



# **BRAZIL'S LEGAL FRAMEWORK : CONGRESS, THE JUDICIARY, INVESTMENTS, INTERNATIONAL TRADE**

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# **BRAZIL'S LEGAL FRAMEWORK**

**1.- INTRODUCTION;**

**2.- HISTORICAL, POLITICAL AND GEOGRAPHIC  
CONSIDERATIONS;**

**3.- THE BRAZILIAN CONSTITUTIONAL FRAMEWORK:**

**3.1.- The Executive;**

**3.2.- The Legislative; and**

**3.3.- The Judiciary;**

**4.- THE LIBERALISATION OF THE BRAZILIAN ECONOMY;**

**5.- INVESTMENTS AND PRIVATIZATION;**

**6.- MERCOSUL AND EXTERNAL TRADE: STRATEGIC OPTIONS.**

# BRAZIL

## HISTORICAL, POLITICAL, ECONOMIC AND GEOGRAPHIC CONSIDERATIONS



# The Brazilian Constitutional Framework

## EXECUTIVE POWER



*Palácio do Planalto*

# **The Brazilian Constitutional Framework**

## **EXECUTIVE POWER**

### ***(Federal Level)***

### **Structure**

#### **PRESIDENCY**

Mandate of four years

President Mr. Luiz Inácio Lula da Silva

Mandate - 2003-2006



**MINISTRIES - 23**



# The Brazilian Constitutional Framework

## EXECUTIVE POWER



*Ministeries' Avenue*

# The Brazilian Constitutional Framework

## National Congress

### *Legislative Power*



# **The Brazilian Constitutional Framework**

## **LEGISLATIVE POWER**

*(Federal Level)*

### **National Congress**

*(Composition)*

**SENATE**  
**(81 Senators)**

- ➔ **3 Senators per state and Federal District with a mandate of 8 years.**

**CHAMBER OF DEPUTIES**  
**( 513 Deputies)**

- ➔ **Each legislature has the duration of four years.**
- ➔ **Every four years, the Senate is renewed by one and two thirds, alternatively.**



# **The Brazilian Constitutional Framework**

## **LEGISLATIVE POWER**

*(Federal Level)*

### **National Congress**

#### **1.- NON-EXCLUSIVE COMPETENCE**

- 1.1.- Taxation**
- 1.2.- Budget;**
- 1.3.- Armed Forces;**
- 1.4.- Territory;**
- 1.5.- Political Subdivision;**
- 1.6.- Organisation of the Judiciary;**
- 1.7.- Others.**

# **The Brazilian Constitutional Framework**

## **LEGISLATIVE POWER**

*(Federal Level)*

### **National Congress**

#### **1.- EXCLUSIVE COMPETENCE**

**2.1.- International Treaties;**

**2.2.- Control of the Executive;**

**2.3.- Approve the accounts of the  
Presidency; and**

**2.4.- Others.**

# The Brazilian Constitutional Framework

## JUDICIARY POWER

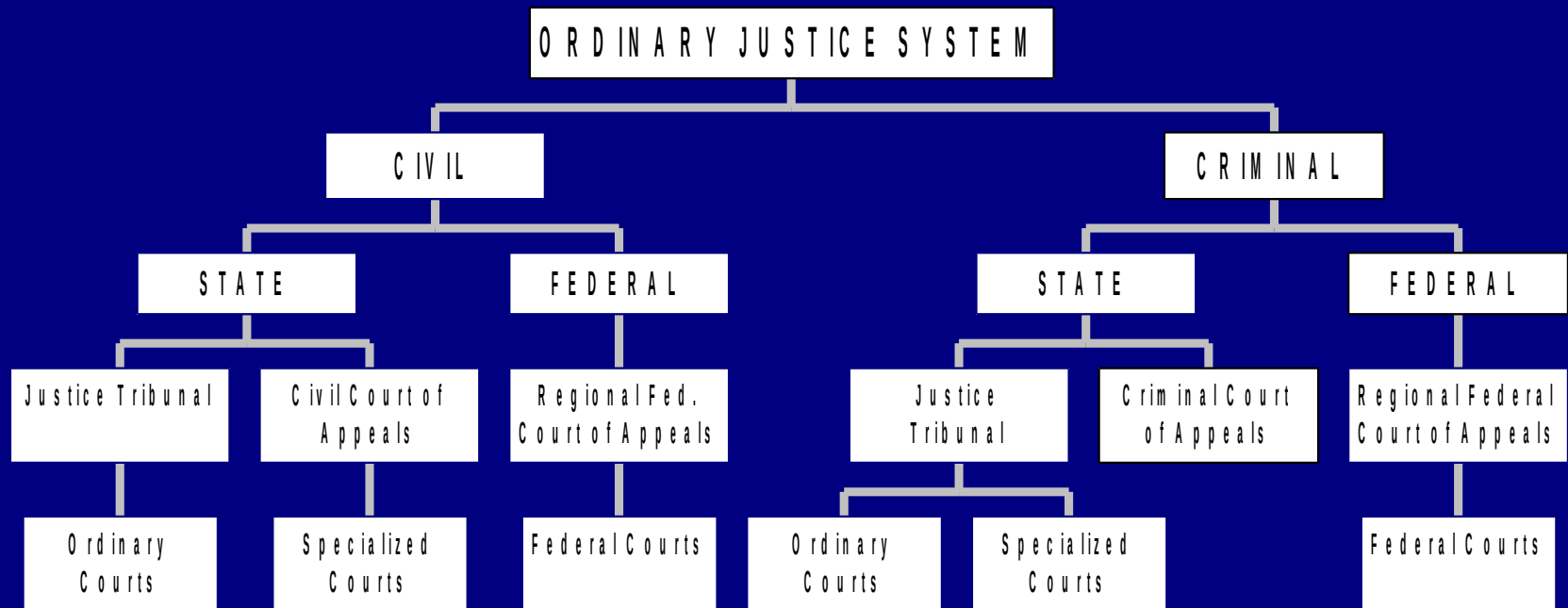


*Federal Supreme Court*

# The Brazilian Constitutional Framework

## BRAZILIAN JUDICIARY

### Higher Courts - Federal Supreme Court and Superior Court of Justice



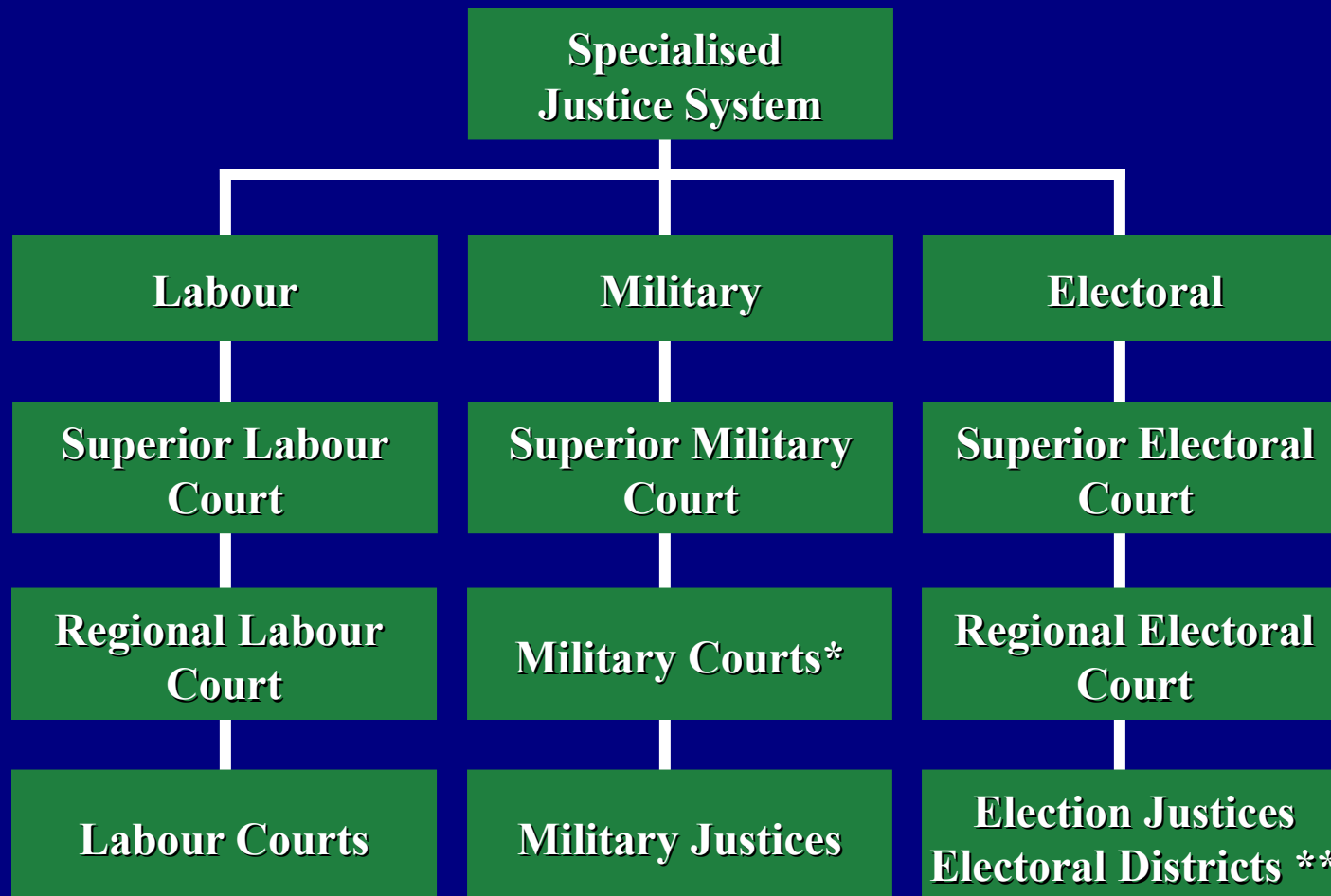
# The Brazilian Constitutional Framework

## BRAZILIAN JUDICIARY

**Others:**

**Small Claims Courts Marriage Magistrate:**

**Responsible only for the performance of the marriage ceremony itself**



\* In some states the Justice Tribunal acts as the Military Court.

\*\* Where there is no specialised electoral court the State Judge has jurisdiction.

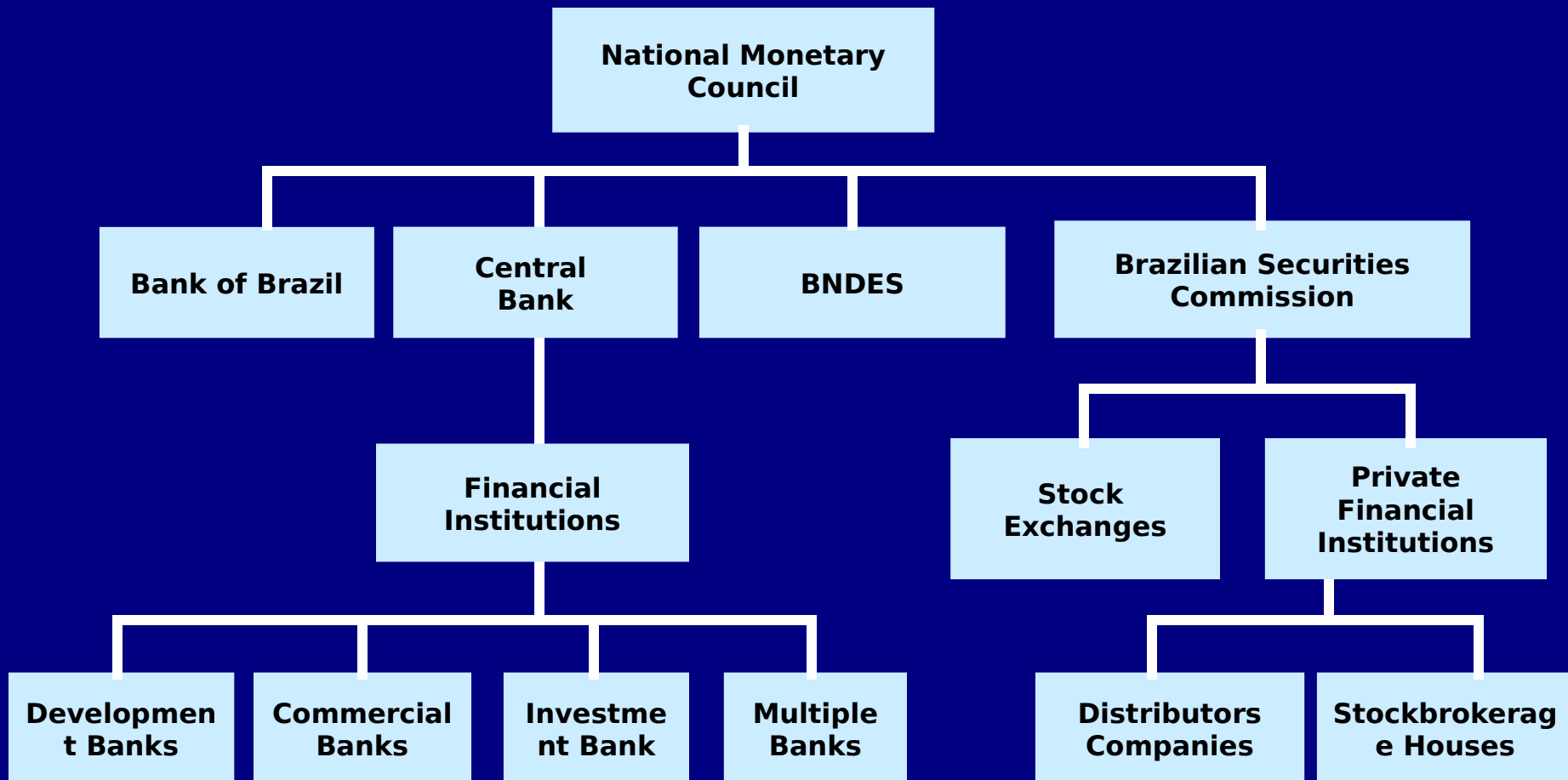
# THE FINANCIAL SECTOR



*Central Bank*



# THE BRAZILIAN FINANCIAL SYSTEM



# **THE BRAZILIAN FINANCIAL SYSTEM**

- **the National Monetary Council;**
- **the Central Bank of Brazil;**
- **the National Bank of Economic and Social Development;**
- and**
- **other public and private financial institutions.**

# THE STOCK EXCHANGES AND THE CAPITAL MARKETS

- Regulatory Agency “Comissão de Valores Mobiliários” - based in Rio de Janeiro.



# SÃO PAULO STOCK EXCHANGE - BOVESPA

- the São Paulo Stock Exchange was founded in 1890;
- largest stock exchange in South America;
- 96 brokerage members and 379 listed companies; and
- in 2004 the total amount negotiated was US\$ 81.4 billion, an increase of 48.6% as compared to 2003 (US\$ 55 billion).



# SÃO PAULO STOCK EXCHANGE - BOVESPA (*continuation*)

Estimated profile of investors who participate in the overall traded volume:

individuals - 27.5%

institutional investors - 28.1%

foreign investors - 27.3%

financial institutions - 13.1%

others - 4%



# **The Brazilian Economy in the 21<sup>st</sup> Century**

- ⇒ stabilisation of the economy;
- ⇒ trade liberalisation;
- ⇒ resumption in foreign direct investment;
- ⇒ massive privatization program;
- ⇒ pre-emptive strengthening of financial sector;
- ⇒ end of distinction between foreign and domestic companies;
- ⇒ end of monopoly in telecommunications, oil and gas;
- ⇒ great Development of services sector with the creation of new jobs;
- ⇒ consolidation of democracy
- ⇒ Denationalisation of the economy; and
- ⇒ gain of international competitiveness in the agribusiness.



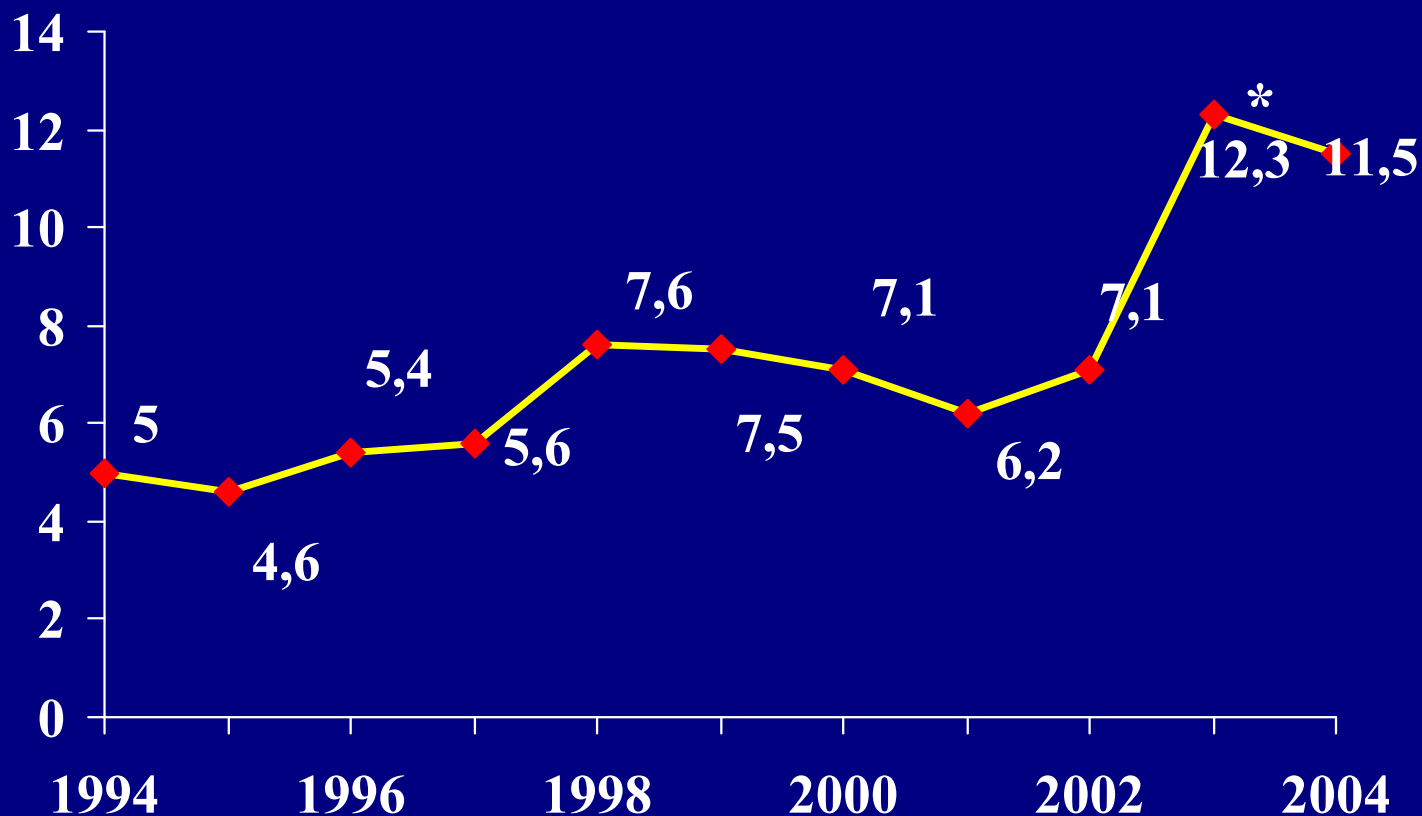
## Brazil: GDP

	1981	1991	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
<b>GDP (US\$ billion)</b>	261.5	418.0	534.0	550.0	552.0	531.1	594.2	503.9	456.5	506.8	599.0	624.7
<b>Population (million)</b>	121.2	149.1	161.3	163.7	166.2	169.7	171.2	173.8	176.3	178.9	181.5	184.5
<b>GDP per capita (US\$)</b>	2.151	2.803	3.310	3.359	3.321	3.129	3.470	2.899	2.589	2.832	3.300	3.385

**Source:** *MDIC, Mercosul, and IBGE web sites*

*\* prevision*

# Brazil - Evolution of Unemployment

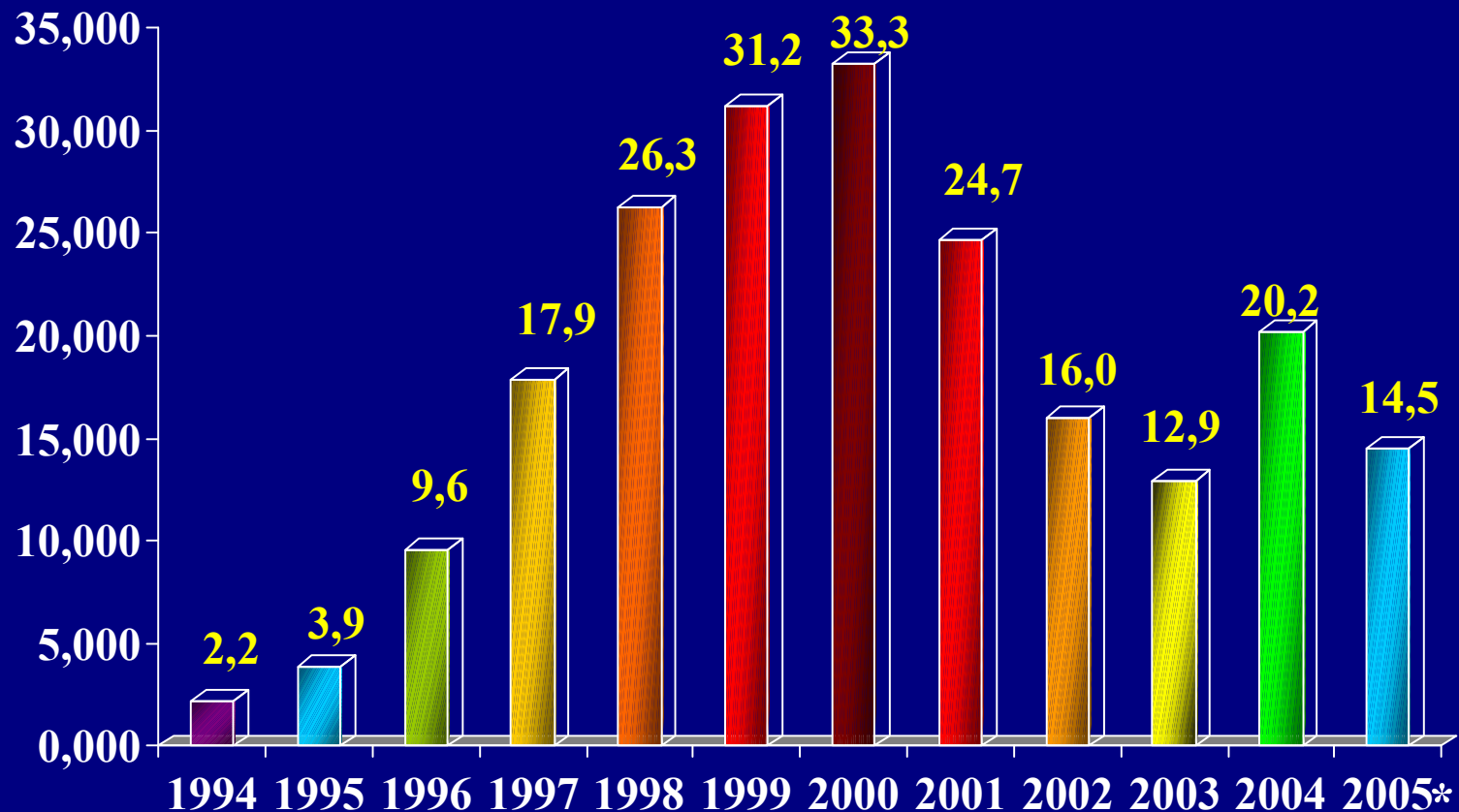


\* in 2003 IBGE has implemented a new methodology

Source: IBGE

# Brazil: Foreign Direct Investment

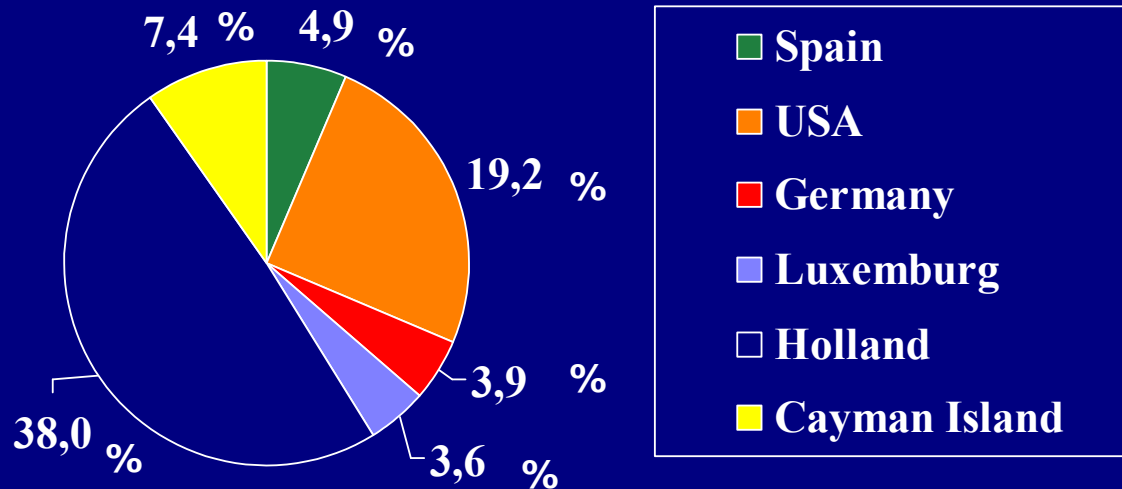
- 1998 FDI equivalent to 2.59% of GDP - a new record
- FDI between 1994 and 1998 totalled US\$ 60 billion



*Source: Central Bank of Brazil*

*\* estimative*

# Brazil - Foreign Direct Investment - by countries - 2004



**Country  
million**

**US\$**

*Spain*

*1.054,93*

*USA*

*3.977,83*

*Germany*

*794,73*

*Luxembourg*

*746,94*

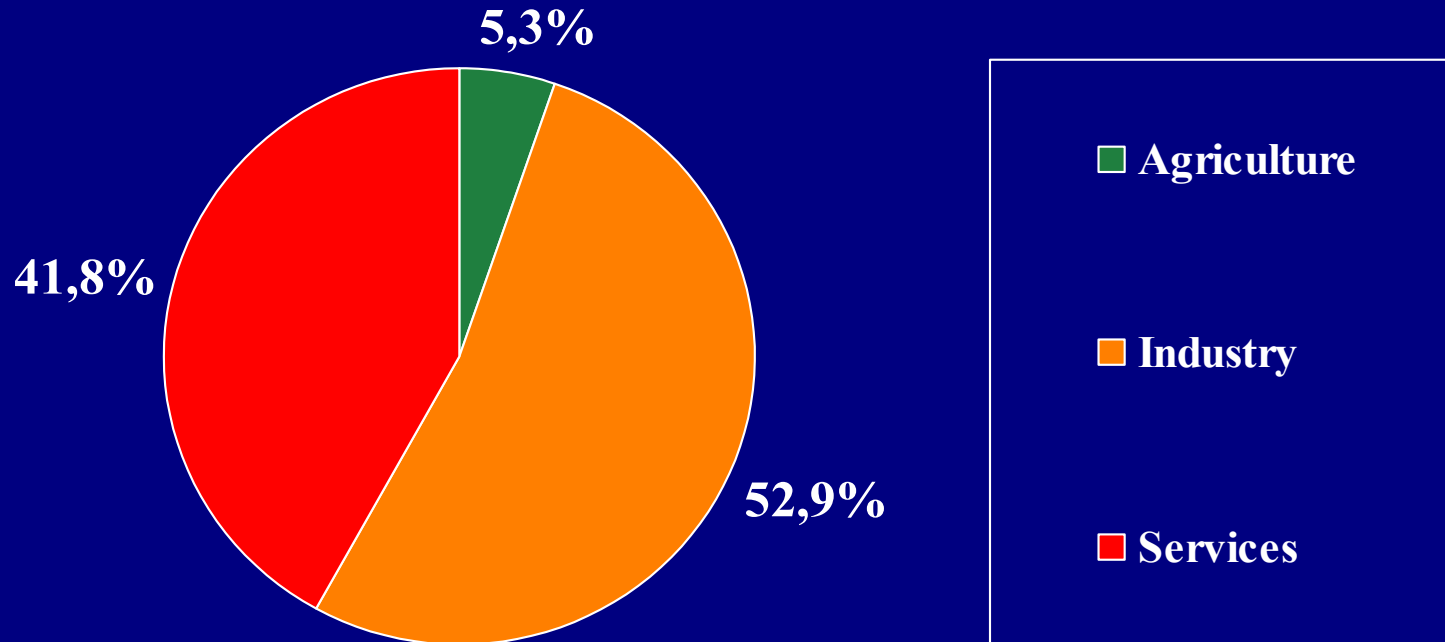
*Holland*

*7.704,85*

*Cayman Island*

*1,521,80*

# Brazil - Foreign Direct Investment - by sector - 2004



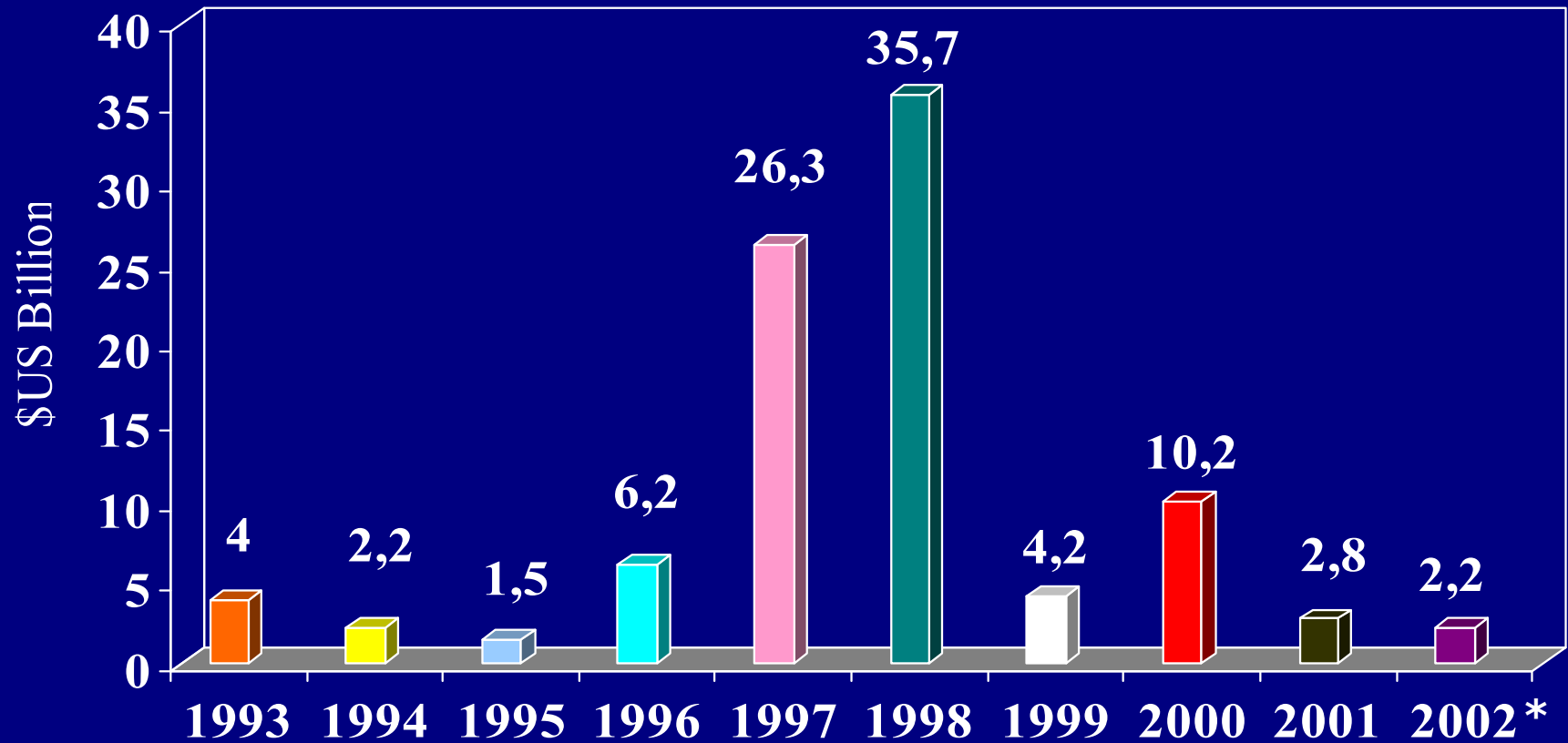
# Brazil - Evolution of External Debt



Value	Value (in US\$ billions)
1997	199,9
1998	233,8
1999	240
2000	233
2001	209,5
2002	210,7
2003	214,9
2004	202



## Revenue from Privatisation

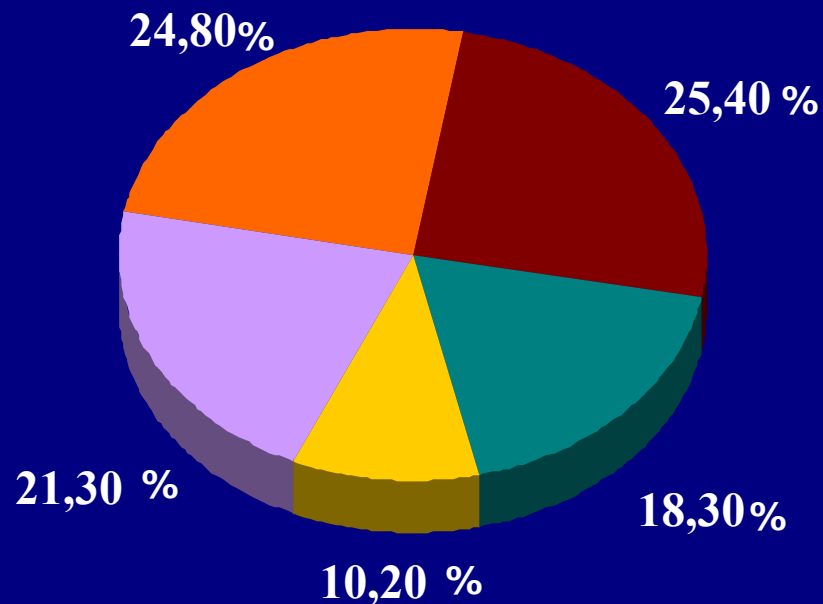


**Source: BNDES**

*\* After 2002 there were no more privatisations, which were substituted by Public-Private Partnerships - PPPs.*

# Sources of Brazil's Imports

In 2004



■ European Union

■ USA \*

■ MERCOSUL (Argentina, Brazil, Paraguay and Uruguay)

■ ASIA \*\*

■ Other

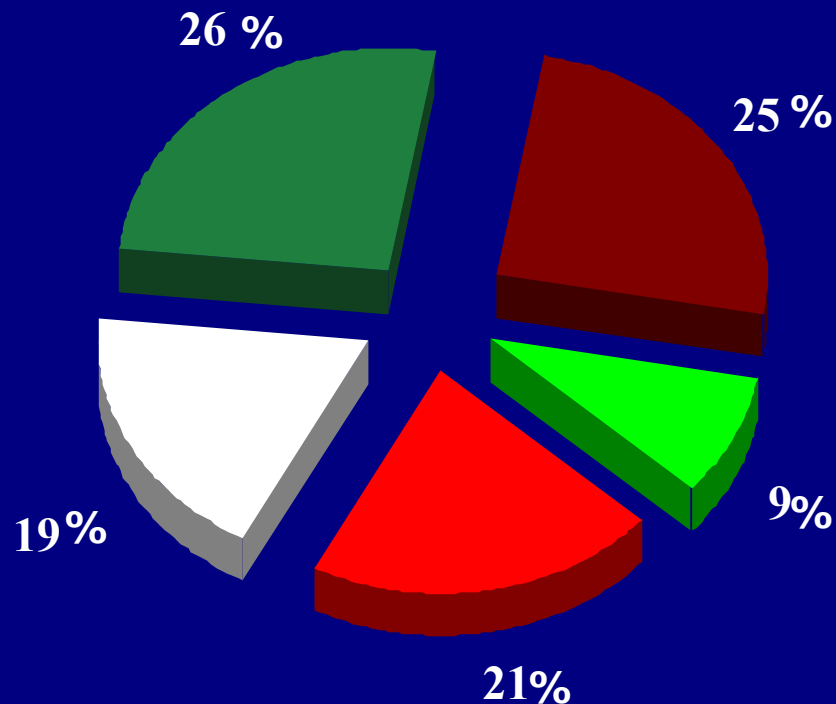
*Source: SECEX*

*\* USA including Puerto Rico*

*\*\* ASIA excluding Middle East*

# Brazil's Export Markets

In 2004



■ European Union

■ Mercosul \*\*\*

■ USA \*

■ ASIA \*\*

■ Others

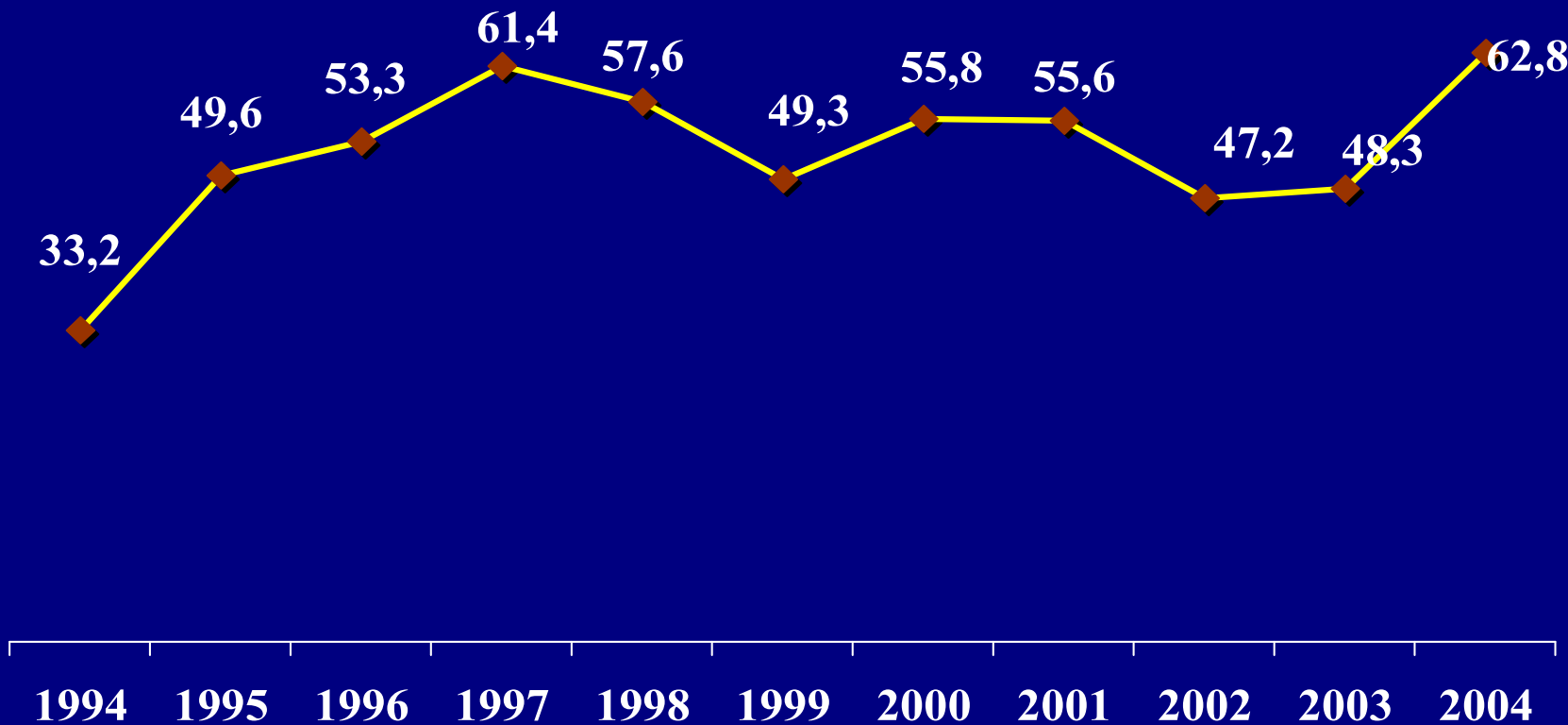
*Source: SECEX*

*\* USA including Puerto Rico*

*\*\* ASIA excluding Middle East*

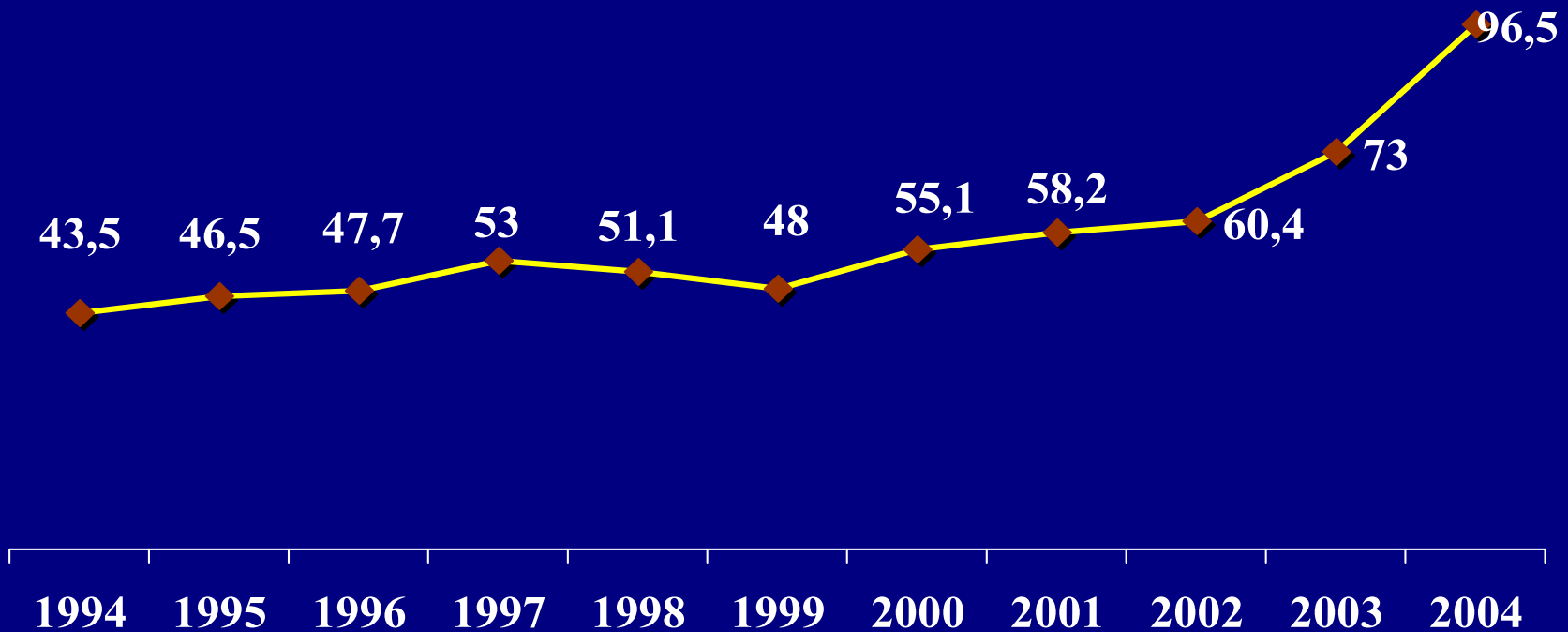
*\*\*\* Argentina, Brazil, Paraguay and Uruguay*

## Brazilian Imports in billion of US dollars



Source: *SECEX*

## Brazilian Exports in billion of US dollars



Source: *SECEX*

# MERCOSUL



# MERCOSUL's Objectives

- ✦ the free circulation of capital, goods and services, and people;
- ✦ the creation of a common external tariff and trade policy, and
- ✦ the co-ordination of macroeconomic policies.

# MERCOSUL x SACU

- ✦ Mercosul has trade agreements with third parties in order to increase trade
- ✦ A trade agreement was signed between Mercosul countries and SACU countries in December 2004
- ✦ Main subjects are: liberalisation of trade, rules of origin, national treatment, trade remedies and non-tariff barriers



## **Latin American Integration Association**

- ♦ LAIA is the largest Latin-American group of integration totalling more than 493 million people
- ♦ it promotes the creation of an area of economic preferences in the region, aiming at a Latin-American common market
- ♦ LAIA's members are: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela



# Brazil - Challenges in Trade Negotiations

## Economic Complementation

### Agreements

- ⇒ Brazil - Mexico
- ⇒ Brazil - Suriname
- ⇒ Mercosul - Bolivia
- ⇒ Mercosul - Chile
- ⇒ Mercosul - Andean Community
- ⇒ Mercosul - EU
- ⇒ Mercosul - Egypt
- ⇒ Mercosul - India
- ⇒ Mercosul - Mexico
- ⇒ Mercosul - SACU

### Customs Agreements

- ⇒ MERCOSUL

### Regional Agreements

- ⇒ LAIA

### Multilateral Agreements

- ⇒ WTO
- ⇒ GATT



