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BRAZIL

Key Economic Indicators
(Billions of U.S. dollars unless otherwise indicated)

	1999	2000	2001 1/
Income, Production and Employment:			
Nominal GDP 2/	530	596	500
Real GDP Growth (pct) 3/	0.8	4.5	1.5
GDP by Sector (pct share)			
Agriculture	8.3	7.8	8.0
Industry	35.5	37.2	36.0
Services	56.2	55.0	56.0
Per Capita GDP (US$) 4/	3,200	3,600	3,000
Labor Force (millions)	79.3	80.4	81.5
Unemployment Rate (pct)	7.6	7.9	8.0
Money and Prices (annual percentage growth):			
Money Supply (M2)	7.8	3.3	9.0
Consumer Price Index 5/	9.0	6.0	6.7
Exchange Rate (R$/US$ annual average)			
Commercial	1.82	1.83	2.41
[Depreciation (pct)]	58	0.5	32
Balance of Payments and Trade:			
Total Exports FOB 6/	48.0	55.1	59.0
Exports to United States 6/	10.9	13.4	14.8
Total Imports FOB 6/	49.2	55.8	58.2
Imports from United States 6/	11.9	13.0	14.2
Trade Balance 6/	-1.2	-0.7	0.7
Balance with United States 6/	-1.0	0.3	0.6
External Public Debt 7/	100.8	92.5	95.0
Current Account Deficit/GDP (pct)	4.4	4.1	5.2
Fiscal Deficit/GDP (pct)			
Nominal	10.0	3.6	8.0
Primary (excludes interest)	-3.1	-3.4	-3.4
Debt Service Payments/GDP (pct)	2.7	2.9	3.7
Gold and Foreign Exchange Reserves	36.3	33.0	36.0
Aid from United States (US$ millions) 8/	13.9	12.7	15.4
Aid from Other Countries	N/A	N/A	N/A

1/ Estimates except where noted.
2/ GDP at market prices.
3/ Percentage change calculated in local currency.
4/ At current prices.
5/ Source: IPCA (Broad National CPI).
6/ Merchandise trade; Source: Ministry of Development, Industry, and Foreign Trade (MDIC). Trade totals are preliminary for entire year. U.S. totals are extrapolated from January-July data.
7/ Non-financial public sector (excludes Petrobras and CVRD).
8/ USAID only.

1. General Policy Framework

Brazil's economic performance in 2000 was solid and stable, with moderate growth (4.4 percent), relatively low inflation (6 percent), falling interest rates (15.75 percent at year-end), fiscal discipline (primary surplus equal to 3 percent of GDP) and stable external accounts.

Entering 2001, there were widespread expectations that the economic trends would continue along the same lines. However, the economy has been hampered by several factors, most notably an economic crisis in Argentina, falling growth in the major world economies, a serious electricity shortfall in Brazil, and most recently the aftermath of the September 11 terrorist attacks in the United States. Several political scandals and uncertainty as to the outcome of the 2002 presidential election have also increased investor uncertainty. The exchange rate has weakened appreciably through mid-October (42 percent for the year), raising the prospect of higher inflation, which in turn has led the Central Bank to raise interest rates (19 percent). A shortage of rain has led to electricity rationing (20 percent reduction from 2000 consumption levels). The higher interest rates and electricity rationing will affect economic activity, and GDP growth projections for the year are now around 1.6 percent. Market expectations for GDP growth in 2002 are 2.5 percent.

In the past decade, Brazil has undertaken a number of economic reforms that should allow it to absorb these shocks. In 1994, Brazil initiated an economic stabilization plan, known as the Real Plan. The plan was highly successful in reducing longstanding inflation. The plan also inaugurated one of the world's largest privatization programs. However, growth slowed, the economy was dependent on external financing, and the government failed to control its finances, which left the economy vulnerable to external shocks. Following the Russian debt default in August 1998, the economy entered into recession. In spite of a $42 billion assistance package negotiated with the IMF and other lenders, the government was forced to float and devalue the real in January 1999. Brazil complied with all the key targets in its 1998 program, and in August 2001 signed a new $15 billion program with the IMF, which extends until December 2002.

Since 1999, the government has been dedicated to fiscal discipline, highlighted by the passage in May 2000 of the Fiscal Discipline Law, which sets strict limits on government spending at the federal and sub-federal level. The government also initiated an inflation targeting program as the basis of monetary policy, wherein the government sets a target and the Central Bank strives to bring keep inflation within two percentage points of the target. Inflation was right on target for 2000 (six percent). The 2001 target is four percent, but inflation will exceed not only the target, but most likely will breach the two percentage points band (i.e., six percent). If inflation exceeds the outer band, the Central Bank president needs to address an open letter to the Minister of Finance explaining why the target was not met. The inflation target for 2002 is 3.5 percent, while market expectations for the year are 5.6 percent.

While many changes have been implemented, the government needs to continue its economic reform program, notably tax and pension reform. The balance of payments has also emerged as a concern. Brazil has been financing its large current account deficit with record levels of foreign direct investment ($30.5 billion in 2000). However, investment declined in 2001 (the 2001 estimate is $19 billion), so part of the current account deficit will have to be financed by external borrowing. Foreign direct investment for 2002 is expected to be around $15 billion. The trade balance probably will likely show a small surplus in 2001, and an improved outlook in 2002 (an approximately $3 billion surplus). Exports have grown rapidly but have been hampered by weak prices for Brazilian commodities and more recently by slowing foreign demand. Meanwhile, imports, which had grown rapidly, have dropped recently because of weak local demand.

The Brazilian Statistical Institute (IBGE) has estimated that the economy grew 4.46 percent in 2000. Growth was balanced across basic sectors, with industry growing 5 percent, services by 3.9 percent and agriculture by 3 percent. Within the industrial sector, mining turned in the best performance with 11.5 percent growth. Manufacturing activity grew 5.7 percent and construction by 2.1 percent. In the services sector, the communications subsector turned in the best performance by far with a 17 percent expansion. Commerce rose 5.5 percent and transportation 3.4 percent. GDP grew 3.1 percent in the first half of 2001, but growth will be much lower in the second half of the year.

In 2001, Brazil's average applied tariff was 13.8 percent. Brazil currently maintains no applied tariff rates in excess of 35 percent, but does have safeguard measures in place for some imports, such as toys. A small number of imports are banned altogether, such as re-manufactured auto parts. Brazil and its Mercosur partners, Argentina, Paraguay and Uruguay, implemented the Mercosur Common External Tariff (CET) on January 1, 1995. The CET covers approximately 85 percent of 9,394 tariff items and ranges between zero and 23 percent. Most of the remaining 15 percent should be covered by 2003, and full coverage should be reached by 2006. Exceptions to the CET include telecommunications equipment, computers, some capital goods and products included on Brazil's national list of exceptions to the CET, such as footwear, powdered milk, automobiles, wine and consumer electronics. Brazil, and its Mercosur partners, implemented a temporary general across- the-board 3 percentage point tariff increase in late 1997 and early 1998 in response to balance of payments difficulties. The measure was originally due to expire at the end of 2000. A half-percentage point decrease was agreed to by Mercosur members effective January 2001, and an additional one percentage point decrease will take place on January 1, 2002, with the remaining one percentage point decrease likely taking place in 2003. There have been some trade tensions recently, particularly between Argentina and Brazil, over

Argentine changes to its tariff and import regimes affecting Mercosur parties, and over the trade impacts of Brazilian currency depreciation under its floating exchange rate regime.

Chile and Bolivia became associate members of Mercosur in October 1996, and in August 1999, Brazil signed a trade preference agreement with the Andean Community. In June 2000, the Common Market Council of Mercosur established a December 2001 deadline for the negotiation of a Free-Trade Area between Mercosur and the Andean Community, which would replace the existing bilateral agreements between both regional agreements' members. The negotiations, however, are proceeding slowly.

The Brazilian Congress ratified the GATT Uruguay Round Agreements in December 1994 and Brazil became a founding member of the WTO.

2. Exchange Rate Policy

Brazil switched to a unitary, floating rate foreign exchange regime in January 1999. There is also an informal parallel market but volumes are small. The government has acted to remove impediments to a fully convertible currency, both for current and capital account transactions. In mid-2000, it eliminated numerous regulations affecting exchange transactions and consolidated all remaining requirements into one regulation.

The exchange rate was stable for most of 2000, and the Central Bank intervened on only limited occasions to prevent excess volatility. However, the real depreciated roughly 40 percent in the first 10 months of 2001, and the Central Bank has increased the measures taken to support the real. It maintains that it is taking these measures to prevent excessive movement in the exchange rate, and that it is not seeking to set the actual exchange rate. Measures that the Central Bank have taken include sales of dollars into the exchange market; increased placement of dollar-indexed government debt, which serves as a hedge against devaluation; and an increase in banks’ reserve requirements, which reduces liquidity.

3. Structural Policies

Although some administrative improvements have been made in recent years, the Brazilian legal and regulatory system is not fully transparent. The government has historically exercised considerable control over private business through extensive and frequently changing regulations. Brazil accelerated the privatization program initiated in 1990 to reduce the size of the government, improve public sector fiscal balances, and transfer much of the infrastructure investment responsibilities to the private sector. The government has created new regulatory agencies for the telecommunications, petroleum and electricity sectors. As part of its efforts to keep inflation down, the government is reluctant to allow raises in public utility rates that fully reflect cost increases including those related to currency depreciation.

Steel companies and most petrochemical companies owned by the government, the main exception being Petrobras, have been privatized. The majority of voting shares in mining conglomerate Companhia Vale do Rio Doce (CVRD) was sold to the private sector in May 1997 and Telebras was split into 12 firms and privatized in July 1998. Most electric distribution companies have been privatized, but most generation capacity remains under government control. The government has auctioned concessions for cellular services (although some of the concessions offered in 2001 did not receive any bids), petroleum exploration, and hydroelectric generation. Privatization revenues peaked in 1997-98, and the pace of privatization since then has slowed, although the government sold the Sao Paulo state bank Banespa for $3 billion in November 2000. The government had planned to privatize several electricity generation companies in 2001, but those plans have been placed on hold with the electricity crisis. As of July 2001, Brazil realized $84.9 billion in direct sales revenues and a further $18.1 billion in retirement of public sector debt. The power and telecom sectors have each accounted for a third of total privatization proceeds to date.

Brazil's tax system is extremely complex, with a wide range of income, production, movement, consumption, property and payroll taxes levied at the federal, state and municipal levels. Because of difficulties in passing comprehensive tax reform through Congress, the government has focused on limited revisions by executive order. In late 1995, it passed revisions to the corporate and individual income tax regimes. In 1996, it exempted exports and capital purchases from the state-collected value added tax and announced a single tax on the gross receipts of small and medium enterprises. The government, congress, and private sector have endorsed various plans to simplify the various value-added and transaction taxes, but the proposals have not advanced. While the overall objective remains simplification, the government imposed an additional tax on financial transactions as a temporary revenue raising measure, although the tax has been extended until 2002, and the government is seeking to extend it until 2004. Currently, tax collections at all levels amount to about 31 percent of GDP.

4. Debt Management Policies

Brazil's total external debt as of August 2001 was $210 billion, of which 44.2 percent was owed by the public sector (excluding Petrobras foreign branches) and the remainder by the private sector. This was down slightly from debt at the end of 2000, $217 billion. In mid-2001, the Central Bank reduced its estimate of outstanding foreign debt by $30 billion, to reflect debt that had been prepaid by the private sector but not reported to the Central Bank. Brazil concluded a commercial debt rescheduling agreement (without an IMF standby program) in April 1994 after twelve years of negotiations and has fully complied with the commitments made in this agreement. In August, Brazil negotiated a new $15 billion IMF program, as a follow-on to its prior program. The new program will remain in force until the December 2002, the end of the current government. In 2001, the Government of Brazil issued approximately $7 billion in foreign debt, which more than rolled over the $4 billion in debt that matured during the year.

A large share of total government debt, including some debt issued domestically, is denominated in or indexed to a foreign currency. As the real has weakened, the stock of debt in terms of local currency has risen. Furthermore, the majority of domestic debt carries a floating interest rate, and interest rates have increased in the course of 2001. As a result, the stock of government debt has risen in 2001, from 49 percent of GDP at the end of 2000, to 54 percent as of August 2001.

5. Significant Barriers to U.S. Exports

Since1990, Brazil has made substantial progress in reducing traditional border trade barriers (tariffs, import licensing, etc), although tariff rates in many areas such as information technology and automobiles remain high. Significant non-border trade barriers remain.

Import Licenses: The Secretariat of Foreign Trade implemented a computerized trade documentation system (SISCOMEX) in early 1997 to handle import licensing. Licenses for many products were to be issued automatically. However, a wide variety of products were subject to non-automatic licensing. A primary concern was the reported use of minimum reference prices by Customs officials both as a requirement to obtain import licenses and/or as a base requirement for import. Such measures have been characterized by Brazil as part of a larger strategy to prevent under-invoicing. However, the reported use of minimum price lists raises questions about whether Brazil's regime is consistent with its obligations under the WTO Agreement on Customs Valuation. In July 2000, the United States held WTO dispute settlement consultations with Brazil over the reference price issue. The Brazilian government reportedly modified its customs regime somewhat, but has not codified these changes in publicly available documents. The significant depreciation in the real since 1999 has probably made it unnecessary for Brazilian authorities to continue using these "administrative procedures" for the time being.

Agricultural Barriers: Brazil prohibits the entry of poultry and poultry products from the United States, alleging lack of reciprocity. The issue, however, should not be reciprocity, but rather the fulfillment of WTO obligations regarding sanitary and phytosanitary decisions, which dictate that such determinations shall be based only upon sufficient scientific evidence.

For the past several years, Brazil blocked U.S. wheat imports due to several phytosanitary issues related to wheat, including TCK smut, cereal stripe and flag smut. In March 2001, the Ministry of Agriculture lifted the ban on U.S. Soft Red Winter, Hard Red Spring, and Hard Red Winter wheat. The ban remains on Duram and White wheats. Exports of the approved wheat varieties must come with an additional declaration in the phytosanitary certificate that "the wheat comes from an area free of Anguina tritici," and cannot be shipped out of west coast ports. Importation of U.S. wheat from the states of Washington, Oregon, Idaho, California, Nevada, and Arizona remains prohibited due to phytosanitary concerns. USDA continues to work with the Brazilian government to resolve the import restriction.

The debate over agricultural biotechnology in Brazil has escalated dramatically during the last two years as the Brazilian Government was ready to approve the first commercial planting of Roundup Ready soybeans. Brazil has an approval process for biogenetically altered agricultural products, which resulted in the approval of Roundup Ready soybeans in 1998. However, the Brazilian government subsequently suspended its approval in response to a court ruling, citing the need for environmental impact studies on the product. As of October 2001, the Brazilian government has still not re-approved Roundup Ready soybeans for use on the Brazilian market, while the issue remains in the courts. Also, during the past year, the United States lost several opportunities to sell corn to Brazil because of the lack of government approval for imports of biotech products and the ensuing court battles against imports of biotech products. Brazilian policy on biotech remains inconsistent and lacks transparency.

Services Barriers: Restrictive investment laws, lack of administrative transparency, legal and administrative restrictions on remittances, and arbitrary application of regulations and laws limit U.S. service exports to Brazil. Service trade opportunities in some sectors have been affected by limitations on foreign capital participation. A telecommunications law that allows for the limitation of foreign ownership of carriers is of concern, except that it has not been used or implemented to date. In general, because of the need for foreign direct investment, some restrictions have eased. On September 4, President Cardoso signed a provisional measure creating a national film agency. The taxes envisaged in the measure appear to disproportionately affect foreign audiovisual content.

Some service trade possibilities have been restricted by limitations on foreign capital under the 1988 Constitution. Unless approved under specific conditions, foreign financial institutions are restricted from entering Brazil or expanding pre-1988 operations. The Brazilian Congress approved five constitutional amendments in 1995 that eliminated the constitutional distinction between national and foreign capital; opened the state telecommunications, petroleum and natural gas distribution monopolies to private (including foreign) participation; and permitted foreign participation in coastal and inland shipping.

Foreign participation in the insurance industry has responded positively to market-opening measures adopted in 1996. However, problems remain with market reserves for Brazilian firms in areas such as import insurance and the requirement that state enterprises purchase insurance only from Brazilian-owned firms. In June 1996, the government legally ended the state's monopoly on reinsurance, but the monopoly has yet to end in practice and its persistence is keeping costs high for insurers, both domestic and foreign. Privatization of the monopoly Brazil Reinsurance Institute is stalled by legal challenges. U.S. and other foreign reinsurers have expressed concern with proposed regulations regarding the reinsurance market following the sale.

The United States and Brazil signed in early October, 1999 a newly-revised bilateral Maritime Agreement, effectively ending a period of tension generated over misunderstandings relating to preferences afforded to selected classes of cargo. The new agreement must still be ratified by the Brazilian Congress. Naval authorities attempted to collect lighthouse dues in 2000 from flag ships of countries, such as the United States, with bilateral maritime agreements, even though these dues were in violation of these agreements.

Investment Barriers: Various prohibitions restrict foreign investment in internal transportation, public utilities, media, shipping, and other "strategic industries." In the auto sector, local content and incentive-based export performance requirements were introduced in 1995, but expired in December 1999 consistent with a bilateral autos agreement between the United States and Brazil.

Foreign ownership of land in rural areas and adjacent to national borders remains prohibited under law number 6634.

Despite investment restrictions, U.S. and other foreign firms have major investments in Brazil, with the U.S. investment stake more than doubling from 1994 to 2000.

There is no Bilateral Investment Treaty (BIT) between the United States and Brazil. Brazil has signed some 16 BITs with other countries, none of which has been ratified. The principal point of contention seems to be objection by the legislative branch over dispute settlement language.

Government Procurement: Brazil is not a signatory to the WTO Agreement on Government Procurement, and transparency in the procurement process could be improved. Remaining limitations on foreign capital participation in procurement bids can reportedly impair access for potential service providers, including in the energy and construction sectors. Brazilian federal, state and municipal governments, as well as related agencies and companies, follow a "buy national" policy, and rules permit the government to provide preferential treatment in government procurement decisions to foreign companies with production facilities in Brazil. However, Brazil permits foreign companies to compete in any procurement-related multilateral development bank loans and opens selected procurements to international tenders. To the extent that the privatization program in Brazil continues and non-discriminatory policies are adopted, U.S. firms will have greater opportunities in Brazil.

Law 8666 of 1993, covering most government procurement other than informatics and telecommunications, requires nondiscriminatory treatment for all bidders, regardless of the nationality or origin of product or service. However, the law's implementing regulations allow consideration of non-price factors, give preferences to certain goods produced in Brazil and stipulate local content requirements for eligibility for fiscal benefits. Decree 1070 of March 1994, which regulates the procurement of informatics and telecommunications goods and services, requires federal agencies and parastatal entities to give preference to locally produced computer products based on a complicated and nontransparent price/technology matrix.

Customs Procedures: Customs clearance in Brazil can be time consuming and frustrating. In a report issued by the ICEX (the Institute for the Study of Foreign Trade Operations) in 1999 the average customs clearance time in Brazil was the slowest in the Hemisphere (150 hours). Products can get “caught up” in customs because of minor errors in paperwork. The Brazilians recognize that many of its ports, loading and unloading as well as customs clearance need increased efficiency. To this end, they have been working on a “green line” expedited method of clearance.

6. Export Subsidies Policies

In general, the government does not provide direct subsidies to exporters, but does offer a variety of tax and tariff incentives to encourage export production and encourage the use of Brazilian inputs in exported products. Incentives include tax and tariff exemptions for equipment and materials imported for the production of goods for export, excise and sales tax exemptions on exported products, and excise tax rebates on materials used in the manufacture of export products. Exporters enjoy exemption from withholding tax for remittances overseas for loan payments and marketing, and from the financial operations tax for deposit receipts on export products. Exporters are also eligible for a rebate on social contribution taxes paid on locally acquired production inputs.

An export credit program, known as PROEX, was established in 1991. PROEX is intended to equalize domestic and international interest rates for export financing and to directly finance production of tradeable goods. In 2000, $931 million was budgeted for PROEX with $492 million slated for equalization and $439 million for direct financing. $471 million was actually spent on equalization, and $415 million went to financing. In earlier years, PROEX never used more than 30 percent of its allocated budget, but in 1998 utilized over 50 percent of its allocated resources for the first time, 70 percent in 1999, and approximately 95 percent in 2000. In 1999, a WTO panel found PROEX interest equilization payments on regional aircraft to be a prohibited subsidy. The WTO Appellate Body upheld this finding. The Government of Brazil states that it has modified PROEX to bring it into conformity with WTO subsidy rules.

7. Protection of U.S. Intellectual Property

Brazil belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). It is also a signatory to the Paris Convention, Berne Convention, Madrid Agreement, Rome Convention, Patent Cooperation Treaty, Strasbourg Agreement, Phonograms Convention, Nairobi Treaty, Film Register Treaty, and the Universal Copyright Convention. Brazil has not yet ratified the WIPO Treaties on Copyright and Performances and Phonograms. In 2001, the U.S. Trade Representative placed Brazil on the "Special 301" Watch List primarily as a result of serious concerns regarding copyright enforcement. In June and December 2000, the United States government held WTO consultations on the "local working" provision in Brazil's patent law that appears to be TRIPs inconsistent, and in January 2001 requested the formation of a WTO panel. In June 2001, the United States agreed to terminate the WTO proceeding, without prejudice, based on Brazil's commitment to hold talks with the United States should it deem it necessary to grant a compulsory license. Brazil does not have a history of issuing compulsory licenses. Although Brazil has made progress toward improved protection for intellectual property rights, copyright piracy and lax copyright enforcement remain a serious problem.

In the past four years, Brazil has passed revised copyright, software, patent, and trademark legislation. Brazil's new Industrial Property Law took effect in May 1997, bringing most aspects of Brazil's patent and trademark regime up to the standards specified in the WTO TRIPs Agreement. However, the new law also includes a local working provision that appears to be TRIPs-inconsistent, as noted above.

Patents: The Industrial Property Law provides patent protection for chemical and pharmaceutical substances, chemical compounds, and processed food products not patentable under Brazil's 1971 law, and provides patent protection for genetically altered micro-organisms.

The law also extends the term for product patents from 15 to 20 years, and provides "pipeline" protection for pharmaceutical products patented in other countries but not yet placed on the market. The large backlog of pipeline patents is being processed. In December 1999, the Brazilian Government issued a provisional measure, which has subsequently become law that includes a requirement for Health Ministry approval prior to the issuance of a drug patent. This could conflict with Article 27 of the TRIPS agreement, and U.S. officials have raised this concern with their Brazilian counterparts. In April 1997, a Plant Variety Law was passed that provides protection to producers of new varieties of seeds.

Trade Secrets: The Industrial Property Law specifically allows criminal prosecution for revealing trade secrets of patented items, with a penalty of imprisonment for three months to a year or a fine. The regulations as written are narrower than the TRIPS Agreement. However, the government argues that since it incorporated Article 39 of the Agreement into law when the Uruguay Round agreements were ratified, in effect it provides a level of protection consistent with the TRIPS Agreement.

Trademarks: The Industrial Property Law improves Brazil's trademark laws, providing better protection for internationally known trademarks, but contains a long list of categories of marks that are not registrable. U.S. industry has expressed concern with the continued high level of counterfeiting in Brazil, although some foreign firms have been successful in court actions against trademark infringement.

Copyrights: In February 1998, in an effort to raise Brazil's copyright protection to the level of the TRIPs Agreement, President Cardoso signed a new copyright law that generally conforms to international standards. Enforcement, however, remains a serious problem. The generally inefficient nature of Brazil's courts and judicial system, combined with resource constraints, and other law enforcement priorities have complicated the enforcement of intellectual property rights. The Brazilian government is working on a project to broaden criminal penalties and streamline the judicial process. In May 2001, the government created an inter-ministerial committee to address copyright piracy. As of October 2001, the committee has made little concrete progress. The U.S. private sector estimates that trade losses from piracy of videocassettes, sound recordings and musical compositions, books and computer software were over $800 million in 2000. Problems have been particularly acute with regard to sound recordings and video cassettes.

Semiconductor Chip Layout Design: In April 1996, a bill to protect layout designs of integrated circuits was introduced. The draft law was still under discussion in 2001, but the bill has languished.

8. Worker Rights

a. The Right of Association: Brazilian law provides for the representation of all workers, except members of the military, the uniformed police, and firefighters. The only significant limitation on freedom of association is "unicidade" (literally "one per city"), which restricts representation for any professional category to one union in a given geographical area. Although the major labor centrals oppose this restriction, there is insufficient support in the Congress to pass a proposed constitutional amendment which would end unicidade. The labor movement is largely independent of the government and of political parties.

b. The Right to Organize and Bargain Collectively: The Constitution guarantees the right to organize and to engage in collective bargaining. Approximately 16 percent of the work force is unionized, but nearly twice this share is covered by collective bargaining agreements. The government, businesses, and unions are working to expand and improve mechanisms of collective bargaining, but many issues normally resolved in negotiations still come under the purview of Brazil's labor courts, which have the power to intervene in wage bargaining and impose settlements. The government generally respects the right of workers to strike, provided that a number of conditions are met, such as prior notification and maintenance of essential services.

c. Prohibition of Forced or Compulsory Labor: Although the Constitution prohibits forced labor, credible sources continue to report cases of forced labor in Brazil. The Ministry of Labor and the Catholic Church's Pastoral Land Commission (CPT) have documented cases of forced labor in a variety of rural activities including forest clearing, logging, charcoal production, livestock raising, and agriculture. The federal government coordinates a task force, comprising seven different ministries, to combat forced labor, and the Ministry of Labor has augmented the task force with mobile inspection teams. Although the mobile inspection teams have been effective, the hidden nature of forced labor and the lack of effective prosecution of those who recruit and contract forced laborers allow perpetrators to operate with relative impunity.

d. Minimum Age for Employment of Children: The Brazilian Constitution prohibits work by children under the age of 16. The incidence of child labor has fallen impressively in recent years, but more than 3.8 million children under 16 years of age continue to work. Common activities include fishing, street peddling, shoe shining, raising livestock, and harvesting sugarcane, manioc, tobacco, cotton, coffee, citrus fruits, and a variety of other crops. The government is committed to reducing child labor, and it coordinates a number of effective programs to remove children from work and keep them in school. Civil society and international organizations have also contributed significantly to curbing child labor in Brazil.

e. Acceptable Conditions of Work: Brazil has a minimum wage of approximately 70 dollars (180 reais) a month, subject to an annual increase each April. Many workers, particularly those outside the regulated economy, earn less than the minimum wage. The 1988 Constitution limits the workweek to 44 hours and specifies a weekly rest period of 24 consecutive hours, preferably on Sundays. The law requires work in excess of 44 hours a week to be compensated at a rate equal to time and a half, and there are prohibitions against excessive use of overtime. Unsafe working conditions exist throughout Brazil, though Brazilian occupational health and safety standards are consistent with international norms. Union representatives report that the Ministry of Labor, which is responsible for monitoring working conditions, has insufficient resources for adequate inspection and enforcement of these standards.

f. Rights in Sectors with U.S. Investment: U.S. multinationals have invested in virtually all the productive sectors in Brazil. Nearly all of the Fortune 500 companies are represented in Brazil.

In U.S.-linked enterprises, conditions usually do not differ significantly from the best Brazilian companies; at most U.S. multinationals, conditions are considerably better than the average.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 2000

(Millions of U.S. Dollars)

Category	Amount	
Petroleum		1,102
Total Manufacturing		18,940
Food & Kindred Products	2,450	
Chemicals & Allied Products	3,473	
Primary & Fabricated Metals	1,458	
Industrial Machinery and Equipment	1,867	
Electric & Electronic Equipment	1,794	
Transportation Equipment	2,198	
Other Manufacturing	5,698	
Wholesale Trade		792
Banking		2,139
Finance/Insurance/Real Estate		6,240
Services		925
Other Industries		5,424
TOTAL ALL INDUSTRIES		35,560

Source: U.S. Department of Commerce, Bureau of Economic Analysis.