In other words, Brazil has a legal problem obstructing its e-business activities. The lawmakers are aware of this problem and have the solution in their hands. However, they do not do anything to solve this problem.

<table>
<thead>
<tr>
<th>Intellectual Property Protection</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>• “Irregular registering of addresses and domain” names is the biggest problem for protecting intellectual property rights related to the Internet in Brazil (The Economist Intelligence Unit, &quot;Doing E-business in Brazil: Law and Regulations&quot;);</td>
<td>• In Brazil several laws concerning e-business, electronic signature, digital signature, contracts and electronic documents also still are waiting for debates in Congress’s Chamber of Deputies and Senate so far (Castro “Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico”).</td>
</tr>
<tr>
<td>• Brazilian “courts have produced divergent rulings concerning rights to so-called domain names” (The Economist Intelligence Unit &quot;Doing E-business in Brazil: Law and Regulations&quot;).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Related Cultural Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Necessity to improvise all the time (Fleith “Creativity in the Brazilian Culture”);</td>
</tr>
<tr>
<td>• Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
</tr>
<tr>
<td>• “Passiveness and acceptance of inferior groups” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
</tr>
<tr>
<td>• “Capacity to adapt to situations which would be unfathomable for people from other cultures” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
</tr>
<tr>
<td>• Jeitinho, flexibility, capability of adaptation and lack of respect for rules (Freitas as quoted in Murphy “The Art of Being Brazilian”).</td>
</tr>
</tbody>
</table>
This is really a contradictory circumstance and the key question that comes up at this point is: why do they not do anything?

The answer to this question is not difficult. A careful analyses of the cultural traits presented on table 40 can easily elucidate why this kind of problem occurs in Brazil and why it is not solved.

Brazilians need to improvise all the time (Fleith ‘Creativity in the Brazilian Culture’). In addition, they have a lack of respect for rules (Freitas as quoted in Murphy ‘The Art of Being Brazilian’). It means that these cultural traits will influence Brazilians not to press lawmakers to enact these laws. Similarly, all problems that the absence of these laws can cause will be minimized and/or solved by other cultural traits such as passiveness, acceptance of subservience, capability of adaptation and the Brazilian jeitinho. In other words, what seems contradictory and problematic for many people is normal, easy to understand and simple to solve for Brazilians.

Therefore, it is possible to conclude that the lack of specific laws to regulate the environment for e-business activities in Brazil is caused mainly by Brazilian cultural traits.
2. Cultural Traits Affecting Financial Issues

‘Brazil is a developing country, but its tax rates are equal a first world country’s tax rates.”

Brazilian Popular Thought

Table 41 shows some important details that would facilitate the analysis and comprehension of the manner by which cultural traits affect e-business activities in Brazil and negatively affect the country’s financial issues.
Table 41: Problems with Financial Issues and Their Related Cultural Traits

<table>
<thead>
<tr>
<th>Customs and Taxation</th>
<th>Electronic Payment Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The weakness of specific legislation for taxation makes purchases made over the Internet to be subject to ‘the same taxes as a normal transaction’ (The Economist Intelligence Unit ‘Doing E-business in Brazil: Taxation’);</td>
<td>• The electronic payment system of Brazil is sufficient to sustain its Internet transactions. The system ranges from simple payment with credit card to sophisticated financial services (The Economist Intelligence Unit ‘Doing E-business in Brazil’).</td>
</tr>
<tr>
<td>• Brazilian lawmakers imposed a ‘60% flat tax on the declared value of goods arriving in Brazil via express-delivery services such as Federal Express and United Parcel Service (The Economist Intelligence Unit ‘Doing E-business in Brazil: Law and Regulations’);</td>
<td></td>
</tr>
<tr>
<td>• ‘The legislature, the courts, and municipal and federal tax authorities do not agree on the nature of the activities conducted by ISPs’ and the tax that they must to pay – a federal ICMS tax of 25% rate or a municipal ISS tax of 5% (Castillo ‘Taxation of Internet Service Providers in Brazil’).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Related Cultural Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ‘Capacity to adapt to situations which would be unfathomable for people from other cultures’ (Murphy ‘The Art of Being Brazilian’);</td>
</tr>
<tr>
<td>• Jeitinho, flexibility, capability of adaptation and lack of respect for rules (Murphy ‘The Art of Being Brazilian’);</td>
</tr>
<tr>
<td>• Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);</td>
</tr>
<tr>
<td>• ‘Passiveness and acceptance of subservience’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’).</td>
</tr>
</tbody>
</table>

An analysis of table 41 confirms what the statement at the beginning of this topic emphasizes: taxes in Brazil are very high. It also shows that the Brazilian taxation system is complicated for people and businesses. Obviously, this chaotic system affects all Brazilian e-business activities as well.
However, in spite of all the problems that this disordered circumstance causes, Brazilians do not do anything. Again, cultural traits (such as capacity to adapt to situations that seem unfathomable, flexibility, passiveness and acceptance of inferior status by lower class groups) influence negatively the chance for solutions. In this case, Brazilian’s capability of adaptation, lack of respect for rules and jeitinho are very important cultural traits. These traits are responsible for several methods that Brazilians utilize to pay less taxes or simply not pay them at all.

Actually, the analysis of table 40 shows that in Brazil a specific taxation system for e-business activities is a long way from coming into existence because of the negative influences of the powerful cultural traits on the country’s financial system.

3. Cultural Traits Affecting Market Access Issues

In the words of Lipschultz:

"Income distribution and inequality are big obstacles to increasing the Internet activities in Brazil."

Lipschultz ("Brazil Unplugged" 82)

This declaration seems to have created a big controversy. As the last chapter shows, poor Brazilians do not have enough money to pay for the necessary infrastructure to access the Internet and to purchase through it, using its resources and facilities. However, it is very difficult to discuss the Brazilian connections between e-market access and cultural traits without considering poverty and the inequality of income distribution. The purpose here is to analyze all three of these issues.
To facilitate comprehension, the next tables provides some important details related to these subjects. Table 42 shows some characteristics of Brazil’s e-market access issues and related cultural traits. To the same purpose, table 43 presents key points related to poverty and the inequality of income distribution and associated cultural traits.

Table 42: Problems with Market Access and Their Related Cultural Traits

<table>
<thead>
<tr>
<th>Telecommunications Infrastructure and Information Technology</th>
<th>Technical Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Levels of telephone line density in Brazil have long been among the lowest in Latin America” (The Economist Intelligence Unit ‘Doing E-business in Brazil’).</td>
<td>• Broadband services develop slowly in Brazil (The Economist Intelligence Unit, ‘Doing E-business in Brazil’);</td>
</tr>
<tr>
<td>• In Brazil, laws to regulate and to control content on the Internet environment still are waiting for debates in Congress’s Chamber of Deputies and Senate (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’).</td>
<td>• Brazil has a small number of Broadband services offered. Most of them are ‘digital subscriber lines (DSL) and cable lines’ (The Economist Intelligence Unit ‘Doing E-business in Brazil’).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Related Cultural Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’);</td>
</tr>
<tr>
<td>• ‘Capacity to adapt to situations which would be unfathomable to people from other cultures” (Murphy ‘The Art of Being Brazilian’);</td>
</tr>
<tr>
<td>• Jeitinho, flexibility, capability of adaptation, and lack of respect for rules (Murphy ‘The Art of Being Brazilian’).</td>
</tr>
</tbody>
</table>
Table 43: Problems with Poverty and Income Distribution Inequality and Their Related Cultural Traits

<table>
<thead>
<tr>
<th>Details of Poverty and Income Distribution Inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Income distribution and inequality in Brazil is close to being the worst in the world (see chapter I of this research paper);</td>
</tr>
<tr>
<td>• Seventy six percent of Brazil’s population is concentrated in its poorest economic classes C, D, and E (DATAVALE &quot;Critério Brasil&quot;);</td>
</tr>
<tr>
<td>• Brazil’s economic classes A and B owns 85% of the computers sold in the country (DATAVALE &quot;Critério Brasil&quot;);</td>
</tr>
<tr>
<td>• Economic classes A and B constitute 90% of the access to the Internet in Brazil (Lopes &quot;Maioria dos Internautas Brasileiros é de Alta Renda&quot;).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Related Cultural Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inhibition/shyness, social repression and lack of motivation (Fleith ‘Creativity in the Brazilian Culture’);</td>
</tr>
<tr>
<td>• “Tendency towards centralization of power” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
</tr>
<tr>
<td>• ‘Distance in relations among different social groups” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
</tr>
<tr>
<td>• ‘Passiveness and acceptance of subservience” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
</tr>
<tr>
<td>• Brazilians are ‘more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
</tr>
<tr>
<td>• <em>Jeitinho</em>, ‘flexibility and adaptability as a means of social navigation” (Freitas as quoted in Murphy “The Art of Being Brazilian”).</td>
</tr>
</tbody>
</table>

An analysis of these tables (42 and 43) will elucidate the manner by which cultural traits, poverty and income distribution inequality obstruct the development of e-business activities and affect negatively the market access issues in Brazil.
Unlike the others issues presented, cultural traits do not impede the growth of e-business by affecting all the issues related to market access. In this case, they act indirectly only through content\textsuperscript{57}.

Again, as Castro states, the problem is caused by the lack of specific laws to control e-business activities. According to him, “laws to regulate and to control content on the Internet environment continue to wait for debate in Congress’s Chamber of Deputies and Senate” (“Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico”). Obviously, because of this situation, several Brazilians have many problems with illegal e-business firms, such as false advertisements, false products, piracy, products and services with bad quality, and stolen products. However, their ability to escape from situations unfathomable for people from other cultures, their lack of respect for rules, and their necessity of improvise all the time make it possible to overpass all these problems.

This means that Brazilians (consumers, entrepreneurs, organizations, firms, and governments) prefer to use their jeitinho, flexibility and adaptability for solutions to those problems. As a result, in Brazil the great majority will not try to do anything to solve them until the trouble becomes a very large impassable barrier obstructing the development of e-business activities.

\textsuperscript{57} In this case, poverty and income distribution indirectly affect only some Internet activities by affecting telecommunications infrastructure and information technology (such as levels of telephone line density), but it does not affect e-business activities. As table 34 shows, this country has a strong concentration of wealth in its two richest economic classes. As a result, the demand for infrastructure that supports the Internet activities (such as phone lines and broadband services) is limited by the small percentage of the population that can pay for it. Obviously, the Brazilian high economic classes that access and use the all the Internet facilities (including e-business) have enough money and can pay for them. Again, cultural traits (such as jeitinho, flexibility and capability of adaptation, inhibition/shyness, social repression, lack of motivation and passiveness.) impede the search for solutions to solve these problems.
B. Solutions to Reduce Indirect Effects of Cultural Issues on Brazilian E-business Activities

Considering the legal issues, electronic transactions hamper the need for a framework of physical paper. 

Castro (‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’)

The following tables (tables 44 through 47) demonstrate how and what government, politicians, lawmakers, entrepreneurs, companies, banks, and Internet-related professionals have done to reduce negative effects of cultural traits on legal, financial, and market access issues related to Internet activities in Brazil.
Table 44: Problems with Legal Issues, Their Related Cultural Traits and Solutions Adopted by Brazilian Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals

<table>
<thead>
<tr>
<th>Problems with Legal Issues</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
</table>
| Commercial Code for E-business: according to Castro, the legislation code of Brazil does not have any specific law to protect consumer rights on the Internet environment (‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’). In Brazil laws to protect consumer rights on the Internet environment are waiting for debate in Congress’s Chamber of Deputies and Senate Doing E-business in (The Economist Intelligence Unit ‘Brazil: Law and Regulations’). | • *Jeitinho*, flexibility, capability of adaptation and lack of respect for rules (Murphy ‘The Art of Being Brazilian’);  
• ‘Capacity to adapt to situations which would be unfathomable for people from other cultures’ (Murphy ‘The Art of Being Brazilian’);  
• Necessity to improvise all the time (Fleith ‘Creativity in the Brazilian Culture’);  
• Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• ‘Passiveness and acceptance of inferior groups’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’). | • The government of Brazil has modernized the Brazilian Consumer Protection Code to use it to adjudicate disputes regarding Internet purchases (The Economist Intelligence Unit ‘Doing E-business in Brazil: Law and Regulations’);  
• Proposals of specific laws to regulate electronic businesses are in the Brazilian Congress’s Chamber of Deputies waiting to be analyzed and voted. However, they have low priority on the legislative agenda (The Economist Intelligence Unit ‘Doing E-business in Brazil: Law and Regulations’). |
Table 44: Problems with Legal Issues, Their Related Cultural Traits and Solutions Adopted by Brazilian Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals (continue)

<table>
<thead>
<tr>
<th>Problems with Legal Issues</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privacy: according to Castro, Brazil does not have regulations for privacy on e-business transactions. Laws to regulate and protect privacy on the Internet environment still waiting for debates in Congress’s Chamber of Deputies and Senate so far (‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’).</td>
<td>• <em>Jeitinho</em>, flexibility, capability of adaptation and lack of respect for rules (Murphy ‘The Art of Being Brazilian’); • ‘Capacity to adapt to situations which would be unfathomable for people from other cultures’ (Murphy ‘The Art of Being Brazilian’); • Necessity to improvise all the time (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • ‘Passiveness and acceptance of inferior groups’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’).</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• According to Castro, the federal government of Brazil has taken only isolated initiatives to lawfully protect e-business activities (‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’); • Brazilian government, companies, and banks will allocate more financial resources to the development of their groups of technicians that will work on the security of their Internet activities, will improve their backup systems and routines, will keep anti-virus programs updated, and will use several strategies for electronic security (‘60% das Empresas Brasileiras Vão Aumentar Gastos em Segurança’). Regarding this subject, the conscientiousness of managers and executives still the biggest problem in Brazil; • The Brazilian government, companies, and banks will use cryptography on connections. They also will check certification of all connected sites to protect intellectual property, to avoid viruses and spam, to guarantee privacy, to improve security and to prevent undesirable contents (‘77% das Empresas no Brasil Tiveram Sistema de TI Atacado em 2003’).</td>
</tr>
</tbody>
</table>
Table 44: Problems with Legal Issues, Their Related Cultural Traits and Solutions Adopted by Brazilian Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals (continue)

<table>
<thead>
<tr>
<th>Problems with Legal Issues</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual Property Protection: piracy and ‘irregular registering of addresses and domain’ names are the biggest problems for protecting intellectual property rights related to the Internet in Brazil (The Economist Intelligence Unit &quot;Doing E-business in Brazil: Law and Regulations&quot;);</td>
<td>• <em>Jeitinho</em>, flexibility, capability of adaptation and lack of respect for rules (Murphy “The Art of Being Brazilian”); • ‘Capacity to adapt to situations which would be unfathomable for people from other cultures’ (Murphy “The Art of Being Brazilian”); • Necessity to improvise all the time (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy “The Art of Being Brazilian”); • ‘Passiveness and acceptance of inferior groups’ (Freitas as quoted in Murphy “The Art of Being Brazilian”).</td>
<td>• Brazilian ‘courts have produced divergent rulings concerning rights to so-called domain names’ (The Economist Intelligence Unit &quot;Doing E-business in Brazil: Law and Regulations&quot;). Laws to punish electronic piracy already exist and Brazilian authorities have tried to prosecute those who have violated the law; • Brazilian government, companies, and banks will allocate more financial resources on development of their groups of technicians that works on security of their Internet activities, will improve their backup systems and routines, will keep anti-virus programs updated, and will use several electronic security politics (“60% das Empresas Brasileiras Vão Aumentar Gastos em Segurança.”); • The Brazilian government, companies, and banks will use cryptography on connections. They also will check certification of all connected sites to protect intellectual property, to avoid viruses and spam, to guarantee privacy, to improve security and to prevent undesirable contents (“77% das Empresas no Brasil Tiveram Sistema de TI Atacado em 2003”).</td>
</tr>
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Table 44: Problems with Legal Issues, Their Related Cultural Traits and Solutions Adopted by Brazilian Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals (continue)

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<th>Cultural Traits Related to the Problem</th>
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<tbody>
<tr>
<td><strong>Security</strong>: Brazil does not have laws concerning e-business, electronic signature, digital signature, contracts and electronic (Castro ‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico”).</td>
<td>• <em>Jeitinho</em>, flexibility, capability of adaptation and lack of respect for rules (Murphy “The Art of Being Brazilian”); • ‘Capacity to adapt to situations which would be unfathomable for people from other cultures’ (Murphy “The Art of Being Brazilian”); • Necessity to improvise all the time (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”); • ‘Passiveness and acceptance of inferior groups’ (Freitas as quoted in Murphy “The Art of Being Brazilian”).</td>
<td>• Proposals of specific laws to regulate electronic businesses are in the Brazilian Congress’s Chamber of Deputies waiting to be analyzed and voted. However, they have low priority on the legislative agenda (The Economist Intelligence Unit, ‘Doing E-business in Brazil: Law and Regulations’); • Brazilian government, companies, and banks will allocate more financial resources to the development of their groups of technicians that work on the security of their Internet activities, will improve their backup systems and routines, will keep anti-virus programs updated, and will use several electronic security policies (“60% das Empresas Brasileiras Vão Aumentar Gastos em Segurança.”). Regarding this subject, conscientiousness of managers and executives still being the biggest problem in Brazil; • The Brazilian government, companies, and banks will use cryptography on connections. They also will check certification of all connected sites to protect intellectual property, to avoid viruses and spam, to guarantee privacy, to improve security and to prevent undesirable contents (“77% das Empresas no Brasil Tiveram Sistema de TI Atacado em 2003”).</td>
</tr>
</tbody>
</table>
Table 45: Problems with Financial Issues, Their Related Cultural Traits and Solutions Adopted by Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals

<table>
<thead>
<tr>
<th>Problems with Financial Issues</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The weakness of specific legislation for taxation makes purchases made over the Internet to</td>
<td>• <em>Jeitinho</em>, flexibility, capability of adaptation and lack of respect for rules (Murphy “The Art</td>
<td>Brazil does not have any specific law to regulate e-business. Proposals of laws related to electronic businesses are in the</td>
</tr>
<tr>
<td>be subject to ‘the same taxes as a normal transaction” (The Economist Intelligence Unit ‘Doing</td>
<td>of Being Brazilian’);</td>
<td>Brazilian Congress’s Chamber of Deputies waiting to be analyzed and voted. However, they have a low priority on the legislative agenda</td>
</tr>
<tr>
<td>E-business in Brazil: Taxation’);</td>
<td>• ‘Capacity to adapt to situations which would be unfathomable for people from other cultures” (Murphy</td>
<td>(The Economist Intelligence Unit ‘Doing E-business in Brazil: Law and Regulations’). According to Angelo, to minimize this problem,</td>
</tr>
<tr>
<td>• Brazilian lawmakers imposed a ‘60% flat tax on the declared value of goods arriving in Brazil</td>
<td>“The Art of Being Brazilian’);</td>
<td>Brazilian e-business companies and banks have acted through the Câmara-e.net (&quot;Lei Anti-spam Depende de Vontade Política, Diz Advogado&quot;).</td>
</tr>
<tr>
<td>via express-delivery services such as Federal Express and United Parcel Service (The Economist</td>
<td>• Necessity to improvise all the time (Fleith ‘Creativity in the Brazilian Culture’);</td>
<td></td>
</tr>
<tr>
<td>Intelligence Unit ‘Doing E-business in Brazil: Law and Regulations’);</td>
<td>• Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being</td>
<td></td>
</tr>
<tr>
<td>• ‘The legislature, the courts, and municipal and federal tax authorities do not agree on the</td>
<td>Brazilian”);</td>
<td></td>
</tr>
<tr>
<td>nature of the activities conducted by ISPs” and the tax that they must to pay – a federal ICMS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>tax of 25% rate or a municipal ISS tax of 5% (Castillo “Taxation of Internet Service Providers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in Brazil.”).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 46: Problems with Market Access, Their Related Cultural Traits and Solutions Adopted by Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals

<table>
<thead>
<tr>
<th>Problems with Market Access</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunications Infrastructure and Information Technology: levels of telephone line density in Brazil have long been among the lowest in Latin America” (The Economist Intelligence Unit ‘Doing E-business in Brazil’).</td>
<td>• <em>Jeitinho</em>, flexibility, capability of adaptation and lack of respect for rules (Murphy “The Art of Being Brazilian”); • “Capacity to adapt to situations which would be unfathomable for people from other cultures” (Murphy “The Art of Being Brazilian”); • Necessity to improvise all the time (Fleith “Creativity in the Brazilian Culture”); • Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”).</td>
<td>According to Nilles, to minimize problems related to telecommunications and infrastructure the Brazilian federal government has broken up Telebrás58 “as part of Brazil's telecommunications deregulation and privatization process.” It opened the country to foreign companies to expand and to develop the fixed and mobile telephone systems. In this case, the private companies have tried to minimize problems through partnership (“Electronic Commerce and New Ways of Working in Brazil”).</td>
</tr>
</tbody>
</table>

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58 According to Nilles, TELEBRÁS was a Brazilian federal holding company that had a monopoly on telecommunication and ‘controlled all the 28 operating subsidiaries’ until 1998 when it was broken up (“Electronic Commerce and New Ways of Working in Brazil”).
Table 46: Problems with Market Access, Their Related Cultural Traits and Solutions Adopted by Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals (continue)

<table>
<thead>
<tr>
<th>Problems with Market Access</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
</table>
| **Technical Standards:** broadband services develop slowly in Brazil, and it has a small number of broadband services offered – most of them are ‘digital subscriber lines (DSL) and cable lines’ (The Economist Intelligence Unit ‘Doing E-business in Brazil’). | - *Jeitinho*, flexibility, capability of adaptation and lack of respect for rules (Murphy ‘The Art of Being Brazilian’);  
- ‘Capacity to adapt to situations which would be unfathomable for people from other cultures’ (Murphy ‘The Art of Being Brazilian’);  
- Necessity to improvise all the time (Fleith ‘Creativity in the Brazilian Culture’);  
- Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’). | According to Zaidan, to minimize problems with technical standards, Brazilian e-business companies and banks have established partnerships with the government and private companies (‘Pon to Frio Fatura R$ 84,3 Milhões em Operação Virtual’). |
Table 46: Problems with Market Access, Their Related Cultural Traits and Solutions Adopted by Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals (continue)

<table>
<thead>
<tr>
<th>Problems with Market Access</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content: in Brazil, laws to regulate and to control content on the Internet environment still are waiting for debates in Congress’s Chamber of Deputies and Senate (Castro “Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico”).</td>
<td>• <em>Jeitinho</em>, flexibility, capability of adaptation and lack of respect for rules (Murphy “The Art of Being Brazilian”); • “Capacity to adapt to situations which would be unfathomable for people from other cultures” (Murphy “The Art of Being Brazilian”); • Necessity to improvise all the time (Fleith “Creativity in the Brazilian Culture”); • Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”).</td>
<td>Brazil does not have any specific law to regulate e-business. Proposals of laws related to electronic businesses are in the Brazilian Congress’s Chamber of Deputies waiting to be analyzed and voted. However, they have a low priority on the legislative agenda (The Economist Intelligence Unit ‘Doing E-business in Brazil: Law and Regulations’). According to Ângelo, to minimize this problem, Brazilian e-business companies and banks have acted through the Câmara-e.net (“Lei Anti-spam Depende de Vontade Política, Diz Advogado”).</td>
</tr>
</tbody>
</table>
Table 47: Problems with Poverty and Income Distribution Inequality, Their Related Cultural Traits and Solutions Adopted by Brazilian Government, Politicians, Lawmakers, Entrepreneurs, Companies, Banks, and Internet-related Professionals

<table>
<thead>
<tr>
<th>Problems with Poverty and Income Distribution Inequality</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Income distribution and inequality in Brazil is close to being the worst in the world (see chapter I of this research paper);</td>
<td>• Inhibition/shyness, social repression and lack of motivation (Fleith “Creativity in the Brazilian Culture”);</td>
<td>• According to the UNESCO’s representative in Brazil, Werthein, the Brazilian government recognizes the necessity to promote programs to realize digital inclusion (as quoted in ‘Brasil só Eliminará Pobreza se Investir na Inclusão Digital, Diz Especialista’);</td>
</tr>
<tr>
<td>• Seventy six percent of Brazil’s population is concentrated in its poorest economic classes C, D, and E (DATAVALE “Critério Brasil”);</td>
<td>• “Tendency towards centralization of power” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
<td>• According to Felipini, in 2003, the Brazilian mail service started to put computers in its post offices to provide paid access to the Internet for Brazil’s lower economic classes (“O Que o Futuro Reserva para o Comércio Eletrônico no Brasil? – I.”);</td>
</tr>
<tr>
<td>• Brazil’s economic classes A and B owns 85% of the computers sold in the country (DATAVALE: “Critério Brasil”);</td>
<td>• “Distance in relations among different social groups” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
<td>• A 2003 Exame Magazine’s survey shows that in Brazil big groups such as Silvio Santos and Casas Bahia have facilitated access and sold several products through the Internet to the Brazilian Lower Economic Classes C, D and E (as quoted in Felipini ‘É Possível Vender para Pobres na Internet’);</td>
</tr>
<tr>
<td>• Economic classes A and B constitute 90% of the access to the Internet in Brazil (“Maio1da dos Internautas Brasileiros é de Alta Renda”).</td>
<td>• “Passiveness and acceptance of subservience” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
<td>• According to Sordili, the Brazilian Group Silvio Santos has sold computers to the Brazilian lower economic classes C, D and E allowing payment to be made in several installments. It signed an agreement with Microsoft to sell these computers with Microsoft Windows and Office already installed. The Brazilian group also has established partnerships to provide access to the Internet to its customers (“Silvio Santos e Bill Gates: SBT e Microsoft Fazem Parceria para Popularizar PC.”);</td>
</tr>
<tr>
<td></td>
<td>• Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Jeitinho, “flexibility and adaptability as a means of social navigation” (Freitas as quoted in Murphy “The Art of Being Brazilian”).</td>
<td></td>
</tr>
</tbody>
</table>
C. Direct Effects of Cultural Issues on Brazilian E-business Activities

To demonstrate the direct effects of cultural traits impeding the development of e-business in Brazil is not as easy as to demonstrate the indirect effects. The indirect influences can be demonstrated in many ways. One of them is the methodology used in this paper – crossing information. However, the same methodology is inappropriate with the direct impacts. They require crossing information and many specific surveys and data in order to be demonstrated.

In Brazil, this kind of information is not easy to find. The negative influence of cultural traits on the development of e-business activities is something that does not seem to preoccupy the government, corporations, firms, organizations, institutions, Internet-related professionals, and personal consumers.

In Brazil, magazines, books, and newspapers (on-line and regular) provide only scattered data pointing to the existence of this problem. However, the general amount of the information available is insufficient to demonstrate the extent of this problem. In other words, in Brazil, it is not possible to determine exactly how many people do not make use of e-business activities and how much they do not spend using Internet facilities because of cultural traits.

This research paper does not propose to quantify this problem. One of its main objectives is to demonstrate the existence of this problem using evidence through personal interviews, articles and surveys.
1. Personal Interview – The Point of View of a Brazilian Who is an E-business Negotiation Manager

During a personal interview, in February 2003, Rodrigues maintained that there are three main reasons impeding Brazilians from utilizing businesses through the Internet: 1) fear of losing participation in their local marketplace, 2) fear of using new technology, and 3) fear of losing personal information. These are very important reasons. However, they are not the only reasons. In fact, they do not exist by themselves. These reasons are only a reflection of some Brazilian cultural traits (see table 48).

---

59 Mr. Rodrigues is E-business Negotiation Manager of Banco do Brasil (the largest Brazilian federal commercial bank). He was interviewed when he was talking to entrepreneurs about e-business transactions and facilities and about how to use the portal of Banco do Brasil (www.business-e.com.br) to accomplish business-to-government transactions. It is important to say that Banco do Brasil offers this service for free and that it is not needed to have a current account with this bank to use the advantages offered by it.
Table 48: The Causes Maintained by Rodrigues and Related Cultural Traits

<table>
<thead>
<tr>
<th>Seq</th>
<th>Reasons</th>
<th>Related Cultural Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fear of losing participation in their local marketplace</td>
<td>‘Paternalism: moral and economic dominion’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’) – many Brazilian entrepreneurs think that they can lose part of their clients to foreign business if they start to negotiate by using e-business facilities. In fact, they would rather be protected from outside firms.</td>
</tr>
<tr>
<td>2</td>
<td>Fear of using new technology.</td>
<td>One characteristic of the Brazilian organizational culture is ‘no acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’);</td>
</tr>
<tr>
<td>3</td>
<td>Fear of loosing personal information</td>
<td>Brazilians prefer to use their jeitinho and flexibility rather than to respect rules (Murphy ‘The Art of Being Brazilian’) – according to Castro, in Brazil, laws about e-business, electronic and digital signatures, and electronic contracts and documents continue to wait for debates in Congress’s Chamber of Deputies and Senate (‘Brazil: Aspectos Jurídicos do Comércio Eletrônico e Governo Eletrônico’). In addition, existing laws are not respected because of these cultural traits.</td>
</tr>
</tbody>
</table>

Considering Rodrigues’ point of view, a cross analysis of table 48 shows the manner by which these cultural traits have directly obstructed the development of e-business activities in Brazil. In other words, this table indicates that the three reasons presented by Rodrigues are in fact consequences of cultural traits.

2- Cultural Traits and Surveys – An Comparative Approach

Another manner by which to show how cultural traits have impeded the development of e-business activities in Brazil would be through specific reports, researches, articles and surveys. However, in Brazil, it is very difficult to find any kind of
publication related directly to this subject. Those that do exist do not present this matter clearly. Some of them only present evidence of the existence of this. In fact, all reports, researches, articles and surveys must be analyzed deeply to make it possible to detect the negative influence of cultural traits on the development of Brazil’s Internet and e-business activities.

A comparative approach between a survey made by IBOPE60 in Brazil – in 2001 (‘Internauta, O Homem e o Mito’), and a survey made among students of FUNCESI 61 (a Brazilian university62) – also in 2001, can be used as a framework for an analysis to demonstrate the particularities of this hidden barrier that prevents the development of e-business activities in Brazil. The IBOPE’s survey concerns the situation in Brazil, while the survey undertaken by FUNCESI concerns the situation in the region were Itabira is located.

IBOPE used its own scientific methodology to conduct its survey. The survey conducted by FUNCESI interviewed 766 of the 1,171 students attending this school63 (52.9% of the students answered the questionnaire – see annex 1). The percentage related to each question was obtained by dividing the number of students who chose an option to buy through the Internet by the total number of students who do not buy through the Internet (690 students – 90.1% of them).

60 IBOPE is the biggest Brazilian commercial survey institute.
61 FUNCESI – Fundação Comunitária do Ensino Superior de Itabira – Itabira – Minas Gerais – Brazil.
62 Regarding Brazil’s standards, Itabira is a medium size city located in east of Minas Gerais state. According to the Prefeitura Municipal de Itabira, in 2003, this city had approximately 100.000 inhabitants (“Itabira”).
63 1,171 is the total of graduate students regularly registered in FUNCESI in 11 regular courses: Languages, Sciences, Mathematics, Geography, History, Social Studies, Biology, Business Administration, Accounting, Tourism and Information Systems.
Table 49 shows the results of the IBOPE’s survey. Table 50 presents the results of the survey conducted by FUNCESI and table 51 compares the results of the common questions of both surveys.

Table 49: IBOPE’s Survey: 2001

<table>
<thead>
<tr>
<th>Seq.</th>
<th>‘I do not buy through the Internet Because …’</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>‘...I like to touch, see and taste products before to buy them’</td>
<td>51</td>
</tr>
<tr>
<td>2</td>
<td>‘...the payment forms are not safe’</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>‘...I use the Internet only to find information’</td>
<td>45</td>
</tr>
<tr>
<td>4</td>
<td>‘...I find what I need through regular commerce’</td>
<td>42</td>
</tr>
<tr>
<td>5</td>
<td>‘...I do not know how to use the systems to buy through the Internet’</td>
<td>40</td>
</tr>
<tr>
<td>6</td>
<td>‘...delivery systems are not safe and/or lose products’</td>
<td>20</td>
</tr>
<tr>
<td>7</td>
<td>‘...I do not receive products immediately’</td>
<td>16</td>
</tr>
<tr>
<td>8</td>
<td>‘...other reasons’</td>
<td>12</td>
</tr>
<tr>
<td>9</td>
<td>‘...it is not easy to compare prices’</td>
<td>11</td>
</tr>
<tr>
<td>10</td>
<td>‘...I do not have the kind of payment plan required by e-business firms’</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>‘...there are not convenient prices’</td>
<td>9</td>
</tr>
<tr>
<td>12</td>
<td>‘...it does not reduce the time that I spend buying’</td>
<td>9</td>
</tr>
<tr>
<td>13</td>
<td>‘...I can not get good transactions or obtain good discounts’</td>
<td>8</td>
</tr>
<tr>
<td>14</td>
<td>‘...it is not easy to find the products and services that I am looking for’</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Adapted from IBOPE (‘Internauta, O Homem e o Mito’)


Table 50: A Survey of the Students of FUNCESI: December 2001

<table>
<thead>
<tr>
<th>Seq.</th>
<th>“I do not buy through the Internet Because …”</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>“... I think that it is not safe – I am afraid of theft of personal information such as credit card number, banking account number, and other personal information”</td>
<td>37.1</td>
</tr>
<tr>
<td>2</td>
<td>“... I never had an interest in buying through the Internet”</td>
<td>33.7</td>
</tr>
<tr>
<td>3</td>
<td>“... I prefers to buy products and/or services from regular stores and/or offices because I think that I have more options available than I have on the Internet”</td>
<td>27.0</td>
</tr>
<tr>
<td>4</td>
<td>“... I like to negotiate prices and payment conditions when I am buying products and services”</td>
<td>19.8</td>
</tr>
<tr>
<td>5</td>
<td>“... I never had the opportunity”</td>
<td>15.4</td>
</tr>
<tr>
<td>6</td>
<td>“... I do not know what to do in case of a problem with the product or service that I bought”</td>
<td>13.8</td>
</tr>
<tr>
<td>7</td>
<td>“... at regular stores and offices I have more opportunities to know new products and services than I have on the Internet”</td>
<td>11.7</td>
</tr>
<tr>
<td>8</td>
<td>“... I do not believe in the quality of products and services sold through the Internet”</td>
<td>10.8</td>
</tr>
<tr>
<td>9</td>
<td>“... I prefer to go to regular stores and offices because there I can see and talk to my friends”</td>
<td>10.3</td>
</tr>
<tr>
<td>10</td>
<td>“... I do not know how to buy through the Internet”</td>
<td>8.9</td>
</tr>
<tr>
<td>11</td>
<td>“... I do not believe in companies that operate businesses through the Internet”</td>
<td>8.2</td>
</tr>
<tr>
<td>12</td>
<td>“... I do not believe that firms will solve possible problems related to products and/or services that I buy through the Internet”</td>
<td>6.9</td>
</tr>
<tr>
<td>13</td>
<td>“... it is possible to find more products and services on special sales in regular businesses than on the Internet”</td>
<td>5.6</td>
</tr>
<tr>
<td>14</td>
<td>“... delivery of products and execution of services take more time when they are bought through the Internet than from regular businesses”</td>
<td>5.5</td>
</tr>
<tr>
<td>15</td>
<td>“... in regular stores and offices I have the opportunity to make new friends”</td>
<td>4.8</td>
</tr>
<tr>
<td>16</td>
<td>“... products and services are more expensive on the Internet than in regular stores and offices”</td>
<td>3.9</td>
</tr>
<tr>
<td>17</td>
<td>“... prices and times are not respected”</td>
<td>1.6</td>
</tr>
<tr>
<td>18</td>
<td>“other reasons”</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: Adapted from Students of FUNCESI
Table 51: Comparative Approach between the IBOPE’s Survey and the Survey of the Students of FUNCESI

<table>
<thead>
<tr>
<th>Seq.</th>
<th>Survey</th>
<th>‘I do not buy through the Internet Because …’</th>
<th>Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IBOPE</td>
<td>“…The payment forms are not safe”</td>
<td>50.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… I think that it is not safe – I am afraid of theft of personal information such as credit card number, banking account number, and other personal information”</td>
<td>37.1</td>
</tr>
<tr>
<td>2</td>
<td>IBOPE</td>
<td>“…I find what I need through regular commerce”</td>
<td>42.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… I prefer to buy products and/or services from regular stores and/or offices because I think that I have more options available than I have on the Internet”</td>
<td>27.0</td>
</tr>
<tr>
<td>3</td>
<td>IBOPE</td>
<td>“…I do not know how to use the systems to buy through the Internet”</td>
<td>40.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… I do not know how to buy through the Internet”</td>
<td>8.9</td>
</tr>
<tr>
<td>4</td>
<td>IBOPE</td>
<td>“…Delivery systems are not safe or lose products”</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… I do not know what to do in case of a problem with the product or service that I bought”</td>
<td>13.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“… prices and times are not respected”</td>
<td>1.6</td>
</tr>
<tr>
<td>5</td>
<td>IBOPE</td>
<td>“…I cannot receive products immediately”</td>
<td>16.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… delivery of products and execution of services are longer when they are bought through the Internet than from regular businesses”</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“… prices and times are not respected”</td>
<td>1.6</td>
</tr>
<tr>
<td>6</td>
<td>IBOPE</td>
<td>“…other reasons”</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… other reasons”</td>
<td>1.6</td>
</tr>
<tr>
<td>7</td>
<td>IBOPE</td>
<td>“…It is not easy to compare prices”</td>
<td>11.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… it is possible to find more products and services on special sales in regular businesses than on the Internet”</td>
<td>5.6</td>
</tr>
<tr>
<td>8</td>
<td>IBOPE</td>
<td>“… There are not convenient prices”</td>
<td>9.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… products and services are more expensive on the Internet than in regular stores and offices”</td>
<td>3.9</td>
</tr>
<tr>
<td>9</td>
<td>IBOPE</td>
<td>“…I can not get good transactions or obtain good discounts”</td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… I like to negotiate prices and times when I am buying products and services”</td>
<td>19.8</td>
</tr>
<tr>
<td>10</td>
<td>IBOPE</td>
<td>“…It is not easy to find the products and services that I am looking for”</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td>FUNCESI</td>
<td>“… at regular stores and offices I have more opportunities to know new products and services than I have on the Internet”</td>
<td>11.7</td>
</tr>
</tbody>
</table>

Sources: Adapted from IBOPE (“Internauta, O Homem e o Mito”) and Students of FUNCESI
The difference in the percentages between the common questions (table 49) can be explained mainly by:

- The IBOPE’s survey considers Brazil as a whole and the survey conducted by FUNCESI is a local survey;
- The IBOPE’s survey considers different regions, states, cities, economic classes, professionals, and age groups, the survey conducted by FUNCESI considers only the students of a small university that has a smaller number of people than a particular city and surrounding cities;
- The surveys used different methodologies;
- The surveys had different questions – quantity and type.

Table 52 (IBOPE) and table 53 (FUNCESI) show the questions that demonstrate the negative influence of cultural traits impeding the development of e-business activities and other related cultural traits.
Table 52: A Comparison of IBOPE’s Survey and Brazilian Cultural Traits

<table>
<thead>
<tr>
<th>Questions and Percentiles</th>
<th>Associated Cultural Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>“°I like to touch, see and taste products before to buy them” (51%)</td>
<td>• “No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’).</td>
</tr>
<tr>
<td>“…the payment forms are not safe” (50%)</td>
<td>• “No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’); • Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • “Society based on personal relationships” and “search for proximity and affection in relations” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • Jeitinho, flexibility, capability of adaptation, and lack of respect for rules (Murphy ‘The Art of Being Brazilian’).</td>
</tr>
<tr>
<td>“…I do not know how to use the systems to buy through the Internet” (40%)</td>
<td>“No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);</td>
</tr>
<tr>
<td>“…delivery systems are not safe and/or lose products” (20%)</td>
<td>• “No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • Lack of respect for rules (Murphy ‘The Art of Being Brazilian’).</td>
</tr>
<tr>
<td>“…I do not have the kind of payment plan required by e-business firms” (10%)</td>
<td>• “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated.</td>
</tr>
</tbody>
</table>
Table 52: A Comparison of IBOPE’s Survey and Brazilian Cultural Traits
(continue)

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</thead>
<tbody>
<tr>
<td>“…there are not convenient prices” (9%)</td>
<td>• “No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions; • Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated.</td>
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<td>“…I can not get good transactions or obtain good discounts” (8%)</td>
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</tr>
</tbody>
</table>

Table 53: A Comparison of the Survey of the Students of FUNCESI and Brazilian Cultural Traits

<table>
<thead>
<tr>
<th>Questions and Percentiles</th>
<th>Associated Cultural Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>“... I think that it is not safe – I am afraid of theft of personal information such as credit card number, banking account number, and other personal information (37.1%)</td>
<td>• ‘No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’); • Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians are ‘more dreamers than disciplined” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • Jeitinho, flexibility, capability of adaptation, and lack of respect for rules (Murphy “The Art of Being Brazilian”).</td>
</tr>
<tr>
<td>“... I never had an interest in buying through the Internet” (33.7%)</td>
<td>‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes”(Fleith ‘Creativity in the Brazilian Culture’);</td>
</tr>
<tr>
<td>Questions and Percentiles</td>
<td>Associated Cultural Traits</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| “... I prefer to buy products and/or services from regular stores and/or offices because I think that I have more options available than I have on the Internet” (27.0%) | • ‘No support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’);  
• Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’). |
| “... I like to negotiate prices and payment conditions when I am buying products and services” (19.8%) | • ‘No support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions;  
• ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated. |
| “... I never had the opportunity” (15.4%) | • Inhibition/shyness, social repression and lack of motivation (Fleith ‘Creativity in the Brazilian Culture’);  
• ‘Distance in relations among different social groups’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• ‘Passiveness and acceptance of subservience’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Jeitinho, “adaptability” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’). |
Table 53: A Comparison of the Survey of the Students of FUNCESI and Brazilian Cultural Traits (continue)

<table>
<thead>
<tr>
<th>Questions and Percentiles</th>
<th>Associated Cultural Traits</th>
</tr>
</thead>
</table>
| “... I do not know what to do in case of a problem with the product or service that I bought” (13.8%) | • ‘No support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’);  
• Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’);  
• Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Lack of respect for rules (Murphy ‘The Art of Being Brazilian’). |
| “... at regular stores and offices I have more opportunities to know new products and services than I have on the Internet” (11.7%) | • “Society based on personal relationships” and “search for proximity and affection in relations” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’);  
• ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’). |
| “... I do not believe in the quality of products and services sold through the Internet” (10.8%) | “No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’). |
| “... I prefer to go to regular stores and offices because there I can see and talk to my friends” (10.3%) | • ‘Society based on personal relationships’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• ‘Search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• ‘No support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’). |
Table 53: A Comparison of the Survey of the Students of FUNCESI and Brazilian Cultural Traits (continue)

<table>
<thead>
<tr>
<th>Questions and Percentiles</th>
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</tr>
</thead>
<tbody>
<tr>
<td>“... I do not know how to buy through the Internet” (8.9%)</td>
<td>“No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);</td>
</tr>
</tbody>
</table>
| “... I do not believe in companies that operate businesses through the Internet” (8.2%) | • ‘No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);  
• “Society based on personal relationships” and “search for proximity and affection in relations” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Lack of respect for rules (Murphy ‘The Art of Being Brazilian’). |
| “... I do not believe that firms will solve possible problems related to products and/or services that I bought through the Internet” (6.9%) | • ‘No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);  
• Brazilians are ‘more dreamers than disciplined” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Lack of respect for rules (Murphy ‘The Art of Being Brazilian’);  
• ‘Society based on personal relationships” and search for proximity and affection in relations” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’). |
| “... it is possible to find more products and services on clearance-sales on regular businesses than on the Internet” (5.6%) | • ‘No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions;  
• Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated. |
| “... delivery of products and execution of services are longer when they are bought through the Internet than from regular businesses” (5.5%) | • ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);  
• Brazilians like to negotiate everything. Everything that they buy and contract can be negotiated. |
Table 53: A Comparison of the Survey of the Students of FUNCESI and Brazilian Cultural Traits (continue)

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<tr>
<th>Questions and Percentiles</th>
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</tr>
</thead>
<tbody>
<tr>
<td>“... in regular stores and offices you have the opportunity to make new friends” (4.8%)</td>
<td>• ‘Society based on personal relationships’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);</td>
</tr>
<tr>
<td></td>
<td>• ‘Search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);</td>
</tr>
<tr>
<td></td>
<td>• ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions.</td>
</tr>
<tr>
<td>“... products and services are more expensive on the Internet than in regular stores and offices” (3.9%)</td>
<td>• ‘No support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions;</td>
</tr>
<tr>
<td></td>
<td>• Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated.</td>
</tr>
<tr>
<td>“... prices and times are not respected” (1.6%)</td>
<td>• ‘No support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions;</td>
</tr>
<tr>
<td></td>
<td>• Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated;</td>
</tr>
<tr>
<td></td>
<td>• ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);</td>
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<td>• Lack of respect for rules (Murphy ‘The Art of Being Brazilian’).</td>
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In Brazil, there is a lack of articles, researches, books, surveys, magazines, and newspapers (on-line and regular) showing the negative influence of cultural traits on e-business activities. The amount of information available is not large enough to
demonstrate the great extent of this problem. However, these surveys (IBOPE’s and FUNCESI’s) show that this hidden barrier exists.

The IBOPE’s survey demonstrates that approximately 76% of the interviewed Brazilians do not buy through the Internet because of the high cost of delivery, and (mainly) it takes too much time for product delivery, the impossibility of exchanging a product that has been delivered for a different product and also the inability to see the particular products. Considering cultural influence, the same results occurred in the survey conducted by FUNCESI. The majority of their students interviewed do not buy using e-business facilities because of these cultural traits.

It means that the negative influence of culture on the development of e-business activities is a significant problem that requires attention. Brazilian authorities, scientists and Internet-related professionals must study its exact dimensions. There must be more research to determine how many people do not use e-business activities and how many do not purchase using Internet facilities because of cultural traits. The reasons responsible must be determined for this cultural behavior. Otherwise, the influence of this problem will persist without possible solutions.
D. Actual Situation and Adopted Solutions to Reduce Direct Effects of Cultural Issues on Brazilian E-business Activities

In 2003, to keep sales increasing, we enlarged Submarino’s services, augmented its mix of products, and increased its marketing grants.

Jansen⁶⁴ (as quoted in Jimenez "Vendas da Submarino Crescem 40% no Primeiro Semestre")

The following tables (tables 54 and 55) demonstrate how and what government, politicians, lawmakers, managers, entrepreneurs, e-business companies, banks, and Internet-related professionals have done to reduce direct negative effects of cultural traits on e-business activities in Brazil.

⁶⁴ Mr. Jansen is the president of Submarino; one of the largest e-business companies in Brazil. According to Jimenez, Submarino has approximately 1 Million clients and intends to gross between US$180 Million and US$200 Million in 2003 (“Vendas da Submarino Crescem 40% no Primeiro Semestre”).
Table 54: A Comparison of IBOPE’s Survey, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil to Solve Each Related Cultural Problem

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>“. . I like to touch, see and taste products before to buy them” (51%)</td>
<td>“No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith, ‘Creativity in the Brazilian Culture’).</td>
<td>E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales.’).</td>
</tr>
</tbody>
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Table 54: A Comparison of IBOPE’s Survey, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil
to Solve Each Related Cultural Problem (continue)

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</table>
| “...the payment forms are not safe” (50%) | • “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);  
  • “Society based on personal relationships” and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy “The Art of Being Brazilian”);  
  • Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated;  
  • Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’);  
  • Jeitinho, flexibility, capability of adaptation, and lack of respect for rules (Murphy “The Art of Being Brazilian”). | • According to Guasti, virtual stores are using different kinds of payment through post office services and banks services (“E-commerce Bate Recordes em Faturamento, Tique e Vendas”);  
  • According to the Country Commerce, banks such as Banco Itau, Banco Bradesco, Banco do Brasil, Caixa Econômica Federal, and Banco Real have signed agreement with each other to develop and to implement common non-competitive solutions. They also have set up partnerships with telecommunications and Internet-related companies to make their services safer and cheaper to their customers (as quoted in The Economist Intelligence Unit “Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases”);  
  • According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri “O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H”);  
  • According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (“Estratégia: O Mercado Eletrônico”). |
### Table 54: A Comparison of IBOPE’s Survey, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil to Solve Each Related Cultural Problem (continue)

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<td>“…I do not know how to use the systems to buy through the Internet” (40%)</td>
<td>“No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith “Creativity in the Brazilian Culture”).</td>
<td>E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit “Brazil: Retailers Enjoy Strong Online Sales”).</td>
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<td>“…delivery systems are not safe and/or lose products” (20%)</td>
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<td>Through partnership and “married online operations”, e-business companies have improved their delivery operations (The Economist Intelligence Unit “Brazil: Retailers Enjoy Strong Online Sales”).</td>
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Table 54: A Comparison of IBOPE’s Survey, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil to Solve Each Related Cultural Problem (continue)

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</tr>
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</table>
| “...I do not have the kind of payment plan required by e-business firms” (10%)           | • ‘No acceptance of new ideas, no acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’);  
• Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated. | • According to Guasti, virtual stores have used different kind of payment through the Internet, post office services, and regular bank services (“E-commerce Bate Recordes em Faturamento, Tiquete e Vendas”);  
• According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri ‘O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H’);  
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<tbody>
<tr>
<td>“...there are not convenient prices” (9%)</td>
<td>• “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith “Creativity in the Brazilian Culture”) – it would be possible to find better prices and payment conditions; • Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated.</td>
<td>• According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (“E-commerce Bate Recordes em Faturamento, Tiquete e Vendas”); • According to the Country Commerce, banks such as Banco Itau, Banco Bradesco, Banco do Brasil, Caixa Econômica Federal, and Banco Real have signed agreement with each other to develop and to implement common non-competitive solutions. They also have set up partnerships with telecommunications and Internet-related companies to make their services safer and cheaper to their customers (as quoted in The Economist Intelligence Unit “Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases”); • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit “Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases”); • According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (“Estratégia: O Mercado Eletrônico”); • According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri “O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H”).</td>
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Table 54: A Comparison of IBOPE’s Survey, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil to Solve Each Related Cultural Problem (continue)

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<tr>
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<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
</table>
| “…I can not get good transactions or obtain good discounts” (8%) | · “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions;  
· “Society based on personal relationships” and “search for proximity and affection in relations” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
· Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated. | · According to Guasti, virtual stores are using different kinds of payment through post office services and banks services (“E-commerce Bate Recordes em Faturamento, Tique e Vendas”);  
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· According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’);  
· According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (‘Estratégia: O Mercado Eletrônico’);  
· According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri ‘O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H’). |
Table 55: A Comparison of the Survey of the Students of FUNCESI, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil to Solve Each Related Cultural Problem

<table>
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<th>Questions and Percentiles</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
</table>
| “... I think that it is not safe – I am afraid of theft of personal information such as credit card number, banking account number, and other personal information (37.1%)” | • “No support for risk taking, and cultivation of the fear of making mistakes” (Fleith “Creativity in the Brazilian Culture”);  
• Necessity of improvise all the time (Fleith “Creativity in the Brazilian Culture”);  
• Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”);  
• Jeitinho, flexibility, capability of adaptation, and lack of respect for rules (Murphy “The Art of Being Brazilian”). | • According to Andrews, Brazilian government, banks, e-business companies, firms, and Internet-related Professional have invested in systems and framework to increase electronic security (as quoted in Fontes ‘Serviços pela Internet Devem Crescer, Aponta Pesquisa”);  
• According to the Country Commerce, banks such as Banco Itau, Banco Bradesco, Banco do Brasil, Caixa Econômica Federal, and Banco Real have signed agreement with each other to develop and to implement common non-competitive solutions. They also have set up partnerships with telecommunications and Internet-related companies to make their services safer and cheaper to their customers (as quoted in The Economist Intelligence Unit “Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases”);  
• According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (“E-commerce Bate Recordes em Faturamento, Tique e Vendas”). |
### Table 55: A Comparison of the Survey of the Students of FUNCESI, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil to Solve Each Related Cultural Problem (continue)

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| “... I never had an interest in buying through the Internet” (33.7%) | ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith “Creativity in the Brazilian Culture”). | • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’);  
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| "... I prefer to buy products and/or services from regular stores and/or offices because I think that I have more options available than I have on the Internet" (27.0%) | • ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);  
• Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’). | • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’);  
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• According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (‘Estratégia: O Mercado Eletrônico’);  
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| “... I like to negotiate prices and payment conditions when I am buying products and services” (19.8%) | • ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions;  
• ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy, ‘The Art of Being Brazilian’);  
• Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated. | • According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (‘E-commerce Bate Recordes em Faturamento, Tique e Vendas’);  
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<td>&quot;... I never had the opportunity&quot;</td>
<td>· Inhibition/shyness, social repression and lack of motivation (Fleith ‘Creativity in the Brazilian Culture’);</td>
<td>· According to the UNESCO’s representative in Brazil, Werthein (as quoted in ‘Brasil só Eliminará Pobreza se Investir na Inclusão Digital, Diz Especialista.’), the Brazilian government recognizes the necessity to promote programs to realize digital inclusion;</td>
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<td>(15.4%)</td>
<td>· ‘Distance in relations among different social groups’ (Freitas as quoted in Murphy, ‘The Art of Being Brazilian’);</td>
<td>· According to Felipini, in 2003, the Brazilian mail service started to put computers on its post offices to provide paid accesses to the Internet to Brazil’s lower economic classes (‘O Que o Futuro Reserva para o Comércio Eletrônico no Brasil? – I’);</td>
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<td></td>
<td>· ‘Passiveness and acceptance of subservience’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);</td>
<td>· A Exame Magazine’s 2003 survey shows that in Brazil big groups such as Silvio Santos and Casas Bahia have facilitated access and sold several products through the Internet to the Brazilian Lower Economic Classes C, D and E (as quoted in Felipini ‘É Possível Vender para Pobres na Internet’);</td>
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<td>· Jeitinho, ‘adaptability’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’).</td>
<td>· According to Sordili, the Brazilian Group Silvio Santos has sold computers to the Brazilian lower economic classes C, D and E allowing payment to be made in several installments. It signed an agreement with Microsoft to sell these computers with Microsoft Windows and Office already installed. The Brazilian group also has established partnerships to provide access to the Internet to its customers (‘Silvio Santos e Bill Gates: SBT e Microsoft Fazem Parceria para Popularizar PC’).</td>
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<td>“... I do not know what to do in case of a problem with the product or service that I bought” (13.8%)</td>
<td>• ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’); • Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’); • Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • Lack of respect for rules (Murphy ‘The Art of Being Brazilian’).</td>
<td>• E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’); • According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri ‘O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H’); • According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (‘Estratégia: O Mercado Eletrônico’).</td>
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<td>&quot;... at regular stores and offices I have more opportunities to know new products and services than I have on the Internet&quot; (11.7%)</td>
<td>• ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • Necessity of improvise all the time (Fleith ‘Creativity in the Brazilian Culture’); • ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’).</td>
<td>• According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (‘E-commerce Bate Recordes em Faturamento, Tiquete e Vendas’); • E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’); • According to the Country Commerce, banks such as Banco Itau, Banco Bradesco, Banco do Brasil, Caixa Econômica Federal, and Banco Real have signed agreement with each other to develop and to implement common non-competitive solutions. They also have set up partnerships with telecommunications and Internet-related companies to make their services safer and cheaper to their customers (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’); • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’); • According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (‘Estratégia: O Mercado Eletrônico’); • According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri ‘O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H’).</td>
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<td>“... I do not believe in the quality of products and services sold through the Internet” (10.8%)</td>
<td>• “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’); • ‘No support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’).</td>
<td>• According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (‘E-commerce Bate Recordes em Faturamento, Tique e Vendas’); • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’); • According to the Country Commerce, banks such as Banco Itau, Banco Bradesco, Banco do Brasil, Caixa Econômica Federal, and Banco Real have signed agreement with each other to develop and to implement common non-competitive solutions. They also have set up partnerships with telecommunications and Internet-related companies to make their services safer and cheaper to their customers (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’); • E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’); • According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (“Estratégia: O Mercado Eletrônico”).</td>
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| “... I prefer to go to regular stores and offices because there I can see and talk to my friends” (10.3%) | • ‘Society based on personal relationships’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• ‘Search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’). | • According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri ‘O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H’);  
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<td>“... I do not know how to buy through the Internet” (8.9%)</td>
<td>“No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);</td>
<td>E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit, ‘Brazil: Retailers Enjoy Strong Online Sales’).</td>
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| “... I do not believe in companies that operate businesses through the Internet” (8.2%) | • ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’);  
• ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Lack of respect for rules (Murphy ‘The Art of Being Brazilian’). | • E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’);  
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| “... I do not believe that firms will solve possible problems related to products and/or services that I bought through the Internet” (6.9%) | • ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);  
• Brazilians are ‘more dreamers than disciplined’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);  
• Lack of respect for rules (Murphy ‘The Art of Being Brazilian’). | • E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’);  
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| “... it is possible to find more products and services on clearance-sales on regular businesses than on the Internet” (5.6%) | - “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions;  
- Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated. | - According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (‘E-commerce Bate Recordes em Faturamento, Tiquete e Vendas’);  
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| “... delivery of products and execution of services are longer when they are bought through the Internet than from regular businesses” (5.5%) | - “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith ‘Creativity in the Brazilian Culture’);  
- Brazilians like to negotiate everything. Everything that they buy and contract can be negotiated. | - Through partnership and ‘married online operations’, e-business companies have improved their delivery operations (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’);  
- According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’);  
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<td>&quot;... in regular stores and offices you have the opportunity to make new friends&quot; (4.8%)</td>
<td>• ‘Society based on personal relationships’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • ‘Search for proximity and affection in relations’ (Freitas as quoted in Murphy ‘The Art of Being Brazilian’); • ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions.</td>
<td>• E-business companies have opened physical stores to demonstrate how to buy their products and services through the Internet and to have a real address – even though they did not intend to do that at first (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’); • According to Guasti (‘E-commerce Bate Recordes em Faturamento, Tiquete e Vendas’), virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services; • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’); • According to Kotler, e-business companies and banks must provide free phone services (0800 services) to facilitate contact with their clients. He sustains that this is an important service to make clients to have more confidence on e-business companies and banks, to give an easier channel that permits communication between e-business firms and their clients, and to make these firms’ trademarks more reliable and truthful (‘Estratégia: O Mercado Eletrônico’); • According to Carvalho, e-business companies and banks have used chat sites to make their Internet activities as close as possible to a physical store or bank (as quoted in Yuri ‘O E-commerce Caiu no Chat: O Atendimento Instantâneo Através do Chat na Internet Pode Impedir que o Consumidor Escape na Hora H’).</td>
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| “... products and services are more expensive on the Internet than in regular stores and offices” (3.9%) | • “No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes” (Fleith “Creativity in the Brazilian Culture”) – it would be possible to find better prices and payment conditions;  
  • Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated. | • According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (“E-commerce Bate Recordes em Faturamento, Tiquete e Vendas”);  
  • According to the Country Commerce, banks such as Banco Itau, Banco Bradesco, Banco do Brasil, Caixa Econômica Federal, and Banco Real have signed agreement with each other to develop and to implement common non-competitive solutions. They also have set up partnerships with telecommunications and Internet-related companies to make their services safer and cheaper to their customers (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’);  
  • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’). |
Table 55: A Comparison of the Survey of the Students of FUNCESI, Brazilian Cultural Traits, and Solutions Adopted by the Big Businesses in Brazil to Solve Each Related Cultural Problem (continue)

<table>
<thead>
<tr>
<th>Questions and Percentiles</th>
<th>Cultural Traits Related to the Problem</th>
<th>Solutions Adopted by the Brazilian E-Businesses Companies and Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>“... prices and times are not respected” (1.6%)</td>
<td>• ‘No acceptance of new ideas, no support for risk taking, and cultivation of the fear of making mistakes’ (Fleith, ‘Creativity in the Brazilian Culture’) – it would be possible to find better prices and payment conditions; • Brazilians like to negotiate discounts and payment conditions for everything. Everything that they buy and contract can be negotiated; • ‘Society based on personal relationships’ and ‘search for proximity and affection in relations’ (Freitas as quoted in Murphy, ‘The Art of Being Brazilian’); • Lack of respect for rules (Murphy, ‘The Art of Being Brazilian’).</td>
<td>• Through partnership and ‘married online operations’, e-business companies have improved their delivery operations (The Economist Intelligence Unit ‘Brazil: Retailers Enjoy Strong Online Sales’); • According to Guasti, virtual stores have used clearance sale frequently and have used different kind of payment through the Internet, post office services, and regular bank services (‘E-commerce Bate Recordes em Faturamento, Tique e Vendas’); • According to the Country Commerce, banks such as Banco Itau, Banco Bradesco, Banco do Brasil, Caixa Econômica Federal, and Banco Real have signed agreement with each other to develop and to implement common non-competitive solutions. They also have set up partnerships with telecommunications and Internet-related companies to make their services safer and cheaper to their customers (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’); • According to the Country Commerce, to attract clients to their Internet facilities, banks and financial institutions have offered sophisticated on-line financial and investment services. They also have provided advice supplied by companies such as Patagon.com or Investshop, and have put online all kind of regular operations – from checking credit to buying shares (as quoted in The Economist Intelligence Unit ‘Doing E-business in Brazil: E-commerce Activity in Brazil is Especially Active in Online Automobile Purchases’).</td>
</tr>
</tbody>
</table>
E. E-business Activities in Brazil: Examples of Problems and Adopted Solutions

In Brazil, the lack of executives’ conscientiousness stills the main barrier to implementation of security to information.

Módulo Security (as quoted in ‘60% das Empresas Brasileiras Vão Aumentar Gastos em Segurança.’).

According to Arevolo, Brazil’s political, technological, and legal systems that support Internet activities are approximately two years behind compared to developed countries (as quoted in ‘Serviços pela Internet Devem Crescer, Aponta Pesquisa’). Obviously, some cultural traits have contributed much to this situation. As a result, attacks of hackers, spam65, piracy, electronic fraud, and the stealing of private and confidential information tend to be more problematical in Brazil than they are in more developed countries such as the United States, Canada, Japan, and the United Kingdom.

Without a scientific survey, it is not possible to determine exactly how big is the influence of Brazil’s culture on these problems. However, by analyzing and crossing information, it is possible to deduce which Brazilian cultural traits are associated to these Internet-related problems.

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65 According to Ângelo, spam is unordered and undesirable commercial e-mail ("Para Perito em Tecnologia Digital, Spam é Problema de Educação.").
1. Brazil: Problems Affecting its E-business Activities

‘Spam is an educational problem.’

Theil (as quoted in "Para Perito em Tecnologia Digital, Spam é Problema de Educação")

According to the UNCTAD – United Nations Conference to Trade and Development, Brazil has the second most vulnerable Internet in the world. Through 2002, it suffered 7,294 attacks. The United States’ Internet was first, with 32,000. The United Kingdom was third, with 6,600 attacks, followed by Germany with 5,300 attacks, Italy with 3,682 attacks, France with 2,693 attacks, Canada with 2,642 attacks, and Denmark with 2,061 attacks (as quoted in ‘Web no Brasil Sofre 7.294 Ataques em 2002; É a 2ª Mais Vulnerável.’). Table 56 and chart 62 compare this numbers.

Table 56: Number of Attacks through Internet Users by Country in 2002

<table>
<thead>
<tr>
<th>Region</th>
<th>United States</th>
<th>Brazil</th>
<th>United Kingdom</th>
<th>Germany</th>
<th>Italy</th>
<th>France</th>
<th>Canada</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users</td>
<td>32,000</td>
<td>7,294</td>
<td>6,600</td>
<td>5,300</td>
<td>3,682</td>
<td>2,693</td>
<td>2,642</td>
<td>2,061</td>
</tr>
</tbody>
</table>

Source: Adapted from the UNCTAD (as quoted in ‘WEB no Brasil sofre 7.294 Ataques em 2002; É a 2ª mais Vulnerável’)

Chart 62: Number of Attacks through Internet Users by Country in 2002

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Attacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>2,061</td>
</tr>
<tr>
<td>Canada</td>
<td>2,642</td>
</tr>
<tr>
<td>France</td>
<td>2,693</td>
</tr>
<tr>
<td>Italy</td>
<td>3,682</td>
</tr>
<tr>
<td>Germany</td>
<td>5,300</td>
</tr>
<tr>
<td>The United Kingdom</td>
<td>6,600</td>
</tr>
<tr>
<td>Brazil</td>
<td>7,294</td>
</tr>
<tr>
<td>The United States</td>
<td>32,000</td>
</tr>
</tbody>
</table>

Source: Adapted from The UNCTAD (as quoted in “WEB no Brasil sofre 7.294 Ataques em 2002; É a 2ª mais Vulnerável”)

In 2002, Brazil was in the third position of world’s ranking of attacks against governmental web sites. It suffered 130 attacks. China was in the first position with 187 attacks, and the United States was in the second position with 177 attacks (UNCTAD – United Nations Conference to Trade and Development as quoted in ‘Web no Brasil Sofre 7.294 Ataques em 2002; É a 2ª Mais Vulnerável”).

According to the Módulo Security, attacks by hackers are mainly responsible for the unauthorized access to computer networks in Brazil. The Módulo’s 2003 survey
shows that 32% of the Brazilian companies recognized this. Seventh-seven percent of the contacted firms and banks reported that they suffered the attacks of hackers in 2003\textsuperscript{66}. Approximately 35\% of all companies reported for having lost too much money from the attacks by hackers. Among them, 26\% do not have a method to identify the origin of the attacks by hackers (as quoted in 77\% das Empresas no Brazil Tiveram Sistemas de TI Atacados em 2003’).  

Electronic fraud causes a lot of financial damage through Internet activities as well. According to the Com Reuters, million of clients of banks all around the world were subjected to electronic fraud in 2003. At the end of 2003, clients of the Brazilian banks Bradesco and Banco do Brasil received fake e-mails asking for information about their bank accounts. These e-mails were sent by hackers disguised as regular correspondence sent by these banks. Without perceiving the fraud, some clients sent information and had serious problems. The Com Reuters explains that this type of electronic fraud occurred with credit cards. Hackers sent mistaken e-mails to users asking for private information and made illegal copies of several credit cards. In Brazil, this type of frauds caused financial damage to many people, banks, financial institutions, and credit card administration companies (as quoted in ‘Especialistas Prevêem Mais Fraudes On-line em 2004’).  

Spam is another threat to the development of e-business activities in Brazil. Currently, as soon as people look at their e-mail, they find much spam filling their message boxes.

\textsuperscript{66} This percentile was 43\% in 2002 (77\% das Empresas no Brazil Tiveram Sistemas de TI Atacados em 2003’).
The United Nations demonstrates that 25% of the e-mails sent in January of 2003 around the world were spam, and this percentage went up by 36% in March. The projection indicates that the percentage of spam sent may rise over 50% by the beginning of 2004. This report also indicates that companies lost approximately US$20.5 billion because of spam. Approximately 44% of this money was spent on technology to prevent spam, approximately 39% on reduction of productivity because of it, and 17% on technical support to fix and to prevent spam.

In Brazil, as in many countries, spam has caused many problems. The United Nations’ document shows that Brazil is the fourth country in the world’s ranking of spam sent. Brazil is responsible for 4.9% of spam traffic in the world. The United States is first. It is responsible for 58.4% these kinds of messages. China is the second, with 5.6%. In third place is the United Kingdom with 5.2%. After Brazil, in the fifth place, is Canada with 4.1% (as quoted in "Brasil é o 4º maior Remetente de Spam do Mundo, diz ONU").

Of course, the Brazilian Internet users are not happy about this new type of electronic advertising. As a result, several of them have changed their behavior and have avoided certain Internet facilities.

According to Theil, in Brazil, spam is big educational problem. He explains that most Brazilian parents are not acquainted with digital culture. As a result, they cannot teach their children whether or not it is ethical to send spam. Consequently, to send spam and fill full message boxes with electronic trash is something normal for many Brazilians (as quoted in Ângelo "Para Perito em Tecnologia Digital, Spam é Problema de Educação").
Theil also maintains that spammers\textsuperscript{67} are culturally egoistical. “They defend their own interests.” Spammers are unconcerned with the problems they cause to the people who receive their e-mails. For them, to send spams is the least expensive way to send advertisements. In addition, spammers always find and exploit someone who believes in their false promises (as quoted in Ângelo "Para Perito em Tecnologia Digital, Spam é Problema de Educação").

In Brazil there are three other cultural traits associated with the excess of spam sent. All of them are Internet-related paradigms. The first one makes people believe that anybody can do what they want through the Net “with complete freedom”. The second one makes many users believe that there is not consequence for those who commit abuse on the Internet. The third one makes Internet abusers think that they cannot be traced. In other words, spammers think they can get away with sending as much spam as they desire (Theil as quoted in Ângelo "Para Perito em Tecnologia Digital, Spam é Problema de Educação").

In spite of governments, lawmakers and executives establishing rules and to setting up action to prevent spam, people will not stop sending these undesirable commercial e-mails. As soon as authorities start to identify and to prosecute spammers, the volume of spam sent will have a reduction. However, “Irresponsible people” (read spammers) will find another way to do similar thing and will change the manner by which they send them (the Brazilian jeitinho makes this very easy). Only future generations of Internet users will be conscientious about spam and will use them in a

\textsuperscript{67} According to Theil, spammers are the ones who send spams (as quoted in Ângelo "Para Perito em Tecnologia Digital, Spam é Problema de Educação.").
legal manner and a reasonable level (Theil as quoted in Ângelo "Para Perito em Tecnologia Digital, Spam é Problema de Educação").

Electronic virus attacks are other problems that cause much damage. They make companies, banks, and governments lose information and consequently million of dollars all around the world. According to the Módulo Security virus is the biggest concern of Brazilian private and governmental firms. Módulo’s 2003 survey shows that 53% of the contacted executives and managers are worried about this problem (as quoted in ‘77% das Empresas no Brasil Tiveram Sistemas de TI Atacados em 2003”).

According to Symantec\(^{68}\), in the first half of 2003, Brazil was fifteenth in the world ranking of virus attacks. It was thirty-fourth in the world ranking of virus attacks per capita. Brazil had 29 electronic invasions per 10 thousand users. Brazil is responsible for only 1% of electronic virus infections of the world (as quoted in ‘77% das Empresas no Brasil Tiveram Sistemas de TI Atacados em 2003”).

According to the Módulo Security 2003 survey, other problems related to Internet activities are the stealing of private and confidential information. It shows that the main concern of Brazilian executives and managers are:

- The stealing of personal information and corporate secrets (of 47% of interviewed) (as quoted in ‘77% das Empresas no Brasil Tiveram Sistemas de TI Atacados em 2003”);
- Unauthorized access to passwords that belong to companies, organizations, banks, and financial corporations (of 47% of interviewed) (as quoted in ‘77% das Empresas no Brasil Tiveram Sistemas de TI Atacados em 2003”);

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\(^{68}\) Symantec is the American company that produces Norton Anti virus.
- Fraud through e-mails (of 13.5% of interviewed) (as quoted in ‘77% das Empresas no Brasil Tiveram Sistemas de TI Atacados em 2003’).

Electronic piracy is another big problem in Brazil. Selling pirated CDs and softwares is common-place. According to Fontes, in the first half of 2003, the Associação Brasileira das Empresas de Software (ABES) and Business Software Alliance (BSA) confiscated 147 thousand unauthorized software and 335 thousand illegal CDs. Fontes maintains that piracy in Brazil is to the extent serious that it affects regular and e-business activities. This problem also reduces job positions in software and CD producing companies (“147 mil Programas Piratas Foram Apreendidos Só Este Ano”).

According to PriceWaterhouseCoopers, Brazil loses around US$305 Million per year because of the sale of illegal software. It estimates that if Brazil reduced this kind of piracy from the current level to approximately 25%, its revenue would rise from US$500 Million to US$1.3 Billion (as quoted in “147 mil Programas Piratas Foram Apreendidos Só Este Ano”).

According to the Economist Intelligence Unit,

‘Brazil represents Latin America’s leading CD piracy market, with some US$166m worth of material illegally copied last year. The piracy rate has soared from 5% of the CD market in 1997 to 53% in 2002. The illegal copying of 114 Million units was the prime reason for the closure of 2,000 legal points of sale and loss of 55,000 jobs. CD piracy is especially harmful to Brazil’s local artists and music companies, as they comprise more than 70% of all music sales. Indeed, Brazilian music, a significant potential export commodity, is threatened as a result’ (‘Latin America: CD Pirates Sail Ahead’).
2. Brazil: Reducing E-business Activities Main Problems

Users have to feel well navigating in virtual stores. They have to see products (on pictures) and to have information about them as they have in a real store.

Guasti (‘E-commerce Bate Recordes em Faturamento, Tiquete e Vendas’)

In Brazil, politicians, lawmakers, and government still acts slowly, and as a result this, country still has a lack of laws to regulate its virtual environment. The majority of action to reduce problems obstructing development of Internet activities come from private companies, banks, and financial institutions. According to a Módulo Security’s survey, 73% of Brazilian companies, banks, and financial institutions have specific budgets to improve their security systems and infrastructures. This survey also shows that 60% of them intend to increase investments in security to prevent the attacks of hackers, virus, digital invasion, and electronic frauds. According to the survey, software and hardware anti-virus, the training of technicians, backup systems, cryptography, digital certification, and better security systems are the most probable measures they intend to implant over the next few years (as quoted in ‘60% das Empresas Brasileiras Vão Aumentar Gastos em Segurança’).

Regarding this issue, the main related Brazilian cultural traits are:

- Inhibition/shyness, social repression and lack of motivation (Fleith ‘Creativity in the Brazilian Culture’);
• “Tend ency towards centralization of power” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
• “Distance in relations among different social groups” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
• “Passiveness and acceptance of subservience” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
• Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
• Necessity to improvise all the time (Fleith “Creativity in the Brazilian Culture”);
• “Cap acity to adapt to situations which would be unfathomable to people from other cultures” (Murphy “The Art of Being Brazilian”);
• Jeitinho, flexibility, capability of adaptation, and lack of respect for rules (Murphy “The Art of Being Brazilian”).

According to Ângelo, Brazil does not have any law to prosecute spammers yet. She sustains that there are five proposals of “laws against spam” in the Brazilian Congress’s Chamber of Deputies waiting to be analyzed and voted. However, like other laws to regulate e-business activities, these proposals have low priority on the legislative agenda (“Lei Anti-spam Depende de Vontade Política, Diz Advogado”).

Blum69 believes that the approval of these proposals of laws depends on “political desire”, and that all of them have serious errors and discrepancies. His opinion is that

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69 Blum is a Brazilian lawyer specialist in electronic law.
these proposals will be approved only after 2007\textsuperscript{70} (as quoted in Ângelo ‘Lei Anti-spam Dependende de Vontade Política, Diz Advogado’).

According to Blum, nowadays in Brazil, people can prosecute spammers only for two reasons:

- If they receive pornographic messages (as quoted in Ângelo ‘Lei Anti-spam Dependende de Vontade Política, Diz Advogado’);
- If they suffer moral or financial damages (including if they pay more for connections) as a consequence of spams they received (as quoted in Ângelo ‘Lei Anti-spam Dependende de Vontade Política, Diz Advogado’).

Ângelo says that, in the first half of 2004, the Brazilian Câmara-e.net will have a new option on its web site to provide information about spams. This information will show mainly how to identify spam and how to avoid them. Companies and banks intend to spend million dollars to improve their security systems and infrastructure (software and hardware anti-virus, training of their teams, backup systems, cryptography, digital certification, and routines of security). According to her, currently, these actions are all that can be carried out to decrease spam in Brazil (‘Lei Anti-spam Dependende de Vontade Política, Diz Advogado’).

Considering these facts, it is possible to conclude that the cultural traits related to the lack of specific legislation and the current solutions for the problem of spam and spammers are:

- “Tendency towards centralization of power” (Freitas as quoted in Murphy ‘The Art of Being Brazilian’);

\textsuperscript{70} Again, the Brazilian \textit{jeitinho}, flexibility, capability of adaptation and lack of respect for rules are acting.
• “Distance in relations among different social groups” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
• “Passiveness and acceptance of subservience” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
• Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
• The necessity to improvise all the time (Fleith “Creativity in the Brazilian Culture”);
• “Capacity to adapt to situations which would be unfathomable to people from other cultures” (Murphy “The Art of Being Brazilian”);
• Jeitinho, flexibility, capability of adaptation, and lack of respect for rules (Murphy “The Art of Being Brazilian”).

According to Fontes, to combat piracy the ADES and BSA undertook 38 common actions in the streets of São Paulo City (capital city of São Paulo State, Brazil). These common actions lead to 33 judicial prosecutions against firms that used illegal software. It also confiscated thousands of pirated CDs in the city (“147 mil Programas Piratas Foram Apreendidos Só Este Ano”).

Because of the common action of ADES and BSA, and the action of the Brazilian Federal Police, the number of job positions in software producing companies rose from 71,535 to 107,364. In other words, it created 36,000 new job positions in 2003 (Fontes “147 mil Programas Piratas Foram Apreendidos Só Este Ano”).

According to the Economist Intelligence Unit, ‘the recording industry has been investing in an anti-piracy campaign in Brazil since 1995. Last year local police confiscated some 8m blank CDs near the country’s borders.”
However, according to IFPI, the government must go further. The group’s prescriptions include charging federal and customs police with increased border scrutiny; stiffer penalties; and expedited prosecutions by specialized prosecutors” (“Latin America: CD Pirates Sail Ahead.”).

According to Gonçalves, the ABES intends to continue with its campaign against piracy. He believes that Brazil is far from solving its Internet-related problems. However, Gonçalves believes that the next years will be very positive as far as the reduction of piracy in Brazil is concerned (as quoted in Fontes “147 mil Programas Piratas Foram Apreendidos Só Este Ano”).

The cultural traits related to the applied solutions to eliminate and/or to reduce piracy are:

- *Jeitinho*, “flexibility and adaptability as a means of social navigation” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
- *Jeitinho*, flexibility, capability of adaptation, and lack of respect for rules (Murphy, “The Art of Being Brazilian”).
- ‘Capacity to adapt to situations which would be unfathomable to people from other cultures” (Murphy “The Art of Being Brazilian”);
- Brazilians are “more dreamers than disciplined” (Freitas as quoted in Murphy “The Art of Being Brazilian”);
- Necessity of improvise all the time (Fleith “Creativity in the Brazilian Culture”).

Professor Albertin believes that Brazilian e-business activity has became mature. According to him, companies, banks, financial institutions, government, politicians, lawmakers, and Internet-related professionals already know how to direct investments and actions to attract customers and improve their e-business activities (as quoted in
Fontes ‘Comércio Eletrônico Dobrou em 2002, Diz FGV’). Fontes believes that in Brazil the sales of products and services through the Internet have increased very rapidly because companies, banks, financial corporations and the government have learned how to attract, treat, and keep their clients (‘Vendas Pela Internet Batem Record’).
Chapter IV – Suggestions to Implement and Support E-business Activities in Brazil

I. Implementing E-business Activities: The Economist Intelligence Unit’s Suggestion

Depending on how an e-business environment is implemented, it can accelerate or decelerate the evolution of a country’s electronic trade activities. Paradoxically, the development of e-business activities can be both an obstacle and an opportunity, especially for developing countries. Based on these premises, the Economic Intelligence Unit analyzed the development of some e-marketplaces and published a document to be used as a guide by governments and entrepreneurs. The Economist Intelligence Unit presents six steps that should be followed by countries implementing their Internet environment ("Thought leadership: Understanding the global digital divide"). The six steps presented by It are:

1. **Adequate Infrastructure** - "This is an essential prerequisite to accelerate the pace of Internet diffusion and the growth of a network economy" ("Thought leadership: Understanding the global digital divide");

2. **Utility creation** - "Software enables a broad range of users. The Internet is opened with its feature-rich and user-friendly interfaces to an entirely new population" ("Thought leadership: Understanding the global digital divide");
3. **Development of content** - Development of "local-language content and information aggregation, which organizes the vast amounts of information available over the Internet" ("Thought leadership: Understanding the global digital divide");

4. **Business-to-Business e-commerce** - "In this phase, business models shift, new distribution channels are created and productivity is redefined" ("Thought leadership: Understanding the global digital divide");

5. **Business-to-Consumer e-commerce** - "Education, health care, retailing, bill paying, tax-paying and more, all change" ("Thought leadership: Understanding the global digital divide");

6. **Utility creation via multimedia applications** -

   "This paves the way for an entirely new age of interactive communications. No country has fully reached this stage. But in the near future, the availability of affordable broadband access in the United States will usher in the multimedia phase and provide a first glimpse of what the Internet really has in store for the world" ("Thought leadership: Understanding the global digital divide").

Picture 2 shows that when each step develops over time, they accelerate the process of development and adoption of e-business by a countries’ government, their firms, and people. The picture also shows that more than one step can be developed at the same time. However, there is a sequence of steps that must be observed during the process of implementation. By not respecting this sequence, countries can have serious problems developing their Internet environment. They can change their e-business activities into a serious obstacle (by slowing them down) instead of creating good opportunities.
II. Supporting E-business Activities: The White House' s Suggestion

According to the White House, a government can have a very deep effect on the development of Internet-based businesses. Governmental action can facilitate or inhibit the evolution of a country' s electronic trade activity. With this thought in mind, in July
1997, the White House Administration published a report with its members’ "vision for the emergence of the GII as a vibrant global marketplace" (A Framework for Global Electronic Commerce 3). The White House document delineates five principles and nine issues (see table 57) that should be used by government, corporations, institutions, organizations, firms, entrepreneurs, and Internet-related professionals as "a road map for international discussions and agreements to facilitate the growth of commerce on the Internet" (3).

Table 57: The 1997 White House’s Principles and Issues

<table>
<thead>
<tr>
<th>Principles</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The private sector should lead;</td>
<td>• Financial Issues:</td>
</tr>
<tr>
<td>• Governments should avoid undue restrictions on electronic commerce;</td>
<td>• Customs and taxation;</td>
</tr>
<tr>
<td>• Where governmental involvement is needed, its aim should be to support</td>
<td>• Electronic Payments.</td>
</tr>
<tr>
<td>and enforce a predictable, minimalist, consistent and simple legal</td>
<td>• Legal Issues:</td>
</tr>
<tr>
<td>environment for commerce;</td>
<td>• Uniform Commercial Code for electronic commerce;</td>
</tr>
<tr>
<td>• Governments should recognize the unique qualities of the Internet;</td>
<td>• Intellectual property protection;</td>
</tr>
<tr>
<td>• Electronic commerce over the Internet should be facilitated on a</td>
<td>• Privacy;</td>
</tr>
<tr>
<td>global basis.</td>
<td>• Security.</td>
</tr>
<tr>
<td></td>
<td>• Market Access Issues:</td>
</tr>
<tr>
<td></td>
<td>• Telecommunications infrastructure</td>
</tr>
<tr>
<td></td>
<td>and information technology;</td>
</tr>
<tr>
<td></td>
<td>• Content;</td>
</tr>
<tr>
<td></td>
<td>• Technical standards.</td>
</tr>
</tbody>
</table>

Source: Adapted from the White House (A Framework for Global Electronic Commerce 2-20)

The 1997 White House report suggests a set of parameters to guide the development of countries’ business activities in a standardized global base. Obviously,
it was developed based on the United States’ economic, commercial, political, and legal realities. However, the principles and issues presented can be a very helpful tool for countries that have already developed their Internet-based resources and activities, but still need improvement on their physical and regulatory framework.

When a country’s business framework is considered, this document’s contains very important information about the real situation of a country’s Internet environment in a global base. A well done comparative approach can show government, corporations, institutions, organizations, entrepreneurs, firms, and Internet-related professionals what to do, how to do, and when to do something that may improve e-business activities in their country.

A. Principles

1. Principle 1

"The private sector should lead."


According to the White House, governments and private sector have the initial responsibility to finance the development of the Internet. However, the White House Administration believes that the Internet expansion has to be sustained mainly by the private sector. This sector must keep leading and has to continue seeking innovations,
expanding services, broadening participation, and reducing prices (A Framework for Global Electronic Commerce 3).

"Governments should encourage industry self-regulation wherever appropriate and support the efforts of private sector organizations to develop mechanisms to facilitate the successful operation of the Internet. Even where collective agreements or standards are necessary, private entities should, where possible, take the lead in organizing them. Where government action or intergovernmental agreements are necessary, private sector participation should be a formal part of the policy making process” (the White House, A Framework for Global Electronic Commerce 3).

2. Principle 2

"Governments should avoid undue restrictions on electronic commerce."


According to the White House, it is necessary to legitimize agreements permitting buyers and sellers to negotiate products and services through the Internet with minimal government involvement and intervention. This report states that "unnecessary regulation of commercial activities will distort development of the electronic marketplace by decreasing the supply and raising the cost of products and services for consumers the world over" (A Framework for Global Electronic Commerce 3).

"Governments should refrain from imposing new and unnecessary regulations, bureaucratic procedures, or taxes and tariffs on commercial activities that take place via Internet" (3).
3. Principle 3

"Where governmental involvement is needed, its aim should be to support and enforce a predictable, minimalist, consistent and simple legal environment for commerce."


According to the White House, where government involvement is necessary to facilitate e-business activities and to protect consumers, they "should establish a predictable and simple legal environment based on a decentralized, contractual model of law rather than on top-down regulation" (A Framework for Global Electronic Commerce 3). It also maintains that every governmental intervention, where and when necessary, "should ensure competition, protect intellectual property and privacy, prevent fraud, foster transparency, support commercial transactions, and facilitate dispute resolution" (4).
4. Principle 4

"Governments should recognize the unique qualities of the Internet."


According to the White House, in part, the success of the Internet is a result of its "decentralized nature and tradition of bottom-up governance." It maintains that these characteristics induce the Internet-based business activities to require "significant logistical and technological challenges to existing regulatory models, and governments should tailor their policies accordingly" (A Framework for Global Electronic Commerce 4). It also argues that the old regulatory frameworks used for television, radio, and telecommunications cannot be used for the Internet. Laws and regulations should be created specifically "to reflect the needs of the new electronic age" (4).

5. Principle 5

"Electronic Commerce over the Internet should be facilitated on a global basis."


The White House states that in 1997 the Internet was "emerging as a global marketplace." It also maintains that "the legal framework supporting commercial
transactions on the Internet should be governed by consistent principles across state, national, and international borders that lead to predictable results regardless of the jurisdiction in which a particular buyer or seller resides" (A Framework for Global Electronic Commerce 4).

B. Issues

1. Financial Issues

a. Customs and Taxation

"For over 50 years, nations have negotiated tariff reductions because they have recognized that the economies and citizens of all nations benefit from free trade."


According to the White House, for several decades past, nations have been negotiating tariff and tax reductions concerning their multinational trade transactions. Countries have been achieving tariff and tax reductions to benefit their economies and citizens through greater international free trade. However, although many reductions have been agreed upon, cross-boundary taxes and tariffs still exist. For this reason and based on the Internet global range characteristic, governments are introducing tariffs and
taxes on products and services delivered through this electronic medium (A Framework for Global Electronic Commerce 5).

The White House also advocates that "before any further action is taken, local state and national governments should cooperate to develop a uniform, simple approach to the taxation of electronic commerce, based on existing principles of taxation where feasible" (6). It also suggests that the following principles should be considered by any taxation and tariffs established over sales through the Internet:

- "It should neither distort nor hinder commerce. No tax system should discriminate among types of commerce, nor should it create incentives that will change the nature or location of transactions;
- The system should be simple and transparent. It should be capable of capturing the overwhelming majority of appropriate revenues, be easy to implement, and minimize burdensome record keeping and costs for all parties;
- The system should be able to accommodate tax systems used by the United States and our international partners today" (5).

b. Electronic Payment Systems

"New technology has made it possible to pay for goods and services over the Internet."


According to the White House, the development of electronic payment systems, e-business activities, and the technological environment "has made it possible to pay for products and services over the Internet" (A Framework for Global Electronic Commerce 6). However, the systems have been changing very rapidly. As a result, it has been
"hard to develop policy that is both timely and appropriate. For these reasons, inflexible and highly prescriptive regulations and rules are inappropriate and potentially harmful. Rather, in the near term, case-by-case monitoring of electronic payment experiments are preferred" (6).

The White House also states that "governments should work closely with the private sector to ensure policy development, and to ensure that governmental activities flexibly accommodate the needs of the emerging marketplace" (6).

2. Legal Issues

a. "Uniform Commercial Code" for E-business

"In general, parties should be able to do business with each other on the Internet under whatever terms and conditions they agree upon."


The White House Administration encourages the development of a domestic and international commercial legal environment that "recognizes, facilitates, and enforces electronic transactions worldwide" (A Framework for Global Electronic Commerce 7). It states that "buyers and sellers could voluntarily agree to form a contract subject to this uniform legal framework, just as parties currently choose the body of law that will be used to interpret their contract" (7).
The White House thinks that participants in the e-marketplace should define and negotiate the rules that will guide the electronic business activities. It reports that to enable the private sector to execute this task correctly, "governments should encourage the development of simple and predictable domestic and international rules and norms that will serve as the legal foundation for commercial activities in cyberspace\textsuperscript{71}" (7).

The White House proposes the following principles to guide the drafting of rules regulating global electronic business activities:

- "parties should be free to order the contractual relationship between themselves as they see fit;"
- rules should be technology-neutral (i.e., the rules should neither require nor assume a particular technology) and forward looking (i.e., the rules should not hinder the use or development of technologies in the future);
- existing rules should be modified and new rules should be adopted only as necessary or substantially desirable to support the use of electronic technologies; and
- the process should involve the high-tech commercial sector as well as businesses that have not yet moved online" (7).

Considering these principles, the United Nations Commission on International Trade Law (UNICITRAL), the International Chamber of Commerce (ICC), and others should implement additional models to abolish barriers and to facilitate electronic business activities by:

- "encouraging governmental recognition, acceptance and facilitation of electronic communications (i.e.: contracts, notarized documents, etc.);
- encouraging consistent international rules to support the acceptance of electronic signatures and other authentication procedures; and

\textsuperscript{71} Cyberspace

"is an extension of the idea of virtual reality. Instead of seeing computer data converted into pictures that come from human experience (as in a flight simulator), or extensions from human experience (such as the "desktop" metaphor used with personal computers), cyberspace comprises computers, telecommunications, software and data in a more abstract form. At the core of cyberspace is the matrix or the Net" (Birch and Buck "What Is Cyberspace?" 2).
• promoting the development of adequate, efficient, and effective alternate
dispute resolution mechanisms for global commercial transactions” (8).

Finally, the White House states that inconsistent local laws that create doubts
concerning jurisdiction, could increase litigation and generate costs that will ultimately be
passed onto consumers (8).

b. Intellectual Property Rights Protection

"Commerce on the Internet often will involve the sale
and licensing of intellectual property."

The White House (A Framework for Global Electronic Commerce 8).

According to the White House, it is necessary to establish international
agreements to avoid piracy and fraud by clearly and effectively protecting copyrights,
patents and trademarks. The report also states that it is necessary to improve protective
technologies, such as encryption, and to create the legal framework that will eliminate
fraud and theft of intellectual property. Educating the public about intellectual property
rights and legal support for effective action when violations occur are necessary for the
success and growth of e-business activities (A Framework for Global Electronic
Commerce 8).

The suggestions given by the 1997 White House report to protect intellectual
property rights such as copyrights, databases, patents, and trademarks and domain names are:
• **Copyrights** - according to the White House, there are several international treaties protecting copyrights. These agreements "link nearly all major trading nations and provide them with a means of protecting, under their own laws, each other’s copyrighted works and sound recordings" (8). The White House also states that the WIPO\(^7\) Copyright Treaty and the WIPO Performances and Phonograms are two treaties that should "greatly facilitate the commercial applications of online digital communications over the GII" (9).

• **Sui Generis Protection of Databases** - according to the White House the 1996 WIPO conference in Geneva did not consider elements of databases. As a result, the White House maintains that it is necessary for more diplomatic discussions to improve countries' domestic and international sui generis database protection (9\(^1\)0).

• **Patents** - according to the White House the development of e-business activities will depend on the improvement of software, hardware, and telecommunications. To stimulate and protect technologic innovations in these areas, it is necessary to establish a consistent patent system for Internet-based activities. The White House also maintains that to create an appropriate environment for electronic business, bilateral and multilateral patent agreements should:
  
  - "prohibit member countries from authorizing parties to exploit patent inventions related to the GII without the patent owner’s authority (i.e., disapproval of compulsory licensing of GII-related technology except to remedy a practice determined after judicial or administrative process to be anti-competitive);
  - require member countries to provide adequate and effective protection for patentable subject matter important to the development and success of the GII; and

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\(^7\) WIPO = World Intellectual Property Organization.
• establish international standards for determining the validity of a patent claim" (10).

• **Trademark and Domain Names** - according to the White House, trademark rights are national in scope and countries have to apply their own standards for determining infringements (11). It also states that domain names "are not protected by intellectual property per se" (11). However, courts should begin to attribute intellectual property rights to domain names and recognize their misuse and apply punishment for infractions.

c. Privacy

"Americans treasure privacy, linking it to our concept of personal freedom and well-being."


According to the White House, the development of GII could reduce personal privacy if it is not well managed. As a result, governments, institutions, corporations, organizations, and Internet-related professionals need to act to assure people’s privacy in the Internet and make them feel comfortable doing business through the electronic marketplace (A Framework for Global Electronic Commerce 11). For this reason, countries need to take actions to guarantee:

• **Information privacy** - "an individual’s reasonable expectation of privacy regarding access to and use of, his or her personal information should be assured" (12);
• **Information integrity** - "personal information should not be improperly altered or destroyed" (12);

• **Information quality** - "personal information should be accurate, timely, complete, and relevant for the purposes for which it is provided and used" (12).

The White House also considers two critically important areas: data protection and minor access. It maintains that people urge consumers, governments, institutions, corporations, industry, organizations, Internet-related professionals, and groups of interests "working together to use a mix of technology, self-regulation, and education" to find reasonable solutions to resolve these particular issues (13).

d. Security

"The GII must be secure and reliable."


The White House maintains that people must have confidence in their communications. Also, they must be protected against unauthorized access and modification of their data (A Framework for Global Electronic Commerce 13).

Therefore, the Internet environment requires:

• "secure and reliable telecommunication networks;
• effective means for protecting the information systems attached to those networks;
• effective means for authenticating and ensuring confidentiality of electronic information to protect data from unauthorized use; and
• well trained GII users who understand how to protect their system and their data" (13).
To achieve these goals, e-business transactions have to make consistent use of technologies such as "encryption, authentication, password controls, and firewalls" (14). However, consumers, governments, institutions, corporations, industry, organizations, and Internet-related professionals have to pay special attention to encryption and password. If these technical resources are not well used and managed, “trade secrets and personal records could be made permanently inaccessible if the decrypt key is lost” (14).

3. Market Access Issues

a. Telecommunications Infrastructure and Information Technology

"Global electronic commerce depends upon a modern, seamless, global telecommunications network and upon the computers and information appliances that connect to it."


In its 1997 report, the White House stated that the development of global e-business activities depends on a modern global telecommunications network. According to the report, governments have to increase competition among their telecommunication regulations and infrastructure giving more choice to customers, lowering prices, and improving service quality. Governments also have to pay special attention to leased lines,
local loops pricing, interconnection, attaching equipment to network, and Internet voice and multimedia (A Framework for Global Electronic Commerce 14).

It also states that, in a speech to the World Telecommunications Development Conference\(^73\), then Vice President Gore enunciated several principles that "should be the foundation for governments policy, including" the following (14):

1. "encouraging private sector investment by privatizing government-controlled telecommunication companies;
2. promoting and preserving competition by introducing competition to monopoly phone markets, ensuring interconnection at fair prices, opening markets to foreign investments, and enforcing anti-trust safeguards;
3. guaranteeing open access to networks on a non-discriminatory basis, so that GII users have access to the broadest range of information and services; and
4. implementing independent regular, pro-competitive and flexible regulations that keep pace with technological development" (15).

The White House also advises that global telecommunication services should be negotiated and regulated according to the WTO Basic Telecommunication agreement. Also, this area should be guided by the standards defined by international organizations such as the International Organization of Standardization (ISO), the International Telecommunications Union (ITU), and the International Electrotechnical Commission (IEC) (16).

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\(^{73}\) Buenos Aires, Argentina, March 1994.
b. Content

"The U.S. government supports the broadest possible free flow of information across international borders."


The White House advocates freedom of content flowing through the Internet. However, it advises that it is necessary for governments, institutions, corporations, organizations, and Internet-related professionals to be aware of offensive or inappropriate content as regards access by minors. They "should enable parents to block their children’s access to sensitive information or confine their children to pre-approved websites" (A Framework for Global Electronic Commerce 17).

This report also presents the following priority areas which the White House considers important for the development of self-regulations and for the provision of easy-to-use technical solutions ‘to assist in screening information online’ (17):

- **Regulation of content.** Companies wishing to do business over the Internet, and to provide access to the Internet (including the U.S. online service providers with foreign affiliates or joint ventures) are concerned about liability based on the different policies of every country through which their information may travel;”
- **Foreign content quotas.** Some countries currently require that a specific proportion of traditional broadcast transmission time be devoted to domestically produced content;”
- **Regulation of advertising.** Advertising will allow the new interactive media to offer more affordable products and services to a wider global audience;”
- **Regulation to prevent fraud.** Recently, there have been a number of cases where fraudulent information about companies and their stocks, and fraudulent investment schemes have been broadcast on the Internet” (17-18).
c. Technical Standards

“Standards are critical to the long term commercial success of the Internet as they can allow products and services from different vendors to work together.”


The White House, said that to guarantee the improvement of global electronic business activity through the Internet,

"standards will be needed to assure reliability, interoperability, ease of use and scalability in areas such as: electronic payments, security (confidentiality, authentication, data integrity, access control, and non-repudiation), security services infrastructure, electronic copyright management systems, video and data-conferencing, high-speed network technologies, and digital object and data interchange" (A Framework for Global Electronic Commerce 18-19).

It also maintains that the United States advocates the use of standards defined by international organizations such as the International Telecommunications Union (ITU), the International Organization of Standardization (ISO), and the International Electrotechnical Commission (IEC). According to the report, the private sector should lead the negotiations and action to set standards for the global telecommunications network supporting Internet-based business activities (19).
III. Cultural Traits and their Negative Influences: the Economist Intelligence Unit’s and the White House’s Suggestions

In Brazil, the negative influence of cultural traits on the development of e-business activities is a significant problem that requires attention.

Since it is not easy to find information about the negative influence of cultural traits on e-business activities, to find suggestions to solve this problem is even more troublesome.

In Brazil, there are no reports similar to those elaborated by the White House and by the Economist Intelligence Unit to guide the efforts of government, corporations, firms, institutions, organizations, and Internet-related professionals. The little information available is dispersed among thousands of articles, surveys and research. Despite the fact that the White House’s and the Economist Intelligence Unit’s reports do not have any specific suggestions to solve problems related to cultural traits, these reports are very useful guides for the development of Internet activities in Brazil, especially if their orientations are used to consider Brazilian cultural traits. In other words, by crossing the White House’s and the Economist Intelligence Unit’s suggestions with the Brazilian
cultural traits, it is possible to work out some efficient methodology and actions\textsuperscript{74} to solve or to minimize the negative effects of cultural traits on the development of the Internet activities in Brazil.

\textsuperscript{74} More advertising and interactive communication are examples of activities that would start to break down this cultural barrier. These kinds of actions would increase relationships between Internet users and e-business sellers of products and services. In this regard, the activities must make use of cultural traits such as “society based on personal relationships” and “search for proximity and affection in relations” (Freitas as quoted in Murphy “The Art of Being Brazilian”) to help Brazilian authorities and specialists to solve this problem. These actions are not as easy to undertake as they may appear. Specific research to determine how cultural traits affect Internet users must be undertaken. In addition, the legal and physical environments for e-business activities must be made a high priority. It is clear that only by acting with a scientific approach will it be possible for government, corporations, institutions, organizations, firms, and Internet-related professionals to eliminate (or to reduce) the negative influence of cultural traits on the development of e-business activities in Brazil.
Chapter V – Negative Effects of Cultural Traits on E-business Activities in the United States – A Special Approach

In spite all the advances of the United States, the best defense against electronic fraud are the consumers themselves. They need to know more about online operations.

Sears (as quoted in ‘Especialistas Prevêem mais Fraudes on-line em 2004’)

According to Felipini, ‘the Internet represents a cultural revolution’ for business and society (‘Por que as Empresas Estão Investindo na Internet?’). He maintains that to buy something conventionally from anywhere is an very old behavior (‘O Que o Futuro Reserva para o Comércio Eletrônico no Brasil? II’). However, electronic commerce has only existed for ten years. It is an Internet-related behavior not consolidated yet.

As a result, it is not easy for executives, politicians, governments, entrepreneurs, firms, and Internet-related professionals to resolve the negative impacts of cultural traits on the development of e-business activities.

Culture is something that gives a special characteristic to corporations, companies, cities, states, countries, colonies, and tribes. It makes all people and/or specific groups different and unique in the world. Evidently, to change something in a people’s and/or a group’s culture is very difficult and requires a long time.

This means that any action to minimize the negative effects of cultural traits on e-business requires solutions to promote adjustments on Internet activities and framework.
In other words, by considering cultural traits as an almost unchangeable issue, many necessary improvements have to be implemented on the legal and physical environment. These improvements must develop both the real and the virtual environments. Successful solutions have to make virtual markets as close as possible to people and groups’ cultural realities and necessities.

The fact that the Internet was created in the United States, associated with the availability of large financial resources, good framework, and appropriated laws and regulations, has made the North American virtual environment a perfect place for the development of the Net. Almost all virtual activities have been conceived and developed in this revolutionary and fertile e-soil. As a result, they have appeared and developed based on the North American culture, principles, and needs. In other words, these particularities result in the majority Internet activities being aligned with North American cultural standards.

In spite all these advantages, the United States is not free from the negative influences of cultural traits on Internet activities. Of course, it is not possible to determine with one hundred percent certainty which American cultural traits are associated with Internet-related problems without analyzing deeply the results of a specific survey. However, by crossing the information available in magazines, books, newspapers, and the Internet, it is possible to deduce that some of the behavior of Americans is the consequence of their spirit of adventure, attraction to challenges, rebelliousness, capitalist thought, and desire of breaking down barriers. In other words, problems such as attacks of hackers and spammers, piracy, electronic fraud, and the stealing of private and
confidential information probably are consequences of these North American cultural traits.

I. The United States: The Main Problems Affecting E-business Activities

Whether or not attacks of hackers and spammers, piracy, electronic fraud, and stealing of private and confidential information are totally or partially consequences of cultural traits, they exist and create serious problems in the United States. According to the UNCTAD – United Nations Conference to Trade and Development, the North American Internet is the most vulnerable in the world. It suffered 32,000 attacks in 2002 (as quoted in ‘Web no Brasil Sofre 7.294 Ataques em 2002; É a 2ª Mais Vulnerável’).

Electronic fraud is one of the most serious problems concerning Internet activities in the United States. According to Heath, many devious people began to use old methods on the Internet. They advertise products and do not deliver them, sell nonexistent products, use false credit cards, sell false software and microchips, create false services, organize fictitious groups of investments, and sell stolen products (as quoted in ‘EUA Prendem 125 por Crimes On-line Estimados em US$ 100 Milhões’).

According to Jascroft, in the United States, outlaws stole thousands of million of dollars from customers of e-business companies and banks through 2004. At the end of 2003, 125 people had been arrested for electronic crimes. Ascroft estimates that together those criminals stole more than US$100,000 from approximately 120,000 thousand people. A Romanian man stole US$500 thousand through false electronic auctions (as quoted in ‘EUA Prendem 125 por Crimes On-line Estimados em US$ 100 Milhões’).
Other big problems are the attacks of hackers, virus, and digital invasions. According to Magalhães, a document issued by the CIA and the FBI classified attacks of hackers, virus, and digital invasions as the most dangerous threat to the United States. These American institutions consider these problems so dangerous that they compare them to terrorism, sabotage, spying, and the assassination of politicians. He maintains that the attacks of hackers, virus, and digital invasions are methods that can cause damage, and enable the stealing of secrets and strategic information from the government of the United States, companies and banks ("Hackers Estrangeiros Ameaçam Segurança dos EUA").

According to Sears, the stealing of private and confidential information is another serious problem to e-business activities. He predicts an increase in this kind of crime in 2004 especially against banks and other financial institutions. Sears maintains that delinquents have sent e-mails asking for information about people’s bank accounts and applications, and have received them from careless users (as quoted in “Especialistas Prevêem mais Fraudes em 2004”).

Spam is a serious problem disturbing Americans as well. They have disturbed and caused serious financial, physical, and logical damages all around the United States. According to the Symantec, this problem is so critical that 42% of American small and medium companies intend to abandon e-mails as a communication medium (as quoted in “42% das Empresas Cogitam Abandonar e-mail por Causa de Spam”). In addition, according to a Microsoft manager, these undesirable commercial e-mails are today’s biggest inconvenience in the Internet. They affect the e-mail of the American
government, people, and companies (as quoted in “Microsoft e Nova York Abrem Seis Ações Anti-spam nos Estados Unidos”).

Piracy is also an Internet-related problem in the United States. However, it is smaller than the other above-mentioned problems. According to the Com Reuters, in the United States, piracy is related mainly to the downloading of music protected by commercial property rights. As a result, it causes only little problems to e-business activities (as quoted in ‘EUA Consideram Ilegais as Ações da RIAA Contra Internautas’). Obviously, problems are concentrated on commercialization of CDs.

II. The United States: Reducing Its E-business Activities Main Problems

For many years, Americans have been engaged in eliminating the attacks of hackers and spammers, piracy, electronic fraud, and the stealing of private and confidential information. They have done a good job. The White House’s document entitled “A Framework for Global Electronic Commerce” is a good example. This document was published in July 1, 1997 to help and to guide the development of Internet activities in the United States. One other example is the American Consumer Protection Code. This code already has a specific part to regulate e-commerce and Internet activities. According to the Economist Intelligence Unit, the North American government, politicians, law-makers, companies, banks, and entrepreneurs have worked hard and invested a lot of money to:

• Integrate a technical and legal system ("Doing E-business in the United States: At-a-glance");
• Make Internet transactions, environment, and framework safe for any kind of Internet activity ("Doing E-business in the United States: At-a-glance");

• Write specific laws and regulations for Internet activity and framework ("Doing E-business in the United States: At-a-glance");

• Set up standards for Internet activity and framework ("Doing E-business in the United States: At-a-glance");

• Assure all violators are brought to justice ("Doing E-business in the United States: At-a-glance");

• Guarantee privacy and security for all information on the Internet ("Doing E-business in the United States: At-a-glance").

These are not American’s unique actions. They are always paying attention on new and old problems. According to the Com Reuters, in 2003, the RIAA (Recording Industry Association of America)\(^\text{75}\) asked Internet access providers and the Verizon Communications to give to them information about the ones who download music protected by property rights. Judge Douglas Ginsburg did not concur with this RIAA’s action. However, the article “RIAA Diz que Acordos com Internautas Chegam a 220.” maintains that until at the end of the year more than 260 users of Kazaa and Morpheus\(^\text{76}\) were summoned and signed financial agreements with the RIAA (as quoted in ‘EUA Consideram Ilegais as Ações da RIAA Contra Internautas’).

\(^{75}\) RIAA is the representative of Universal Music, Warner Music, Sony Music and BMG.

\(^{76}\) Kazaa and Morpheus are software to download music (‘RIAA Diz que Acordos com Internautas Chegam a 220’).
Another important action was conducted by the giant Microsoft. A company associated with Spitzer\textsuperscript{77} cited people and firms responsible for sending billions of illegal e-mails (‘Microsoft e Nova York Abrem Seis Ações Anti-spam nos EUA’). According to the Cnet.com, the Synergy6, OptInRealBig.com, and Mr. Scott Richter are main ones. Mr. Richter was considered the biggest spammer in the world by the ROKSO (Register of Known Spam Operations). Microsoft and Mr. Spitzer are acting based on consumers protection laws of the states of Washington, New York, and Texas, states where these spammers acted (as quoted in ‘Microsoft e Nova York Abrem Seis Ações Anti-spam nos EUA’).

In addition, at the end of 2003, the president of the United States, George W. Bush, signed a federal law against certain kinds of spams. According to Com Reuters, this law established very high fines and detention to violators of the law. The Com Reuters maintains that this law represents the first step taken to free Internet users from these undesirable commercial e-mails and remove the United States from the top of world’s ranking of spam senders (as quoted in ‘1 \textsuperscript{a} Lei Nacional Anti-spam nos EUA Prevê Multa e Prisão a Infrator’).

In spite of these actions against spams, the Symantec maintains that the quantity of spam tends to increase. As result, companies, banks, and government need to use high-tech tools to avoid them. The Symantec shows that 55\% of the firms consulted intend to install mechanisms on their servers to filter e-mails and to give authorization only to

\textsuperscript{77} Mr. Spitzer works for the General Department of Justice of New York State (‘Microsoft e Nova York Abrem Seis Ações Anti-spam nos EUA’).
permitted messages to get in (as quoted in “42% das Empresas Cogitam Abandonar e-mail por Causa de Spam”).

To combat electronic frauds, the CIA and the FBI have worked inside the United States and in other countries in partnerships with other countries’ police. According to the ex-hacker Poulsen, hackers have been in a dangerous situation since 1998 all around the world. He sustains that the CIA and the FBI have been successfully investigating several suspicious who have been putting virus and attack computers in the United States and other countries. They have signed agreements and conclude cooperative agreements with authorities in Ghana, Nigeria, and Italy to bring to justice hackers who have stolen million dollars and valuable confidential information, and who have caused physical and virtual damage to American individuals, the government, and businesses (as quoted in Magalhães ‘Hackers Estrangeiros Ameaçam Segurança dos EUA”).

The FBI and the CIA now have a new partner to combat these attacks against electronic virus and hackers. It is the giant Microsoft. This American software producer announced in November of 2003 that it would pay US$250,000 for information that helps to identify virus creators and hackers. Microsoft has allocated a total of R$5 Million to this fund. Initially, this company would pay only for information about the creators of the viruses SoBig and Blaster. Both viruses attacked software produced by Microsoft in August, 2003. After that, the fund’s money would be used to identify other virus producers and hackers who attack specifically its products. However, Microsoft intends to extend the compensation in the future to information about other dangerous hackers and virus creators (“Microsoft Destina US$5 mi à Recompensa por Dados Sobre Hackers”).
Of course, all these efforts really make a difference. Nowadays, American Internet activities are almost in perfect alignment with United States reality, needs, and cultural standards. This country is always on the top of world’s rankings of Internet-related activities. The United States is years ahead of others nations in any subject related to the Internet.
Chapter VI – Conclusion

In Brazil, “two significant obstacles hamper” the development of e-business activity: “the first is limited infrastructure;”

“cultural barriers are the second problem.”

The Economist Intelligence Unit ("Doing E-business in Brazil: E-commerce")

As in many developing countries, Brazil is currently working to implement and develop its Internet environment and e-business activities. In addition, the country has been working to solve many physical, legal, political, economic, and social problems. Paying special attention and directing special effort to these problems, Brazil’s government, politicians, lawmakers, Internet-related professionals, entrepreneurs, executives, managers, and specialists have minimized and solved several of them. The data as well as other facts demonstrate that they have done a reasonably good job. Brazil’s real and virtual environments and frameworks are becoming better year after year.

However, these needs have not been sufficiently met to put Brazil in a top position in the world ranking of e-business activities. Brazil’s government, politicians, lawmakers, Internet-related professionals, entrepreneurs, executives, managers, and specialists can, should and will improve what they have done.

Regarding these considerations, other countries’ used models can be very helpful for the development of e-business activities in Brazil. Obviously, both the Economist Intelligence Unit’s steps and the 1997 White House’s principles (with some modifications
and adaptations) are excellent guides for those who are developing the Internet environment and operating e-business activities in Brazil.

The Economist Intelligence Unit’s six steps should be used as a guide in the process of implementation and development of the Brazilian Internet environment and e-business activities. When Brazil has its Internet environment and e-business activities developed, the White House report will be a very good reference in helping its government, corporations, firms, institutions, banks, financial organizations, and Internet-related professionals to improve Brazil’s physical, economic, social, and legal framework, transforming the Brazilian e-marketplace into a modern, safe, and reliable environment for e-business.

However, the actions suggested by these two respected organizations will not be sufficient to eliminate all the barriers that have impeded the development of e-business activities in Brazil. Neither organization has taken into consideration the potential negative effects of cultural traits.

As has been presented, in Brazil, the potential negative influence of cultural traits on the development of e-business activities is a significant problem that requires special attention. As a result, all solutions adopted by the Brazilian government, politicians, lawmakers, banks, financial organizations, e-business companies, Internet-related professionals, and specialists have to consider this important issue. Each step established by them has to consider cultural traits such as the jeitinho, flexibility, adaptability, the necessity to improvise all the time, the capacity to adapt to difficult situations, the tendency towards a centralization of power, the lack of respect for rules, the distance in
relations among different social groups and/or classes, passiveness, social repression, acceptance of subservience, inhibition/shyness, and lack of motivation.

Without considering these concerns, any adopted solution will not achieve its objective.

Of course, some of these actions have been well undertaken and, of course, others have been less successful.

Solutions such as to implant physical stores and offices, to install chat facilities, and to make available free telephone call services (0800) have had excellent results. They open easy channels for negotiations and can make Brazilians feel safer and more confident.

Other good solutions are e-clearance sales, cooperative solutions and partnerships, electronic advice, different methods of payment, and improvement in product diversity. These solutions make products and services negotiated through e-business less expensive and of better quality. They also make users feel a little bit closer to physical stores, banks, and financial organizations when using Internet facilities.

These good solutions are helping Brazilian e-business to grow.

However, some problems are working like a brake, holding back development.

The first thing the Brazilian government, politicians, lawmakers, Internet-related professionals, entrepreneurs, executives, managers, and specialists should do is to quantify and to qualify (as soon as possible) the potential negative influence of cultural traits on the development of Brazilian e-business activities. After that, they could act more specifically and directly reduce and/or eliminate each problem that is discovered.
Regarding this consideration, legal issues are the main problem to be solved in Brazil. The country needs urgently to have specific laws and regulations for its Internet environment, activities, and framework. All Internet-related proposals of law in the Brazilian Congress’s Chamber of Deputies should have higher priority. Approving these laws is the best way to prevent malevolent use, to make e-business activities more reliable, to attract new users, and to keep current users. It is also a manner to make Brazilians behave more formally when conducting e-business transactions. Internet-related laws and regulations, and efficient enforcement of them, would eliminate negative cultural traits such as jeitinho, flexibility, adaptability, the necessity to improvise, the capacity to adapt to difficult situations, lack of respect for rules, and passiveness.

These are not easy solutions. Jeitinho, flexibility, adaptability and the lack of respect for rules are some of the most predominant Brazilian cultural traits, and they have to be reduced and/or eliminated in the situation under consideration.

In fact, they are difficult problems. However, only deep and meticulous researches, accurate responses, and creative campaigns will enable companies, banks, financial corporations, institutions, organizations, entrepreneurs, Internet-related professionals, specialists, and government to eliminate the negative influences that are acting against the development of e-business in Brazil.
Annex 1 – Survey Made Among Students of FUNCESI Questionnaire

and “(Translation)”

**PESQUISA SOBRE USO DA INTERNET**

*(RESEARCH ABOUT THE USE OF THE INTERNET)*

**Objetivo do questionário:** servir como informação complementar para dissertação de tese de mestrado referente e-business (comércio eletrônico através da Internet) no Brasil.

*(Questioner objective: to provide supplementary information for Master of Arts dissertation about e-business (electronic business through the Internet) in Brazil.)*

Favor marcar as alternativas que mais se aproximam da sua realidade. Caso seja necessário, mais do que uma alternativa poderá ser marcada na mesma pergunta.

*(Please choose the closest alternative to your reality. If it will be necessary, you can choose more then one.)*

1- Você acessa a Internet? *(Do you access the Internet?)*

( ) Não (favor responder questões 2 e 3) *(No (please answer questions 2 and 3))*

( ) Sim (favor responder questões 4 a 6) *(Yes (please answer questions 4 through 6))*

Não acessa a Internet: *(If you do not access the Internet:)*

2- Você gostaria de acessar? *(Would you like to access the Internet?)*

( ) Não. *(No)*

( ) Sim. *(Yes)*
3- Por que você não acessa? (Why do you not have access?)

( ) porque não sabe usar computadores (because you do not know how to use computers)

( ) porque não tem acesso à computadores em casa, na escola, no trabalho, e em outros locais onde freqüenta (because you do not have access to computers at home, school, work place, and other places where you go)

( ) porque não sabe como usar a Internet (because you do not know how to use the Internet)

( ) porque não tem interesse ou não sente necessidade de acessar a Internet (because you do not have interest)

( ) porque o custo do acesso é alto (because costs to access the Internet are high)

( ) outros (especifique) (others (describe them)): ____________________________

Acessa a Internet: (If you access the Internet:)

4- Onde você acessa a Internet? (Where do you access the Internet)

( ) na sua casa (at home)

( ) na casa de parentes ou amigos (at your relatives’ or friends’ home)

( ) no trabalho (at your work place)

( ) na escola (at school)

( ) em siber cafés (at cyber coffees)

( ) outros (other places)
5- Com que frequência você acessa a Internet? (What frequency do you access the Internet)

(   ) todos os dias (every day)
(   ) mais de uma vez por semana (once a week)
(   ) pelo menos uma vez por semana (a minimum of two times per week)
(   ) esporadicamente (sometimes)

6- Você faz compras através da Internet? (Do you buy through the Internet?)

(   ) Não (No)

Motivos: (Reasons:)

(   ) porque você nunca teve interesse em comprar pela Internet (because you never had interest in buying through the Internet)
(   ) porque você nunca teve oportunidade (because you never had the opportunity)
(   ) porque você não sabe como comprar através da Internet (because you do not know how to buy through the Internet)
(   ) porque você pensa que não é seguro – tem medo de roubo de informações tais como número de cartão de crédito, número de conta bancária, e outras informações pessoais (because you think that it is not safe – you are afraid of theft of personal information such as credit card number, banking account number, and other personal information)
(   ) porque você não confia nas empresas que operam através da Internet (because you do not believe on companies that operate businesses through the Internet)
( ) porque você não confia na qualidade dos produtos e serviços comercializados através da Internet (because you do not believe on the quality of products and services sold through the Internet)

( ) porque você não saberia o que fazer em caso de defeito no produto adquirido ou problemas com o serviço contratado (because you do not know what to do in case of a problem with the product or service that you bought)

( ) porque você não confia na resolução de problemas relacionados com os produtos e/ou serviços adquiridos e/ou contratados (because you do not believe that firms will solve possible problems related to products and/or services that you bought through the Internet)

( ) porque você prefere comprar e/ou contratar produtos e/ou serviços pessoalmente para ter mais opções (because you prefer to buy products and/or services from regular stores and/or offices because you think that you have more options available than you have on the Internet)

( ) porque nos estabelecimentos comerciais convencionais você tem oportunidade de conhecer novos produtos e serviços (because on regular stores and offices you have more opportunities to know new products and services than you have on the Internet)

( ) porque você prefere ir a estabelecimentos comerciais convencionais para oportunidade de encontrar/conversar com seus amigos (because you prefer to go to regular stores and offices because there you can see and talk to your friends)
( ) porque nos estabelecimentos comerciais convencionais você tem oportunidade
de fazer novos amigos (because on regular stores and offices you have the
opportunity to make new friends)

( ) porque você gosta de negociar preços e prazos quando está comprando (because
you like to negotiate prices and times when you are buying products and
services)

( ) porque os produtos e serviços são mais caros na Internet (because products and
services are more expensive on the Internet than in regular stores and offices)

( ) porque a entrega dos produtos e execução dos serviços são mais demoradas
(because delivery of products and execution of services are longer when they
are bought through the Internet than from regular businesses)

( ) porque os preços e prazos não são cumpridos (because prices and times are not
respected)

( ) porque nos estabelecimentos comerciais convencionais é possível existe um
maior número de produtos e/ou serviços em ‘ofertas especiais’ (because it is
possible to find more products and services on “special sales” on regular
businesses than on the Internet)

( ) outros motivos: (other reasons:) ________________________________________________

_______________________________________________________________

( ) Sim

a- Motivos:

( ) porque é mais seguro (because it is safe)
( ) porque é mais confortável (because it is comfortable)
( ) porque é mais prático (because it is easier)
( ) porque é mais rápido (because it is faster)
( ) porque tem mais opções (because it has more options)
( ) outros motivos: (other reasons:) ________________________________________________

b- Produtos e serviços que você compra ou já comprou através da Internet:

(Products and services that you buy or bought through the Internet?)

( ) pacotes turísticos (Tour packages)
( ) passagens aéreas (plane tickets)
( ) reservas de hotéis (hotel reservations)
( ) livros (books)
( ) fitas de vídeo (VCR tapes)
( ) CDs e/ou DVDs (CDs and/or DVDs)
( ) automóveis, motocicletas, etc (cars, motocycles, others)
( ) produtos eletrônicos (electronics)
( ) outros produtos: (other products:) ________________________________________________

c- Quais problemas você já teve comprando e/ou contratando através da Internet? (What kind of problems did you have buying products and/or contracting services through the Internet?)

( ) roubo de informações tais como: número de cartão de crédito, número de conta bancária, outras informações pessoais (theft of personal information
such as credit card number, banking account number, and other personal information)

( ) recebeu produtos e/ou serviços de má qualidade (received bad quality products and services)

( ) dificuldades para trocar produto defeituosos (problems to exchange damaged products)

( ) dificuldades para resolver problemas com serviços adquiridos (difficulty to solve problems related to services contracted)

( ) poucas opções de produtos e/ou serviços para aquisição (few options of products and services available)

( ) dificuldades para conhecer novos produtos e serviços disponíveis (difficulty to know new products and services available)

( ) preço elevado dos produtos e/ou serviços adquiridos através da Internet (prices of products and services were higher through the Internet than on regular firms)

( ) demorou para receber o produto e/ou serviço adquirido e/ou contratado (you did not the product or service that you bought on time)

( ) não cumprimento de preços e prazos estabelecidos (prices and times were not respected)

( ) outros motivos: (other reasons:) ________________________________

______________________________
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