



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

São Paulo, September 20, 2005.

Durval de Noronha Goyos Jr.

São Paulo

Noronha-Advogados

São Paulo, Rio de Janeiro, Brasília, Curitiba, Porto Alegre
London, Lisbon, Miami, Los Angeles, Buenos Aires, Shanghai

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

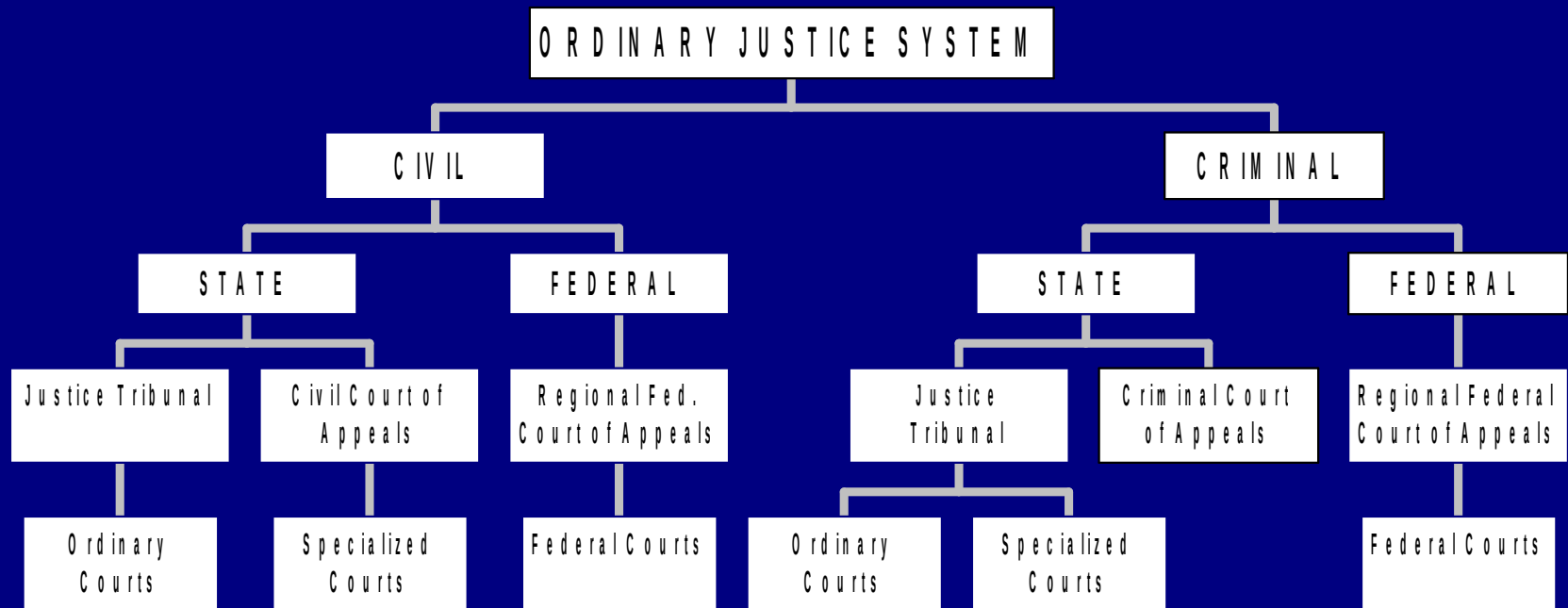


Federal Supreme Court

The Brazilian Constitutional Framework

BRAZILIAN JUDICIARY

Higher Courts - Federal Supreme Court and Superior Court of Justice



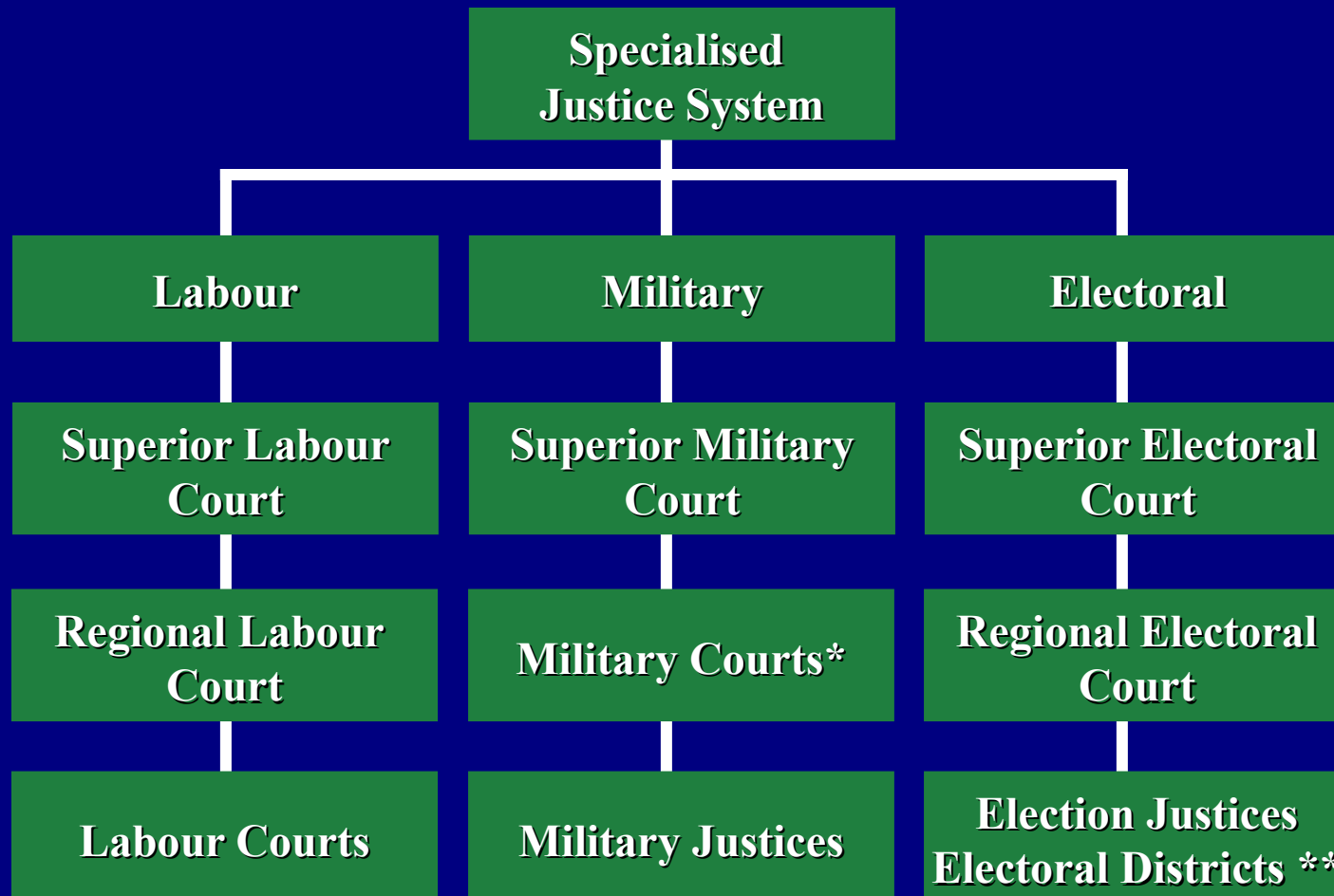
The Brazilian Constitutional Framework

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.

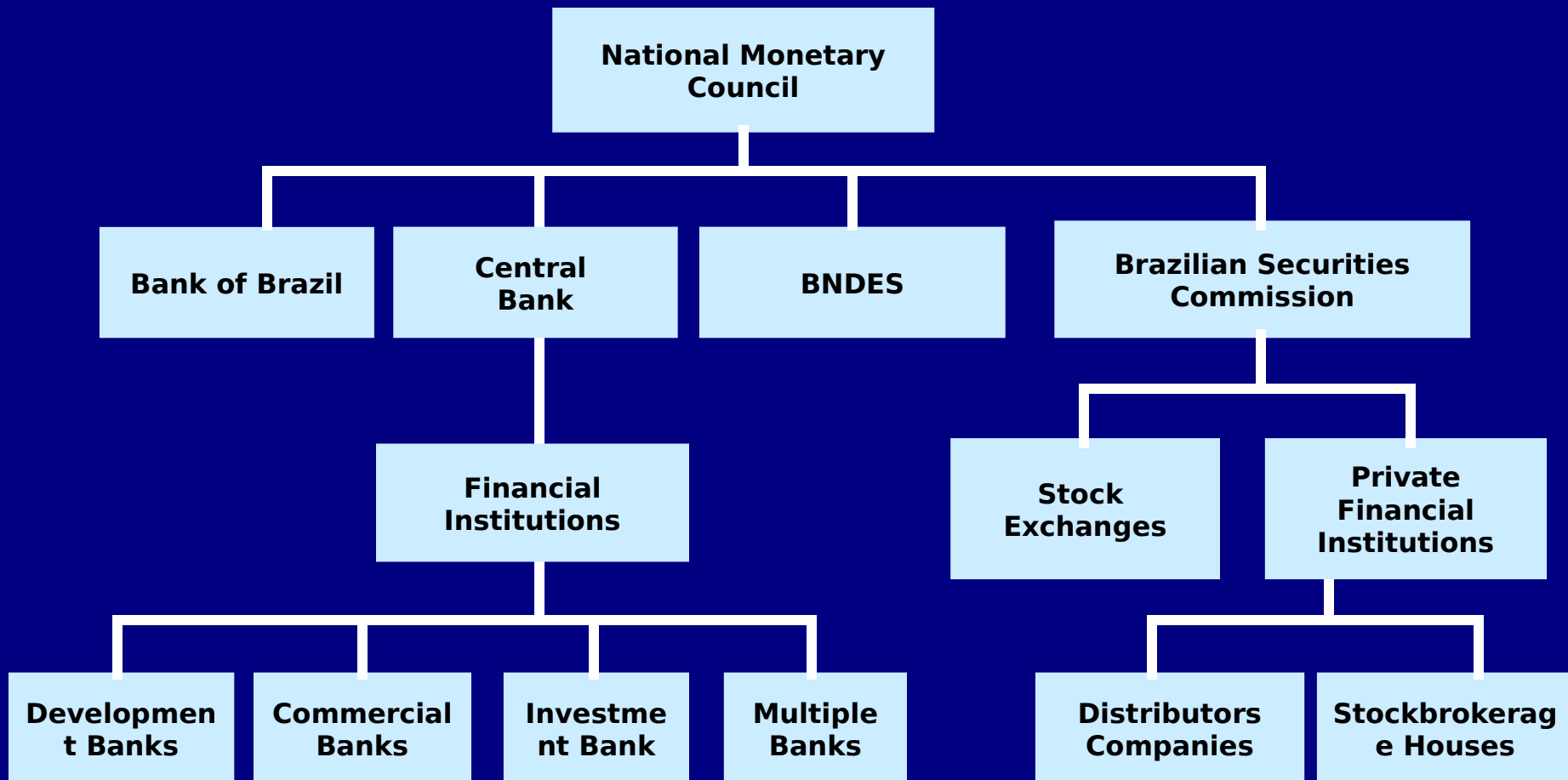
** Where there is no specialised electoral court the State Judge has jurisdiction.

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

individuals - 27.5%
individuals - 27.3%
institutional investors - 28.1%
institutional investors - 28.1%
foreign investors - 27.3%
foreign investors - 27.3%
financial institutions - 13.1%
financial institutions - 13.1%
others - 4%
others - 4%



The Brazilian Economy in the 21st 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.

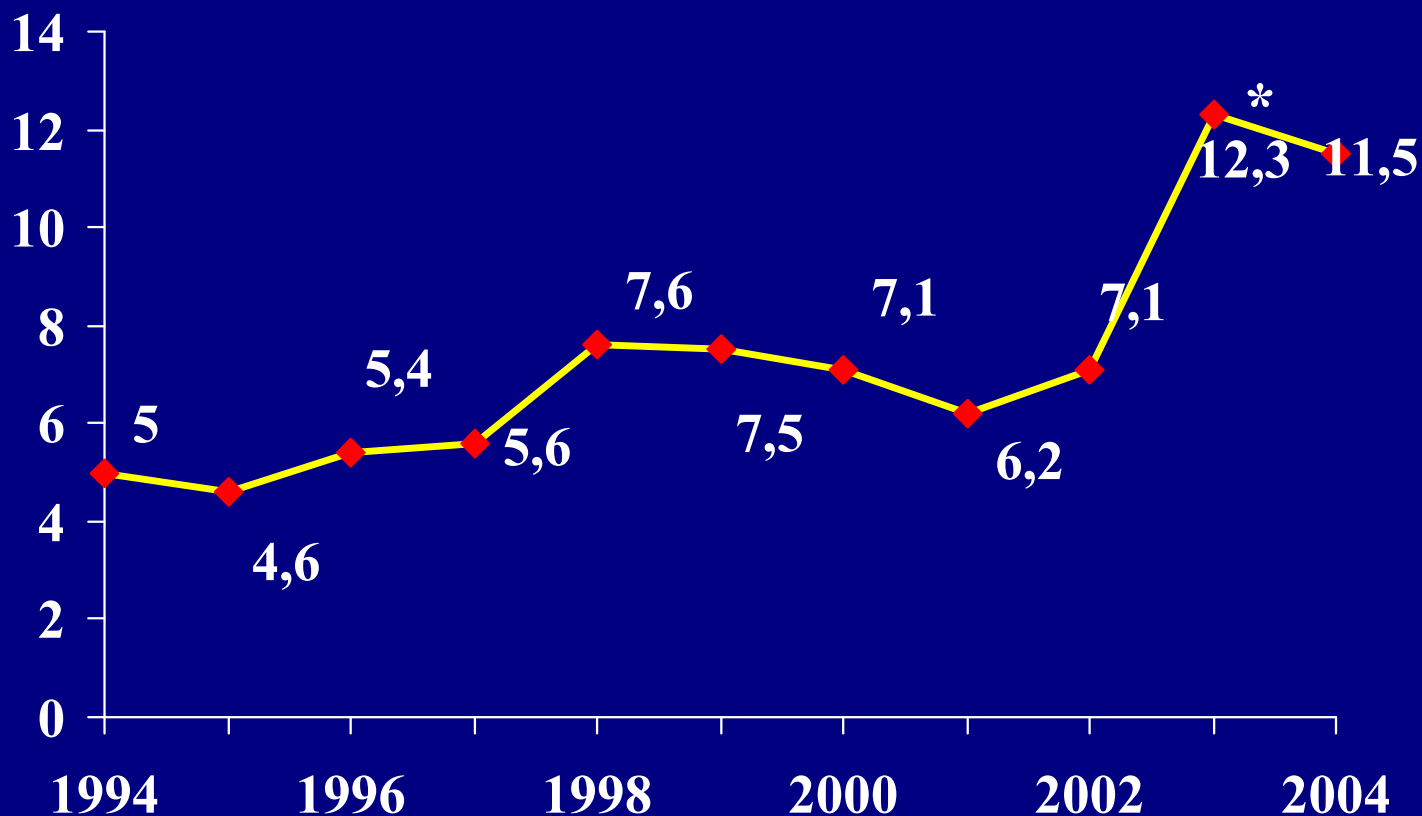
Brazil: GDP

	1981	1991	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
GDP (US\$ billion)	261.5	418.0	534.0	550.0	552.0	531.1	594.2	503.9	456.5	506.8	599.0	624.7
Population (million)	121.2	149.1	161.3	163.7	166.2	169.7	171.2	173.8	176.3	178.9	181.5	184.5
GDP per capita (US\$)	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

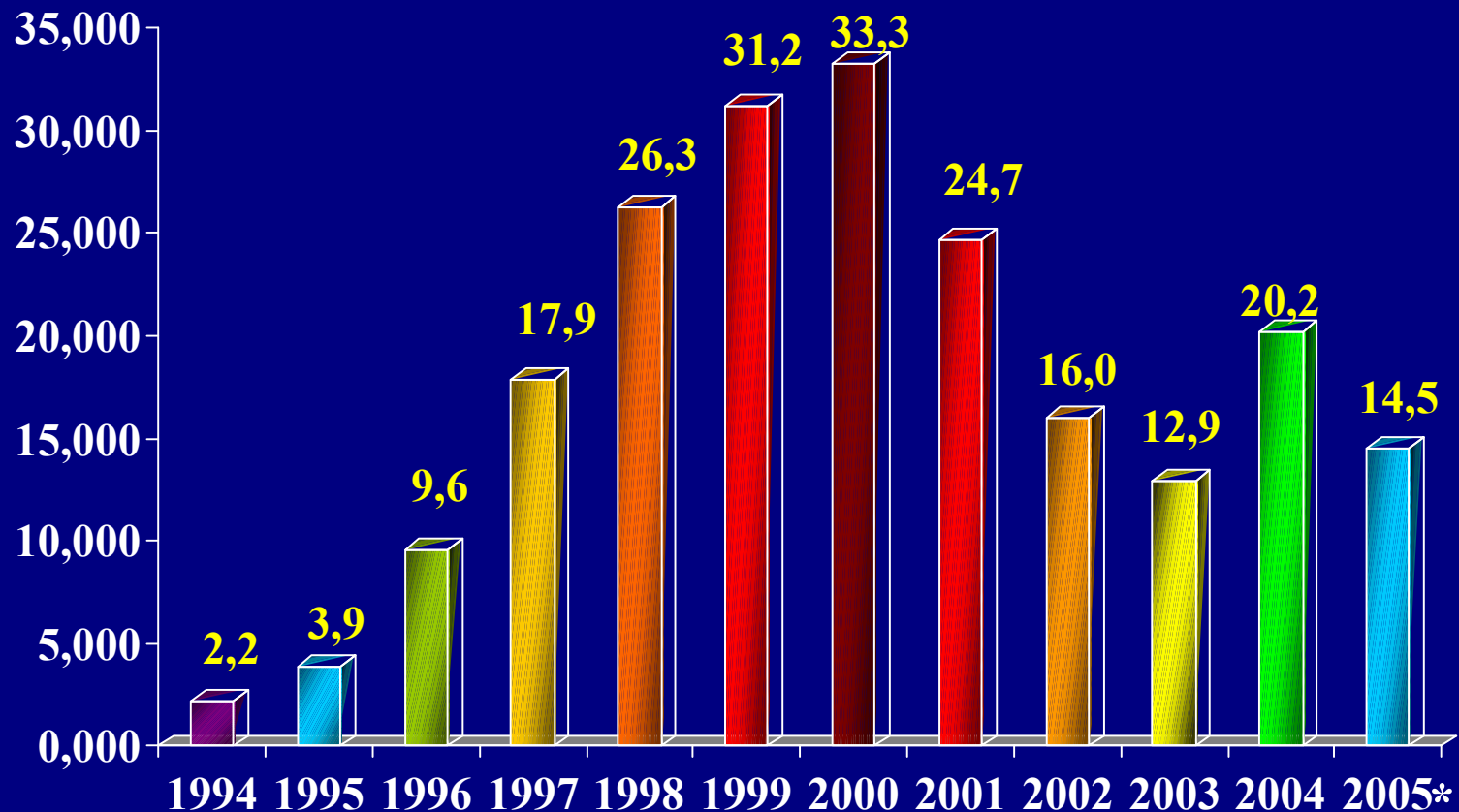


* in 2003 IBGE has implemented a new methodology

Source: IBGE

Brazil: Foreign Direct Investment

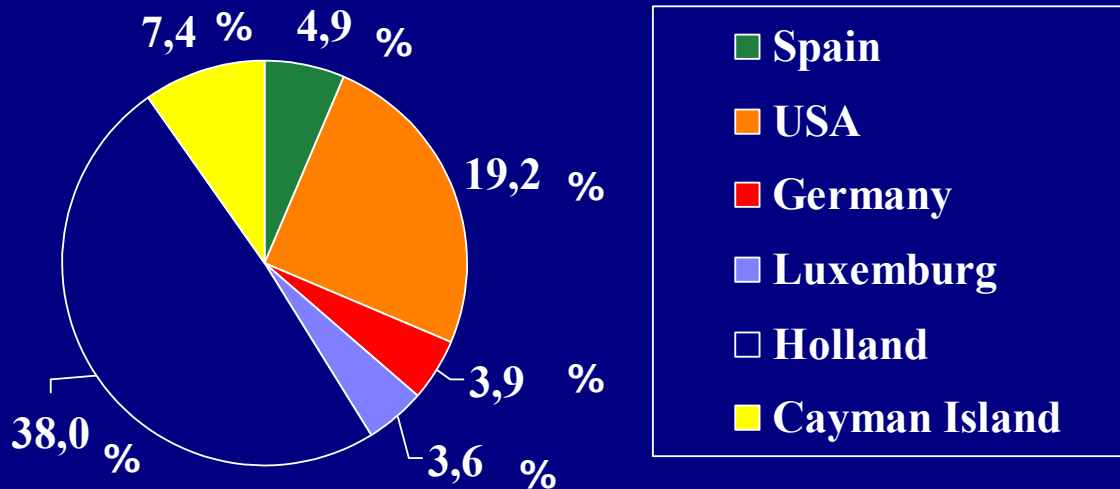
- 1998 FDI equivalent to 2.59% of GDP - a new record
- FDI between 1994 and 1998 totalled US\$ 60 billion



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

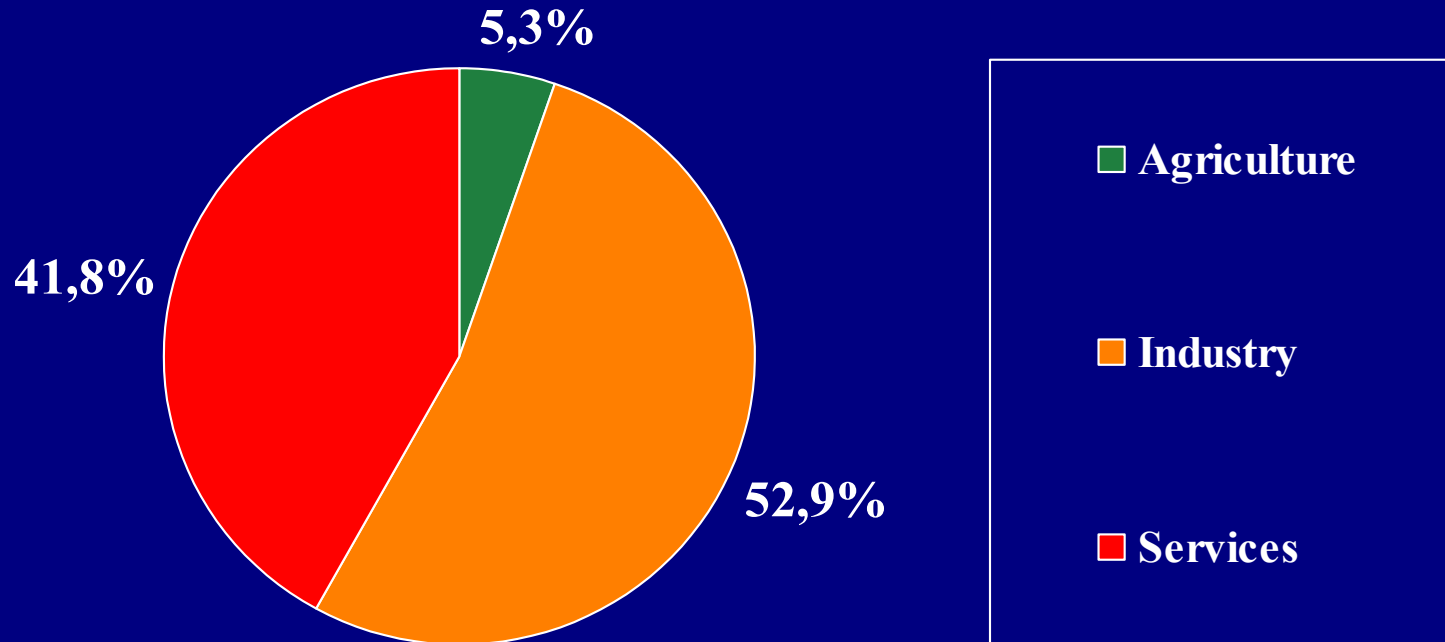
Holland

7.704,85

Cayman Island

1,521,80

Brazil - Foreign Direct Investment - by sector - 2004

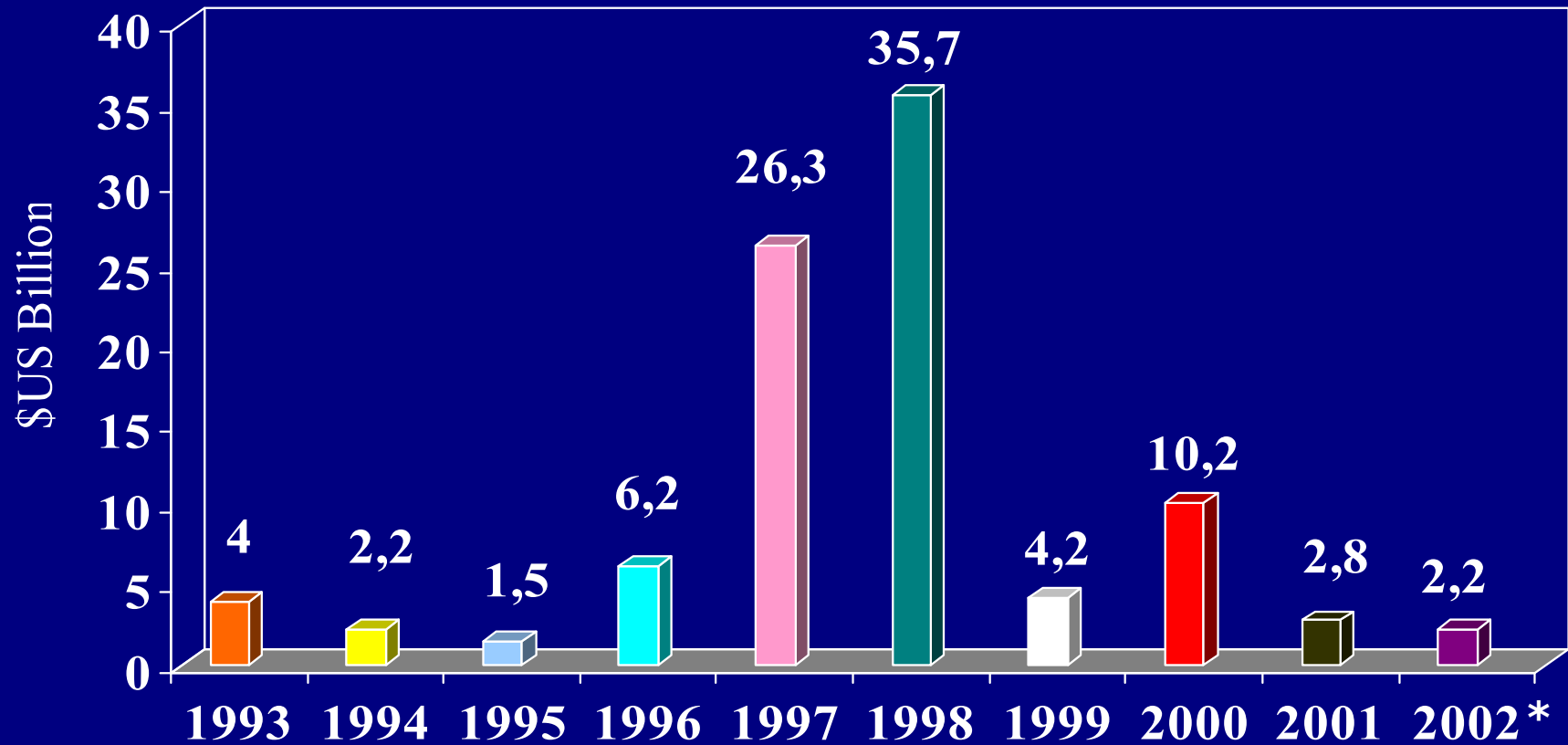


Brazil - Evolution of External Debt



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

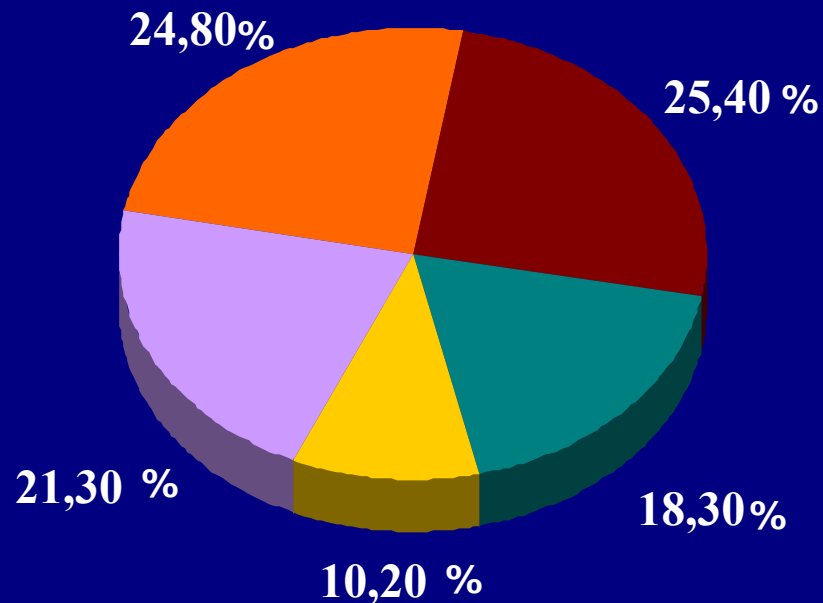


Source: BNDES

** 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

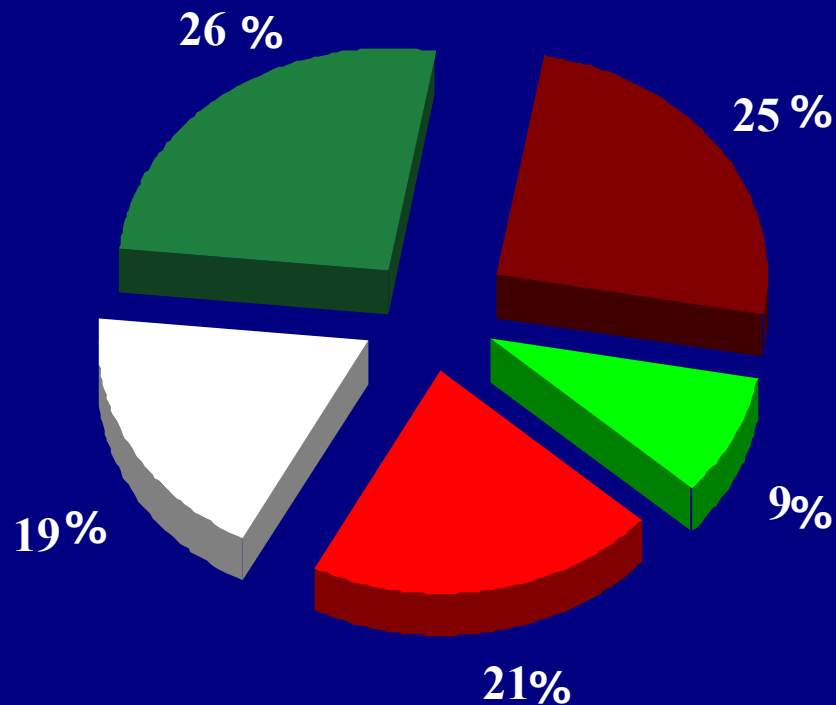
Source: SECEX

** USA including Puerto Rico*

*** ASIA excluding Middle East*

Brazil's Export Markets

In 2004



■ European Union

■ Mercosul ***

■ USA *

■ ASIA **

■ Others

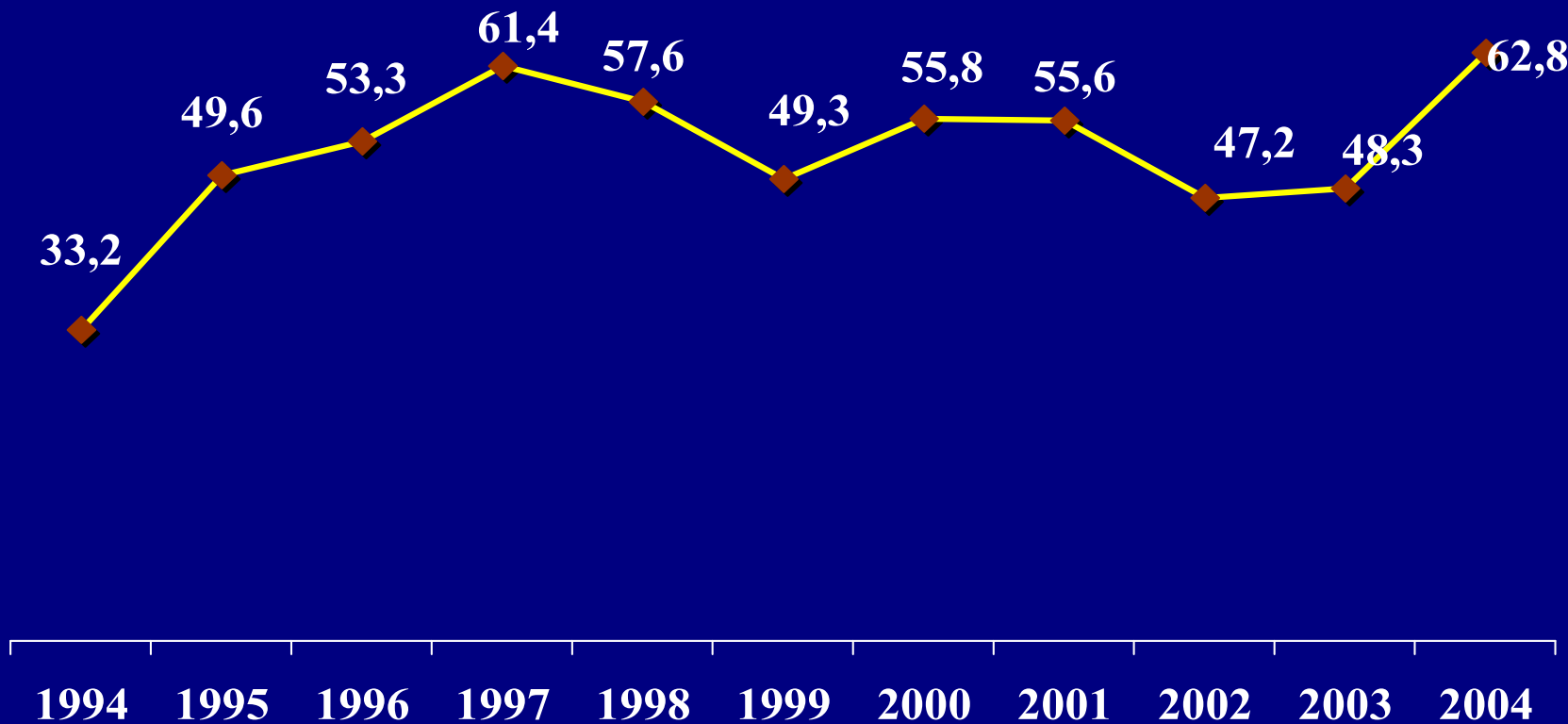
Source: SECEX

** USA including Puerto Rico*

*** ASIA excluding Middle East*

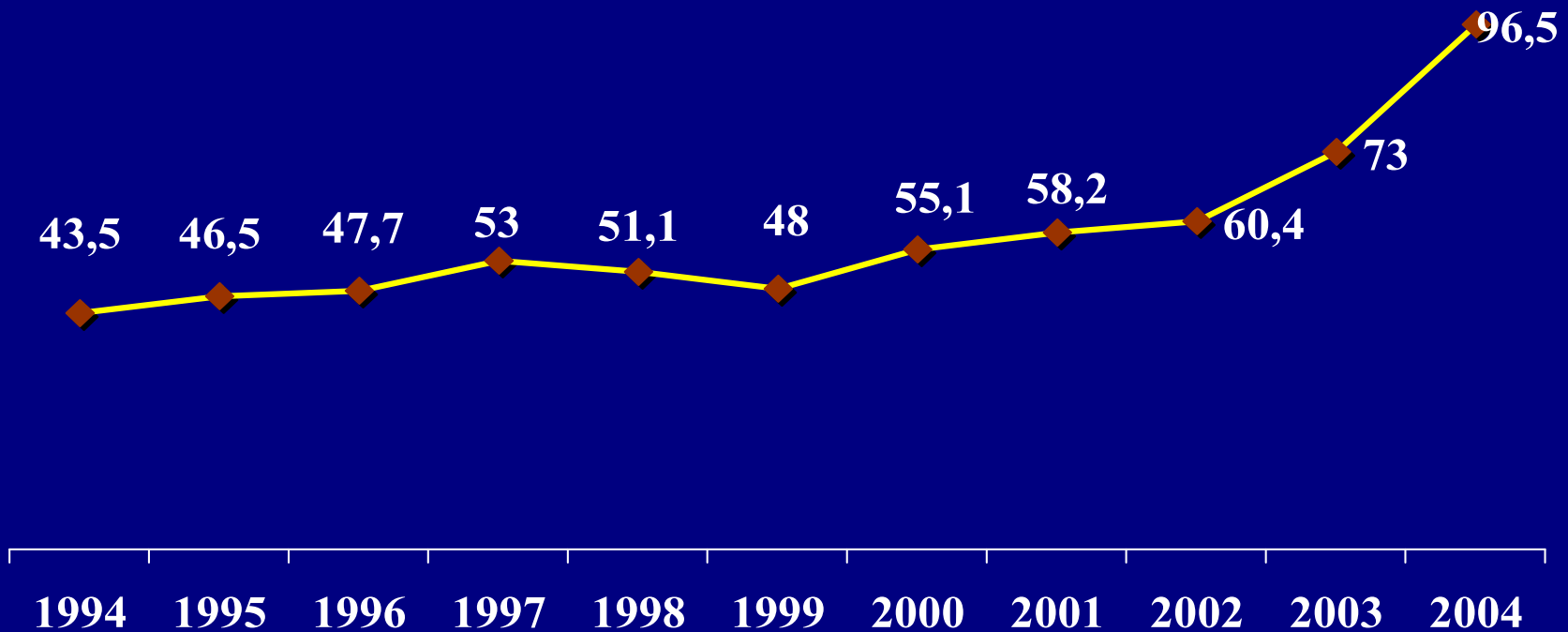
**** Argentina, Brazil, Paraguay and Uruguay*

Brazilian Imports in billion of US dollars



Source: *SECEX*

Brazilian Exports in billion of US dollars



Source: *SECEX*

M E R C O S U L



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

Customs Agreements

⇒ MERCOSUL

Regional Agreements

⇒ LAIA

Multilateral Agreements

⇒ WTO

⇒ GATT

⇒ Brazil - Mexico

⇒ Brazil - Suriname

⇒ Mercosul - Bolivia

⇒ Mercosul - Chile

⇒ Mercosul - Andean Community

⇒ Mercosul - EU

⇒ Mercosul - Egypt

⇒ Mercosul - India

⇒ Mercosul - Mexico

⇒ Mercosul - SACU

