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ECONOMIC-FINANCIAL RELATIONS WITH THE INTERNATIONAL COMMUNITY

Foreign trade policy

Foreign trade policy in 2000 was influenced initially by expectations of trade balance recovery as a result of the gains in competitiveness generated by the 1999 exchange devaluation. Later, when signs of trade balance deterioration became evident in September, the government issued its Export 2001 Program consisting of a series of measures aimed at providing significantly greater support to foreign sales operations.

However, one should note that the budget restrictions demanded by the fiscal adjustment process impacted export and import management policy. In this context, the number of operations approved under the terms of the Export Financing Program (Proex) during the course of the year actually declined, particularly under the heading of interest rate equalization operations. In this case, it should be stressed that Proex was somewhat altered as a result of the unfavorable conclusion of the World Trade Organization (WTO) panel opened against Brazil by Canada in the dispute between Bombardier and Embraer, the two large aircraft manufactures involved in the question.

Another item that deserves mention in terms of export policy management was implementation of the Coffee Retention Plan, issued by the APPC, an organization in which Brazil holds membership. This intervention had the objective of reversing the slide in international market coffee prices.

In the external framework, an increasingly important aspect of foreign trade policy has been the growing importance of bilateral trade negotiations, as a consequence of the nation's strategy of expanding trade with other Latin American countries as a way of offsetting the losses generated by barriers raised against the country's products in European and American markets and by the deepening economic recession that has gripped Argentina, Brazil's major trading partner in the region. However, this in no way means that Brazil has decided to relegate multilateral trade negotiations to the back burner.

As a matter of fact, despite sharply contested trade issues between Brazil and Argentina over the course of the year – just as occurred in 1999 in the wake of

devaluation of the real – the four Mercosul partners were able to achieve considerable progress, particularly during the December 2000 Florianópolis Meeting. This event was marked by the signing of a common automotive agreement, definition of a two and a half percentage point addition to the Common External Tariff (TEC) and creation of common obligatory rules to deal with dumping accusations against members of the bloc. These measures resulted in a sense of stronger cohesion within the bloc, principally as the Free Trade Area of the Americas (FTAA) negotiations showed signs of added momentum.

The impact of higher international market prices for petroleum and derivatives on the nation's import operations was significant. However, no alterations were introduced into government policy in this segment since the ongoing process of deregulation is considered the most efficient means of reducing dependence on petroleum imports.

The year under analysis was marked by continuity of the trade policy adopted in recent years with emphasis on operational modernization and improvement in customs processing, enhanced competitiveness, defense of domestic industry, trade promotion operations and health control measures.

Structured in such a way as to stimulate exports, Provisional Measure 1,991-13, dated 1.13.2000, has as of 1.1.2000 allowed companies to take advantage of presumed IPI credit grants, as refunds of contributions to PIS/Pasep and Cofins on the value of raw materials, intermediate goods and packaging materials purchased on the internal market and used in manufacturing products to be shipped abroad. This tax benefit had been suspended since 4.1.1999.

Other tax alterations related to exports were defined by Decrees 3,646 and 3,647, both dated 10.30.2000. These measures were targeted at reducing tobacco and cigarette smuggling into Brazil by imposing an Export Tax (IE) increase to 150% on foreign sales of tobacco to Paraguay and Uruguay and exports of cigarette paper and filters to South and Central America, including the Caribbean. The only exceptions are Argentina, Chile and Ecuador. Another measure taken to combat smuggling was Decree 3,658, dated 11.13.2000, which raised the Export Tax to 150% on foreign sales of firearms and ammunition to both South and Central America, including the nations of the Caribbean and excluding Argentina, Chile and Ecuador.

In the case of hides and skins exports, the 9% increase in the Export Tax, introduced by Decree 3,684, dated 12.7.2000, had the objective of hampering external sales of wet blue and indirectly stimulating foreign sales of more sophisticated products of greater aggregate value such as finished leather and footwear. The new rate is scheduled to remain in effect until 11.30.2001.

With respect to foreign trade financing, Banco Central Circular 2,982, dated 5.11.2000, introduced an important change by restricting operations under the terms of the Reciprocal Payments and Credit Agreement (CCR) to imports with payment in up to 360 days and exports effected to be paid in the same time frame. The only exception to the rule were foreign trade operations through the Mercosul system, Bolivia or Chile, provided that contract value be no more than US\$100 thousand. From the viewpoint of the Brazilian government, it is not Banco Central's task to guaranty credit risk in foreign trade operations. This function should be assumed by such other institutions as BNDES-Exim and the Brazilian Export Credit Insurance Corporation (SBCE).

Alterations were also introduced into Proex for the purpose of complying with the WTO's decision in the Embraer-Bombardier dispute. In this context, Banco Central issued Resolution 2,799, dated 12.6.2000, for the purpose of redefining the criteria applicable to financing of foreign sales of aircraft to be used in regional operations. With this, interest rate equalization operations are now to be determined on an operation-by-operation basis and the levels may be differentiated according to the characteristics of each operation. The ceiling on these operations is to be the Commercial Interest Reference Rate (CIRR), which is issued monthly by the Organization for Economic Cooperation and Development (OECD), for the currency and financing term of the specific operation. The reference rate used in the past was that of ten year United States Treasury Bonds plus a spread of 0.2% per year.

In 2000, exports accepted for inclusion in Proex came to US\$12 billion or 24.1% less than the 1999 total. To a great extent, this reduction was caused by budget restrictions imposed specifically on interest rate equalization operations. Foreign sales that benefited from the program totaled US\$8.2 billion, representing an increase of US\$1.6 billion in absolute terms in comparison to 1999. This result reflected growth of 97.8% in financing operations and 22.3% in interest rate equalization operations, with respective overall totals of US\$413 million and US\$7.8 million.

Disbursements approved totaled US\$1.8 billion or 15.1% of the related exports, while those effected upon shipment of the merchandise closed at US\$791 million. In the case of financing operations, disbursements effected increased by 102% compared to the previous year and totaled US\$359 million or 86.7% of the related foreign sales, accounting for 29.8% of the total amount of disbursements approved for this operational modality. With regard to disbursements for purposes of interest rate equalization, these operations increased by 2.8% to a total of US\$433 million, or 5.5% of the related exports. The final total represented 71.5% of the disbursements approved for this modality.

One should also mention that Proex financing operations became more diversified during the year as a result of incorporation of 224 new participants, compared to 190 in the previous year. The number of exporters receiving this assistance in the period rose from 284 to 346. However, at the same time, the number of exporters covered by the interest rate equalization program diminished from 232 in 1999 to 157 in 2000, while the number of new participants also dropped from 53 to 32. These figures refer to contracts approved but not necessarily implemented.

Also with regard to export financing, one should note that BNDES operations in this area also increased as the institution opened a line of credit in September 2000 for special preshipment operations indexed to the TJLP. In this financing line, the company receives the resources beforehand on the basis of a commitment to expand the volume of foreign sales over a period of one year. Substitution of the former indexing factor – Libor plus exchange indexing – with the TJLP plus a spread of between 1% and 2% per year made it possible for companies to avoid exchange risk.

In 2000, the world supply of coffee beans expanded more rapidly than demand and sharply raised world stocks of the product and, consequently, pushed world prices into a downward slide. In an effort to reverse this trend, the APPC member countries adopted a coffee retention plan. The norms covering the retention policy were issued in Banco Central Resolution 2,732, dated 6.14.2000, which instituted a credit line based on resources from the Coffee Economy Defense Fund (Funcafé) to be utilized in the warehousing of export-grade coffee in government warehouses accredited for this purpose. Aside from this, Interministerial Directive 197, dated 6.15.2000, issued by the Ministry of Agriculture and Supply (MAA) and the Ministry of Development, Industry and Commerce (MDIC), instituted the unprocessed coffee bean retention system, based on the terms of the Coffee Retention Plan signed by the member countries on 5.19.2000. Issue of Sale Registrations (RV) depends on the existence of a volume of coffee deposited in government warehouses equivalent to 20% of the amount stated on the respective RV. The retention percentage can be altered should the indicative prices defined in the APPC's Coffee Retention Plan be achieved.

With the deterioration in the nation's trade balance position in the final quarter of the year, the government launched its Export 2001 Program on 11.17.2000. This program is targeted at three fundamental objectives of government policy for this sector of activity: reduction in export costs, incentives to the development of business strategies and dissemination of an export-oriented mentality. With this program, the Brazilian government seeks to ensure 20% annual growth in the export sector as of 2001. The measures underlying the Program are as follows:

- a) creation of the Port Restructuring Program (Reporto), a program scheduled to be implemented over a period of two years with the objectives of stimulating the processes of modernization, re-equipping and technological updating of the

nation's ports. The port terminal concession companies will draw evident benefits from the process of adaptation of port operations to international standards, elimination of taxes on export operations and competitive financing for acquisitions of machinery, equipment and computer goods. This program is also aimed at providing Brazilian ports with the information technology required to manage costs, utilization levels and container flows efficiently;

- b) creation of a single fiscal document for the multimodal transportation of products to the external market, a measure considered essential to streamlining the processing of exports and adopting more flexible approaches to these operations;
- c) three measures aimed at instilling greater dynamics into foreign trade credits:
 - 1) strengthening of Export Credit Insurance as the successor to CCR, which is now restricted to guarantying short-term operations of up to 360 days;
 - 2) expansion of the budget allocation of the Export Guaranty Fund by R\$500 million, making it possible to raise its assets to a level of R\$1.4 billion, and in this way guaranty operations worth R\$7 billion; and
 - 3) restructuring of the SBCE, which is a private company with minority Banco do Brasil participation aimed at enhancing efficiency in the process of insurance requests by exporters;
- d) expansion of BNDES-Exim, which will have a full 25% or more than R\$5 billion from the BNDES budget; The BNDES board of directors is now analyzing three other measures for immediate implementation:
 - 1) improvements in the Guaranty Fund aimed at providing small scale entrepreneurs with increased access to export credits;
 - 2) special support to Brazilian companies for projects involving installation abroad of production and distribution units for Brazilian goods; and
 - 3) increased financial support for service exports.
- e) reduction of the Income Tax rate from fifteen percent to zero on the costs of trade promotion events involving Brazilian products abroad. This was clearly one of the most important measures in this area and was implemented through Provisional Measure 2,062-61, dated 12.28.2000, effective as of 1.1.2001;
- f) implementation of the export consignment system, considered an important instrument in making new business strategies feasible and increasing Brazilian participation in foreign trade operations. Stocks of Brazilian goods in strategically positioned localities will ensure rapid distribution to large scale traditional consumers. Exports in consignment will also bring new dynamics to electronic commerce in the business-business and business-consumer modalities. The fundamental characteristic of these operations is delivery within 72 hours. This measure was regulated by Circular 3,016, dated 12.6.2000;
- g) reexamination of the formula governing presumed PIS(Social Integration Plan)/Cofins(Contribution to Social Security Financing) credits. The new definition of this formula will stimulate exports of goods of greater aggregate value and diminish the cascade effect of these two taxes at each level of the productive chain. At the same time, it will act as a stimulus to outsourcing at various stages of the manufacturing process;

- h) creation of Industrial Customs Airports, which are large scale industrial complexes designed for the processing of exportable goods. These facilities, which represent a refinement of the drawback system, are to be built on land adjoining major airports and will be free of customs barriers. The Federal Revenue Secretariat, in a partnership with the Brazilian Airport Infrastructure Company (Infraero), is now finalizing the project that will result in Industrial Customs Airports in Confins (Minas Gerais) and São José dos Campos (São Paulo);
- i) implementation of *Exporte Fácil*, a program that has the objective of facilitating export operations by small companies with sales through the Post and Telegraph Company (ECT) in values of up to US\$10 thousand per remittance. This measure was implemented through Bacen(Central Bank of Brazil) Circular 3,015, dated 12.6.2000;
- j) expansion of the Program of Technological Support to Exports (Progex), which had previously been restricted to the State of São Paulo, to other regions of the country. This Program is aimed at perfecting and adapting the technology built into Brazilian products to the demands of the international market. Research institutions considered apt to participate in this Program will be accredited and duly qualified to provide consulting services to medium and large companies;
- l) implementation of the Brazil Trademark project, which is designed to certify Brazilian products that meet international quality standards. The selection process will be done annually and companies will be permitted to exhibit this quality stamp on the packaging of their goods. The Brazil Trademark project is expected to contribute to forming and fostering a positive image among international market consumers, indicating Brazil as an important producer of world class goods, including items of greater aggregate value, such as aircraft, automotive vehicles, home appliances, electric-electronic goods, software and cosmetics.

In the field of trade promotion, fundamental changes were implemented within the Export Promotion Agency (Apex), which is now a department of the Brazilian Service of Support to Micro and Small Businesses (Sebrae). As of June 2000, the Agency has had greater autonomy, making it possible to act with greater agility in project analysis and approval. In the year, R\$51 million were invested, for an increase of 78.3% in relation to 1999. Since its creation, Apex has concluded 45 projects, with 17 of these concentrated in 2000. Of the 121 projects underway, 24 are national projects being implemented by professional institutions and installed in several different states. Forty nine of total projects are state programs. Among the sectors that have benefited from the national projects, one should mention apparel, flowers, furniture, cane brandy, the cinema industry and others. Though only moderate results have been achieved to this point, the medium-term outlook is bright since experience has demonstrated that these projects have a maturation period of about two years.

Insofar as imports are concerned, new tariff positions have been included in the ex-tariff system with the aim of stimulating renovation and modernization of the country's industrial structure. This measure reduced the Import Tax rate on capital goods when similar nationally made products are not available. Ministry of Finance Directive 3, dated 1.12.2000 reduced the ad valorem Import Tax rate to 5% on 407 items and excluded 55 products. The sectors that drew the greatest benefits from these measures were chemicals, followed by electric-electronic goods, foodstuffs, hygiene and cleaning material. No alterations were introduced into the headings of telecommunications, computer goods and theme parks. Ministry of Finance Directive 336 was issued on 9.20.2000, canceling 115 ex-tariff positions and altering the descriptions of 29 others.

Also with regard to the ex-tariff system, Ministry of Finance Directives 464 and 465, both dated 12.26.2000, were issued, since the Mercosul member countries had decided to postpone the period for adopting the common listing of capital goods not produced within the bloc. The first of these reduced the ad valorem rate on external purchases of products included in the former ex-tariff listing from 5% to 4%, extending validity from 1.1.2001 to 6.30.2001, when they are to be revised once again. The other included a new listing of 414 products at an Import Tax rate of 4% and validity from 1.1.2001 to 12.31.2002.

In the Mercosul framework, considerable progress was achieved at the Florianópolis Summit in December 2000, including creation of common obligatory rules for dealing with dumping accusations among member countries, so as to avoid application of measures without prior notification to trading partners. The signing of the automotive agreement among bloc members was another important step forward since it resolved the impasse that had existed with Argentina and incorporated both Paraguay and Uruguay into the system, thus stimulating the development of long-term projects on the part of the region's vehicle assembly plants.

The debate concerning the TEC was also an important element of Mercosul import policy. Discussions involved elimination or reduction of the three percentage points added to the TEC by Decree 2,376, dated 11.12.1997, which remained in effect until 12.31.2000, as well as a review of the bloc's tariff structure. The Florianópolis Mercosul Meeting introduced an additional two and a half percentage points to the TEC Import Tax rates, reflecting a drop of one half percentage point in relation to the three percentage points levied up to 12.31.2000. Since this is a measure that impacts the very foundations of the customs union itself, it can be interpreted as almost a new inauguration of the bloc.

Since the alteration did not include all TEC items, one should note that the products excluded from the temporary levy of two and a half percentage points were listed in Appendix II of Decree 3,704, dated 12.27.2000. This exclusion also covered all

capital goods for which rates had been reduced from 18% to 14%. The same Decree issued the new List of TEC Exceptions, with a lesser quantity of items since more products were excluded than the number of new products included. With respect to the List of Convergence of the Computer and Telecommunications Sector, no substantial alterations were introduced and the previous norms remained generally in effect.

Also with regard to Mercosul, the system of adaptation for Paraguay and Uruguay terminated as of 1.1.2000, according to the terms of Decision 5/1994 issued by the Mercosul Common Market Council (CMC). The system of adaptation for Brazil and Argentina came to an end on 1.1.1999. As a matter of fact, intrazone trade has practically eliminated barriers as evinced by the fact that the only systems that have not yet become fully operational are those involving sugar and automotive vehicles.

Growing protectionism in European and American markets has motivated the Brazilian government to retarget its external priorities, giving emphasis to Latin America. In this sense, bilateral trade negotiations took on added importance, as occurred in the case of the tariff preference trade agreement with Mexico involving the automotive sector. According to the agreement implemented by Decree 3,494, dated 5.29.2000, both countries are permitted to levy an ad valorem tariff of 8% on automobile imports, provided that they comply with the adjusted origin requirements. This preferential tariff will be applicable to the following quotas: in the first year of validity, on 40,000 units, or a larger quantity defined by the importer; and 50,000 units in the second year. If the quota is not reached in the second year, it may be transferred to the following year.

The path of bilateral trade negotiations is one aspect of CMC Decision 32/2000, dated June 2000, which set a deadline of 6.30.2001 for the Mercosul countries to come to individual trade agreements. Once this period had elapsed, such agreements would only be permitted when signed by the four bloc members. Decision 32/2000 also specified that the four member countries would commit themselves to recommencing understandings with Mexico and the Andean community (Peru, Ecuador, Venezuela and Colombia) with the objective of signing an agreement by 12.31.2001 on creation of a free trade zone between Mercosul and the Andean Community and Mercosul and Mexico. Should it not be possible to conclude these negotiations by that date, the current preference would be maintained only until 6.30.2003. With these limitations, the Brazilian government will have only the first half of 2001 to formalize the agreement that would expand trade preferences with Mexico and complete the revision of Economic Complementation Agreement 39, dated August 1999, signed with the Andean Community. From the viewpoint of the Brazilian Ministry of External Relations, formalization of these agreements would significantly improve the possibilities of Brazil and Mercosul obtaining more advantageous results during FTAA negotiations.

Petroleum purchases brought added pressures to bear on Brazilian imports during the year. The increase in world demand, coupled with economic growth, low stock levels in the United States and measures taken by the Organization of Petroleum Exporting Countries (Opec) were just some of the factors that generated sharp fluctuations in international oil prices. In the context of the turbulent international scenario, the National Petroleum Agency carried out the second round of a tender process on 6.7.2000 and sold petroleum and gas prospecting rights in 21 different areas. With the ongoing process of deregulation in the sector, it is expected that Brazil will manage to increase its petroleum output and sharply reduce the nation's dependence on imported petroleum over the medium and long-term.

Another measure related to the petroleum sector was implemented by SRF Normative Instruction 87, dated 9.1.2000, which regulated application of the special customs system for exports and imports of goods to be utilized in petroleum and natural gas research and production activities (Repetro). Aside from this, Decree 3,609, dated 9.22.2000 excluded naphtha for petrochemical use from the Basic List of TEC Exceptions, resulting in a reduction in the Import Tax rate from 6% to zero. In highly volatile internal and external scenarios, this anticipation of the tariff reduction had the objective of facilitating negotiations between Petrobras and petrochemical production centers regarding the definition of product prices, which were released from government controls on 8.9.2000.

Insofar as measures taken to improve certain administrative aspects of foreign trade operations are concerned, one should underscore the importance of the first step taken in efforts to open the Brazilian insurance market, reflected in issue of Law 9,932, dated 12.20.1999, regulating Constitutional Amendment 13, dated 1996. This will result in a reduction in the costs of contracted insurance operations, particularly those involving international and customs transportation insurance.

With regard to the streamlining of customs procedures, Secex Directive 1, dated 1.21.2000, simplified the system of drawback operations and thus reduced their costs. This was achieved by no longer requiring the presenting of printed documents, coupled with utilization of the Unified Drawback Report for identifying electronic documents that have been registered in the Integrated Foreign Trade System (Siscomex).

Moving in the same direction, Banco Central issued Circular 2,967, dated 2.8.2000, permitting the contracting of simplified exchange for import operations worth a maximum of US\$10 thousand. This had already been permitted for export operations. Authorization was also given for payment or reception of all international orders for both import and export operations through the use of international credit cards, when such operations are based on the Simplified Declaration.

Law 9,611, dated 2.19.1998, which deals with Multimodal Cargo Transportation, was regulated by Decree 3,411, dated 4.12.2000. This represented an important step forward in efforts to improve and reduce the costs of foreign trade operations.

In much the same way, Bacen Circular Letter 2,947, dated 12.6.2000, permitted extension of export exchange contracts for a period of up to 180 days as of the date of shipment in an amount corresponding to the value of the merchandise shipped, when all possibilities of negotiation with the external debtor have been exhausted. A transit period of up to 15 days is permitted and the obligation of charging interest does not apply. In the past, the extension required the exporter to submit the importer's agreement to pay interest during the extension period, together with issues of withdrawals for both principal and interest to substitute the original withdrawal documents. This normative instrument also authorized intermediation of brokerage firms in simplified export exchange contracts and required that the documentation involved be kept on file for 5 years at the disposal of Banco Central when requested.

With regard to health control measures, the government removed controls from Brazilian purchases of United States soft wheat for manufacturing biscuits. These purchases had been suspended almost three years previously because of health problems caused by the fungus designated as *Tilletia controversa*. In this context, the MAA issued Normative Instruction 12, dated 11.23.2000, defining the health control requirements applicable to wheat imports from the United States. Each shipment must be accompanied by a certificate and shipment is to occur exclusively on the east coast of the United States. Imports of the product from the States of Washington, Oregon, Idaho, California, Nevada and Arizona are prohibited.

Going further, on 12.29.2000, the MAA sent a report to the Technical Veterinary Commission on Foot-and-Mouth Disease of the International Epizootic Organization (OIE) declaring the East Livestock Circuit as "free of foot-and-mouth disease with vaccination". In January 2001, the OIE responded favorably to the request. Here, one should highlight the results achieved by the National Program of Combating Foot-and-Mouth Disease, which is coordinated by the MAA. The work carried out to eradicate outbreaks of the disease in four municipalities in the northwest part of the State of Rio Grande do Sul made it possible to formalize a health protocol between Brazil and Russia, once again opening that country's market to Brazilian pork products.

In the trade defense arena, definitive ad valorem antidumping rights were applied to imports of the following products:

- a) nonhydrophobically modified hydroxylated ethylcellulose, a compound used in the manufacture of medicines, paints, cement, mortar and other products, when originating in the United States and the Netherlands. Measure applied by MF/MDIC Interministerial Directive 22, dated 4.7.2000;

- b) flat stainless steel products, cold-rolled in thicknesses of not more than 3 mm originating in South Africa, Spain, France, Japan and Mexico, including refractory and stainless steels. Measure regulated by MF/MDIC Interministerial Directive 34, dated 5.24.2000;
- c) Portland cement originating in Mexico and Venezuela, when shipped to the States of Acre, Amazonas, Roraima and the region to the west of the State of Pará. Measure implemented by MDIC/MF Interministerial Directive 46, dated 7.12.2000.

It is important to note that MD(Defence Ministry)Directive 657/GC-5, dated 10.30.2000, went into effect on 11.1.2000. This instrument approved criteria and defined amounts for the levying and charging of the Airport Storage and Wharfage Tariff on imported cargoes and those to be exported or classified in special situations. The major impact of this measure was felt by products of greater weight or volume, such as computers, seafood, fruits and other goods.

One should also note the fact that the Federal Senate and Chamber of Deputies approved the new Informatics Law on 12.14.2000 and 12.27.2000, respectively, extending incentives to the sector and defining schedules for the gradual withdrawal of fiscal incentives until these benefits are totally eliminated in 2009. The pace of the withdrawal will depend on the region in which the company is installed. Aside from this, the informatics goods and services to which the law applies were also defined and, among other items, include cell phones and video monitors. With this measure, cell phones and monitors produced in the Manaus Free Zone lost the 88% exemption from the Import Tax on components to which they had previously been entitled.

Exchange policy

The year under analysis marked the second year of the free floating exchange system, originally implemented in 1999. In this system, Banco Central interventions in the domestic exchange market are limited to avoiding exchange rate fluctuations over short periods of time, thus breaking the bond that had linked the international reserve level to exchange market results.

The rules governing Banco Central exchange market interventions in the free floating exchange system were introduced by Circular 2,884, dated 5.6.1999, and Circular 2,888, dated 5.20.1999. These rules determine that Banco Central interventions would be implemented among dealers, institutions accredited to operate on the exchange and public debt securities markets through interbank exchange purchase and sale operations carried out either directly or through electronic or telephone auctions with simultaneous offers to a minimum of five dealers.

A slight alteration was introduced into the criteria for granting and withdrawing dealer accreditation in the course of 2000. According to the terms of Circular Letter 2,923, dated 7.4.2000, performance evaluation is still the basis of the selection criterion and is expressed by the weighted average of the volume of import and export operations (weight 3), financial exchange (weight 3), quality of the information provided to Banco Central (weight 2), operations with exchange securities (weight 1.5) and interbank market activities (weight 0.5). With respect to the previous provisions, the importance attributed to the quality of information, the volume of trade operations and operations with exchange securities increased, while that ascribed to the volume of interbank market operations was reduced. Once classified, the institution is then obligated to comply with a series of other criteria. These principles are the same as those applied in the past and include the following: the institution must be in operation for a minimum of six years; be considered in a good economic-financial situation; be considered as normally operating; adopt policies geared to strengthening its capital stock; not be subject to any restrictions or caveats on the part of Banco Central that in any way whatsoever would not recommend accreditation of the institution; not be included, under the name of the institution itself, its managers or controllers, in the Informative Record of Unpaid Federal Public Sector Credits (Cadin); and have an exclusive telephone line available for communication with the International Reserve Operations Department desk at Banco Central (Depin). Adoption of methods that are contrary to normal and healthy market practices, such as attempts to manipulate prices, are sufficient reason for withdrawal of accreditation.

The principal measures taken to adapt the exchange market to the free floating rate system were adopted in 1999. In 2000, measures were issued mostly for the purpose of providing new opportunities for foreign capital investments in the Brazilian stock and financial markets while encouraging residents to contract loans abroad. Simultaneously to this, Banco Central took steps to implement systems designed to monitor and control capital flows, while issuing regulations on areas not duly regulated in the past and adjusting the content of previously issued regulations.

In the first quarter of the year, the renewed confidence shown by agents in the country's economic recovery coupled with balanced exchange flows and the absence of significant external sector pressures were reflected in the downturn in exchange rates. Dollar rates in the period followed a downward trajectory fluctuating between a minimum of R\$ 1.71 and a maximum of R\$ 1.865. On March 24, the currency value was quoted at R\$ 1.7234 per dollar, PTAX sale rate. This was the lowest rate for the year and reflected upward movement of 3.7% in the value of the real, compared to the rate in effect on December 31, 1999.

As of the second quarter of the year, the external scenario became a source of considerable exchange rate pressures as the booming United States economy generated fears of rising inflation and international market uncertainties regarding the possibility of a rise in United States interest rates. And it was precisely this that occurred in May when the Federal Reserve System (Fed) decided to ratchet interest rates up by an additional notch. Simultaneously to these movements, international oil prices moved into an upward growth trajectory as of the month of May. In this scenario, the dollar was quoted at R\$1.8083 on April 27, reflecting 3.5% nominal devaluation of the real in relation to the end of March, when the rate closed at R\$1.7473. New increases in petroleum prices generated additional pressures on exchange, raising the rate to R\$1.8537 on May 23, for devaluation of 6.1% in relation to the March rate and 3.6% in relation to that of 1999. Rates remained stable up to the end of July before turning upward once again in August. This movement became even more intense toward the end of the month when petroleum prices registered sharp fluctuations as a result of the ongoing conflict in the Middle East. The per barrel price of Brent-type petroleum on the spot market was quoted at US\$37.73 on September 7, the highest rate for the year and an increase of 51.3% compared to the December 31, 1999 position.

Though American interest rates stabilized at 6.5% since the month of May, uncertainties persisted in the final months of the year with regard to the behavior of the United States economy. The worsening conflict in the Middle East provoked strong fluctuations in oil prices and an overall upward trend. Despite these results, however, prices turned downward as of the second ten days of November and closed the year at US\$22.54 per barrel, a 9.6% drop in relation to the end of the previous year. Political and economic instability in Argentina also contributed to the deteriorating external scenario that was reflected in higher rates of exchange. On December 4, the United States dollar reached its highest level of the year with R\$1.9847, corresponding to nominal 10.9% devaluation of the real.

With regard to the measures adopted by the Brazilian government with the aim of adjusting external capital flows, one should highlight the authorizations granted to foreign investors to invest in capital and financial market modalities previously restricted to residents. These alterations were introduced basically through two resolutions issued in January. In the first place, Resolution 2,687, dated 1.26.2000, permitted operations on the commodities and futures markets with both forward and option contracts referenced to crop/livestock products. Prior to issue of that Resolution, foreign investors were restricted exclusively to operations with futures contracts, as determined in Resolution 2,622, dated 7.29.1999. Resolution 2,687 also ratified the previous provisions and maintained the prohibition on the carrying out of operations with preset earnings, except when expressly authorized by Banco Central. The reference norms valid for resident investors were extended to nonresident investors and registration at Banco Central is obligatory.

Aside from these measures, Resolution 2,689, dated 1.26.2000, considers resident and foreign investors as equivalent and authorizes foreign investors to operate on the financial and capital markets in those areas previously reserved to residents. Those foreign investors who desire to take advantage of this opportunity are obligated to name a representative in the country, complete a form instituted by Banco Central and register at CVM. If that representative is neither a natural person nor a nonfinancial legal entity, the investor must indicate an institution authorized to operate by Banco Central which will then be coresponsible for compliance with the investor's obligations. The investment must be registered, held by a custodian or maintained in a deposit account at the institution providing this service which, in turn, must be recognized by Banco Central or CVM. Aside from this, the institution must be included in recognized systems of registration, liquidation or custody. Investment registrations should be supplied to Banco Central and the CVM by the depositor institutions and custody and registration service providers. Acquisitions and transfers must be carried out on the appropriate markets regulated by the CVM. This does not apply to the hypotheses of subscription, bonuses, conversions of debentures into stocks, indices referenced in securities, acquisitions and transfers of quotas of open investment funds in stocks or bonds and, finally, in the cases of closing capital, cancellation or suspension of negotiations, with prior CVM authorization. Nonresidents are not allowed to transfer or assign title abroad. With exception of transfers resulting from stockholding alterations abroad or inheritance rights, as regulated by Banco Central and CVM, those cases registered in the country and not classified under this norm are also subject to this prohibition.

All operations with the international community under the terms of Resolution 2,689 are to be carried out on the basis of exchange contracts. As stated in Resolution 2,786, dated 10.18.2000, exchange contracts may be directly formalized by the CBLC.

Aside from the new system that is foreseen, Resolution 2,689 authorized new investments only in the modality regulated by appendix III to Resolution 1,289, issued in 1987, or in those forms expressly approved by Banco Central and the CVM. The period for adaptation of the modality covered by Appendix IV to Resolution 1,289/1987 expired on 9.30.2000, according to the terms of Resolution 2,742, dated 6.28.2000. In transfers to the new system, the positions held by the nonresident investor are to be maintained strictly in line with the respective custody account positions. Noncompliance with these norms will result in the application of penalties.

As of 3.31.2000, issues and placements of Foreign Capital Fixed Income Fund quotas (Resolution 2,034, dated 12.17.1993), Foreign Capital Investment Company stocks (Appendix I to Resolution 1,289, dated 1987) and Foreign Capital Investment Fund quotas (Appendix II to Resolution 1,289, dated 1987) were prohibited. For purposes of adaptation to the new system, authorization was granted for transformation or incorporation of Fixed Income Funds into financial investment funds, Investment Companies, for transformation or incorporation into stock and security investment company funds, while authorization was given to investment funds to be transformed or incorporated into stock and security investments funds. In all of these cases, securities are to be evaluated at market prices. Another alternative was the possibility

of liquidation of these funds and companies, with due compliance with the regulations in effect. Aside from this, permission was granted for investments covered by the terms of Appendix V to Resolution 1,289/1987 to be transferred to the new system or vice versa, with due compliance with the conditions defined by Banco Central and the CVM.

The conditions for registration and investment under the terms of Resolution 2,689 were determined by Circular 2,963, dated 1.26.2000. Registration in declaratory form and the use of electronic transmission are prerequisites for operations and datings abroad. This norm also defined the manner in which investment information is to be provided, while it also dealt with the question of how transfers to the new system were to take place when they involved investments governed by Appendices I, II and IV to Resolution 1,289/1987.

The regulations governing foreign currency accounts were also issued in the first quarter of the year. Resolution 2,694, dated 2.24.2000, authorized insurance companies, local reinsurers or reinsurance brokers to open and maintain foreign currency accounts at banks authorized to deal in exchange in the country. In cases involving insurance companies, local reinsurers and authorized reinsurers, operations are limited to receiving and paying premiums and indemnities, insurance and reinsurance contracts formalized in foreign currencies and amounts related to such contracts, income on investment of the existent balances – in the case of the authorized reinsurers deposits may be accepted to the extent needed to maintain the minimum balance in the account. Withdrawal may only occur after the deposit is released by the Superintendency of Private Insurance (Susep). In the case of reinsurance brokers, account operations are limited to the transiting of payments of reinsurance premiums and indemnities as related to contracts formalized in foreign currencies and other amounts earmarked to such operations. Financial transfers both into and out of the country included in the specified operations should be carried out by contracting and liquidating exchange, except when dealing with earnings on investment of existent balances. The amounts registered in foreign currency accounts may be freely converted into reals, with the exception of those related to investments of the resources set aside as guaranties for the entity's technical provisions, expressly prohibited in the applicable regulations. The provisions on investments of these resources were determined by Resolution 2,695, dated 2.24.2000, which also dealt with investments of the resources required in the country to guaranty the liabilities of authorized reinsurers.

Circular 2,971, dated 3.17.2000, regulated Resolution 2,644, dated 9.10.1999, which deals with the foreign currency accounts of companies charged with implementing and developing projects in the areas of prospecting, production, working, processing and transportation of petroleum and natural gas and electricity generation and transmission, as well as Resolutions 2,694 and 2,695, dated 2.24.2000, and issued regulations on foreign currency accounts in the country.

Circular Letter 2,917, dated 6.13.2000, altered the regulations on the accounts of companies charged with implementing and developing energy sector projects and authorized companies to open accounts when they have received delegation in the form of concessions, authorizations or permissions from agencies operating in the respective sectors. In the past, opening of these accounts was permitted only in the case of companies that had received delegation by concession.

The norms related to the contracting of external loans were significantly altered in order to stimulate new contracting operations. Circular Letter 2,905, dated 3.24.2000, extinguished the demand of a minimum term for external loan operations, as previously required by Resolution 2,683, dated 12.29.1999, in effect since 1.3.2000. Later on, Resolution 2,770, dated 8.30.2000, altered and consolidated the disciplinary norms governing foreign loan operations, eliminating loans contracted under the terms of Resolution 63 and Firce Communiqué 10. The obligatory nature of the prior and express manifestation on the part of Banco Central in order to contract loans and pay commissions and expenditures simultaneously to the inflow was suspended, except in those cases in which public sector borrowers are involved – federal government, states, Federal District, municipalities, their semi-autonomous agencies, foundations and companies including their controlled companies. In this hypothesis, operations must receive prior accreditation, accompanied by a description of the financing conditions of the loan and the payment period, as required by the legal provisions currently in effect.

Loan operations should be registered at Banco Central and alterations in registrations, renewals and extensions depend on the approval of that institution. Financial institutions and leasing companies were authorized to contract resources abroad for free investment on the domestic market, as well to transfer resources through financial institutions to like institutions. At the same time, financial institutions were permitted to transfer resources to natural persons and nonfinancial legal entities. These decisions were applied to funds transferred prior to the date on which the normative instrument went into effect.

Circular 3,003, dated 8.30.2000, defined the criteria governing external loan operations. In this sense, the contracting of incoming exchange is subject to presentation of a registration request by the borrower. The registration is valid for 120 days following maturity of the installment in question. For a public sector borrower to obtain a loan through a security issue, the operation must be accredited by Banco Central and obey all due procedures: notification to Banco Central of the entity's intention of going to the market; a favorable and definitive statement of position issued by the Secretariat of the National Treasury of the Ministry of Finance; consultations with market agents; and presentation of the financial conditions of the offers received as well as the selection criteria. The number of the letter of credentials supplied by Banco Central must be stated on the exchange contract used in the inflow operation.

Registration of exchange or national currency operations related to the financial transactions carried out abroad must contain the registration number issued by Banco Central, independently of the nature of the borrower. Circular Letter 2,934, dated 9.1.2000, informed as to the adjustments made in the regulations on exchange contracts as a result of changes in the norms governing loan contracting operations.

With issue of Resolution 2,716, dated 4.13.2000, closed social security entities were allowed to invest up to 10% of their resources in Security Deposit Certificates (Brazilian Depository Receipts – BDR) backed by stocks in open capital corporations headquartered abroad, when distribution has been authorized by the CVM.

Resolution 2,721, dated 4.24.2000, authorized financial institutions and leasing companies to transfer resources contracted abroad through financial institutions to institutions and companies of the same nature. The contracting of such operations with exchange variation clauses was also permitted. This norm was repealed by Resolution 2,770, issued at the end of August.

Resolution 2,763, dated 8.9.2000, introduced alterations into the regulations governing Brazilian investments abroad through the BDR mechanism. The major change was the item that considers the nonresident investor as equivalent to the resident investor, as stated in Resolution 2,689. With respect to previous regulations (Resolution 2,318, dated 9.26.1996), Resolution 2,763 eliminated the obligation of selling and repatriating the resources in cases of cancellation of the certificates acquired by the nonresident investor. However, that investor is obligated to register the operation in the Banco Central Information System (Sisbacen). Aside from this, the rights obtained in cash by the Brazilian investor may be reinvested abroad, provided that the investment be made in the subscription or acquisition of the securities that generated these rights.

The conditions for registration of investments in BDR were defined by Circular 2,996, dated 8.9.2000. Prior to the registration request, the depositing/issuing institution should provide reference information about itself, the custodian institution and the company issuing the securities. This is to be done through utilization of Sisbacen transactions. The financial operations should be carried out on the free rate exchange market and the intervening bank should receive and maintain on file the documents required for finalizing exchange, as defined by Banco Central. On a monthly basis, the depositor institution should send a statement of operations to Banco Central and maintain on file all documentation related to the investment in BDR.

Another measure that broadened the possibilities of Brazilian investments abroad was Circular 3,013, dated 11.23.2000, which permitted employees of Brazilian companies belonging to foreign economic groups to acquire shares abroad and

quotas of investment fund applications in the stocks of the foreign parent company, based on the terms of programs designed exclusively for employees. This norm represented expansion of the permission granted by Circular 2,794, dated 12.17.1997, which had limited these acquisitions to those involving shares of the parent company.

In comparison to the previous system, Banco Central's monitoring and control capacity was greatly enhanced. In this context, the accredited bank is obligated to supply reference information on the Brazilian company and the foreign parent company involved in the Program through specific Sisbacen transactions. Prior and express Banco Central authorization is required in the case of programs in which loans must be contracted directly abroad, savings must be set aside outside the country or the corresponding operations carried out. To be able to do this, a specific request containing a complete characterization of the operation, together with the documentation required for remittances and liquidation of the respective exchange operations should be remitted to Banco Central at least 30 days prior to the final date for joining the program.

The other provisions remained valid: notification to Banco Central regarding the characteristics of the intended investment, limited to US\$20,000.00 or its equivalent in other currencies per employee of each company and for a period of not less than 12 months (cases beyond this limit should be analyzed and approved by Banco Central); registration, monitoring and control of investments by Banco Central; presentation of the documents specified in the norms covering remittances and liquidation of exchange contracts, as well as proof of payment-in-full of the corresponding taxes or of an exemption from such taxes; corroboration of investment of the resources up to 90 days after each transfer abroad, as well as submission of annual financial statements, with information on the investment position of each employee, the amount of the dividends paid in cash and/or stocks, participants and amounts incorporated or participants excluded and important occurrences that affect the value of these investments. Transfers of the securities acquired may be carried out exclusively with foreign concerns and the product of the sale must be immediately repatriated. In the case of dismissal of the employee, the investment abroad should be cancelled and the resources previously remitted should be repatriated. All operations are to be processed through the floating rate exchange market.

With regard to the monitoring and control of capital and investment flows, aside from defining the conditions for registration of the investments of nonresidents under the terms of Resolution 2,689 (Circular 2,963, dated 1.26.2000) and of investments in BDR (Circular 2,996, dated 8.9.2000), Banco Central also issued other normative instruments on this matter. According to the terms of Circular 2,975, dated 3.29.2000, regulations were issued on the electronic declaratory registration of

nonresident resources entering the country and invested in the financial and capital markets – Module RDE-Portfolio. With issue of Circular 2,997, dated 8.15.2000, the electronic declaratory registration of direct external investments was instituted and regulated – Module RDE (Electronic Declaratory Registration) -IED (Direct External Investments).

Petrobras' possibilities of obtaining credits abroad were enhanced by Resolution 2,790, dated 11.30.2000, which excluded that company from the policy imposed on the public sector that limited its external credit operations to those amounts required to refinance the public sectors own preexistent financial obligations.

Circular 3,015, issued on 12.6.2000, restricted both outgoing and incoming postal payment orders to US\$3,000.00 per operations and permitted legal entities to utilize this system also. The system was authorized for new operations, such as payment of expenditures on repairs, fixing and reconditioning of parts and machines abroad. Among the former operations that remain within the system, one should cite payments of support of persons abroad, acquisitions of computer programs for one's own use, contributions and pensions, acquisitions of medicines for one's own use and varied commitments, such as vehicle rentals, traffic fines and hotel reservations. Payment of Brazilian exports by postal money order or reimbursement was permitted up to a limit of US\$10,000.00 per operation. Prior Banco Central authorization was dispensed with for the carrying out of postal service exchange operations through the banking network.

Finally, one should cite Provisional Measure 2,062-60, DOU 231, dated 12.12.2000, in light of its possible impacts on the flow of services. This measure increased the income tax withholding rate from 15% to 25% on the amounts paid, credited, delivered, utilized or remitted abroad in the form of royalties of any nature related to generating facts that occurred as of 1.1.2001. The rate will drop back to 15%, should any new contribution be levied within the economic domain on those same amounts.

Exchange operations

Exchange operations in 2000 were characterized by growth in flows in relation to 1999. The volume of operations in the free and floating rate segments totaled US\$290 billion or 6.6% above the previous year's level, reversing the 1999 deficit of US\$6 billion to a surplus of US\$11.9 billion. The overall turnover in the free rate segment, encompassing exports plus imports and purchases plus sales, registered growth of 31.2% in trade operations and a decline of 4.7% in financial operations. On the revenue side, growth came to 12.8%, while the downturn under expenditures closed at 1.6%.

Exchange contracting operations for export purposes increased by 24.2%, reflecting growth in foreign sales, as expressed in 14.7% expansion in the volume of shipments. The negative difference between exchange contracting and shipments declined from US\$6.4 billion in 1999 to US\$3.4 billion in 2000, the same level as in 1998.

With regard to imports, growth in exchange contracting operations and unloading operations came to respective levels of 40% and 13.4%. This performance reflects the upturn in the economic activity level, which in turn required growth in foreign purchases. The increase in import contracting operations surpassed that registered under exports, resulting in a decline in the exchange trade balance, which came to US\$5.6 billion, compared to US\$8.7 billion in 1999.

Table 5.1 - Exchange movement - free rate market

US\$ million

Period	Commercial			Financial			Global balance
	Exports	Imports	Balance	Buying	Selling	Balance	
1997	55 887	58 545	-2 658	102 820	83 090	19 730	17 071
1998	47 735	43 903	3 833	121 504	108 032	13 472	17 305
1999	41 641	32 905	8 736	87 012	100 788	-13 776	-5 040
2000	51 699	46 070	5 628	93 394	85 515	7 878	13 506
Jan	3 318	3 224	94	7 569	6 017	1 551	1 645
Feb	3 226	3 070	156	6 654	5 777	877	1 033
Mar	4 045	3 833	213	6 601	7 114	- 513	- 301
Apr	4 864	2 947	1 917	4 629	6 603	-1 974	- 56
May	4 667	3 558	1 109	6 405	6 270	134	1 243
Jun	4 397	3 771	625	9 428	8 158	1 270	1 896
Jul	3 994	4 613	- 619	11 170	9 149	2 022	1 403
Aug	4 827	4 587	240	10 460	8 531	1 929	2 169
Sep	4 464	4 046	418	6 405	6 136	269	687
Oct	4 962	4 408	554	6 110	6 842	- 732	- 178
Nov	4 644	3 985	659	9 809	6 065	3 744	4 403
Dec	4 290	4 028	262	8 154	8 854	- 700	- 438

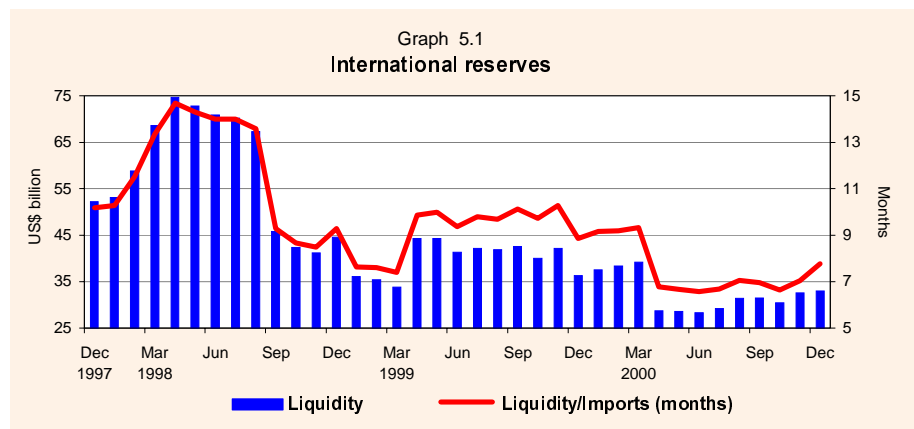
The performance of the financial segment shows considerable improvement in 2000, as represented by the US\$7.9 billion surplus, compared to a deficit of US\$13.8 billion in the preceding year. This result was generated by a decline of 15.2% in financial sales, which closed near the 1997 level. One should note that 1997 was the year immediately prior to the emerging market crisis. Consequently, these figures indicate normalization of remittances following the 1999 alteration of the exchange system. A second factor of importance was 7.3% growth in financial purposes.

With regard to the floating rate segment, the deficit expanded from US\$941 million in 1999 to US\$1.6 billion, as a consequence of growth in Brazilian investments abroad.

International reserves

In 2000, payments of principal and interest in the framework of the financial assistance program coordinated by the IMF were the items of greatest weight in the reduction of the country's international reserve position. Up to March, the reserve position improved to a level of US\$39.2 billion, in the international liquidity concept, compared to US\$36.3 billion in December 1999. Above all, this was due to bond operations, which generated revenues of US\$1.8 billion in the period. It should be highlighted that, in the month of January, Banco Central repurchased US\$1.3 billion on the market, the amount sold in December 1999 with the objective of ensuring exchange liquidity in the transition to the new year.

In April, liquidation of credit operations with the Bank for International Settlements (BIS) and Bank of Japan (BoJ), coupled with payments of principal to the IMF, totaled US\$10.5 billion. As a result, international reserves dropped to US\$28.7 billion and leveled off at that mark until July. In August, US\$2.6 billion in revenues on purchases of exchange on sales of Petrobras American Depositary Receipts (ADR) pushed the reserve level up to US\$31.4 billion. In October, central government external debt payments generated a decline in the reserve level to US\$30.4 billion. With privatization of Banespa, a share of the revenues generated was incorporated into reserves, which moved to US\$32.5 billion in November. Just as occurred in the preceding year, Banco Central sold exchange on the market in December, with repurchase scheduled for January 2001. The purpose of these operations was to provide additional liquidity during the transition to the new year.



Consequently, in December 2000, international reserves came to US\$32.9 billion in the cash concept and US\$33 billion in the international liquidity concept, reflecting respective declines of US\$2.6 billion and US\$3.3 billion, in comparison to 1999. These figures reflect the net result of Banco Central interventions in the domestic exchange market, which accounted for an increase of US\$2.3 billion in international reserves, and operations with the external sector, which had a negative impact of US\$4.9 billion. One should stress that, during the course of the year, the targets defined for minimum net reserves were easily met.

Table 5.2 - International reserves targeting - 2000 (agreement with IMF)

US\$ million

Period	Adjusted net reserves ^{1/}	
	Floor	Occurred
Jan	18 950	25 259
Feb	19 750	26 097
Mar	21 350	27 088
Apr	21 800	27 144
May	23 700	26 898
Jun	23 750	26 070
Jul	25 000	27 382
Aug	25 000	29 923
Sep	25 000	30 139
Oct	25 000	29 572
Nov	25 000	31 071
Dec	25 000	31 155

1/ Third, fourth and fifth versions of the agreement.

Balance of payments

In 2000, the balance of payments turned in a lesser level of foreign resources utilization. The current account deficit remained stable, while external debt service payments declined. With this, the net flow of medium and long-term foreign capital reversed course from net amortizations of US\$4.9 billion in 1999 to a net inflow of US\$7.8 billion in 2000, at the same time in which net short-term capital outflows registered a reduction of US\$2.1 billion. Net direct foreign investments came to US\$30.6 billion, closing at the highest value in history. This result made it possible to improve the position of external financing requirements to 1.01% of GDP.

Trade balance

The country's foreign trade flows expanded by 14%, moving from US\$97.3 billion in 1999 to US\$110.9 billion. This figure represented a new record for the country and was

Table 5.3 - Balance of payments

US\$ million

Itemization	1999			2000		
	1st half	2nd half	Year	1st half	2nd half	Year
Trade balance - FOB	- 638	- 623	-1 260	786	-1 484	- 698
Exports	22 451	25 560	48 011	26 153	28 933	55 086
Imports	23 089	26 183	49 272	25 367	30 416	55 783
Services (net)	-12 877	-12 951	-25 829	-12 906	-12 801	-25 706
Interest	-7 750	-7 487	-15 237	-7 681	-7 407	-15 088
Other services ^{1/}	-5 127	-5 465	-10 592	-5 224	-5 394	-10 618
Unrequited transfers	1 090	937	2 027	885	912	1 796
Current transactions	-12 425	-12 637	-25 062	-11 235	-13 373	-24 608
Capital	1 898	12 267	14 165	13 659	16 555	30 215
Investment (net) ^{2/}	13 860	16 183	30 042	13 197	16 362	29 559
Medium- and long-term						
financing	-6 731	1 875	-4 856	3 381	4 422	7 803
Disbursements	21 575	22 689	44 264	17 856	24 637	42 494
Financing	8 206	7 741	15 948	6 578	4 717	11 295
Foreign	8 613	8 077	16 690	6 708	5 026	11 734
Brazilian	- 406	- 336	- 742	- 130	- 309	- 439
Currency loans	13 368	14 948	28 316	11 278	19 921	31 199
Foreign commercial banks	1 220	1 515	2 735	1 985	3 997	5 982
Others ^{3/}	12 149	13 433	25 581	9 293	15 924	25 217
Amortizations	-28 306	-20 814	-49 120	-14 475	-20 215	-34 690
Paid	-27 113	-17 811	-44 924	-13 770	-14 399	-28 169
Refinancing	-1 193	-3 003	-4 196	- 705	-5 816	-6 521
Short-term capital	-3 942	-4 511	-8 452	-2 726	-3 659	-6 384
Other capital	-1 288	-1 280	-2 569	- 193	- 570	- 764
Errors and omissions	- 809	967	157	128	2 326	2 454
Surplus (+) or deficit (-)	-11 336	596	-10 740	2 553	5 508	8 061
Financing	11 336	- 596	10 740	-2 553	-5 508	-8 061
Assets (- = increase)	2 915	4 907	7 822	7 770	-5 508	2 262
Liabilities - IMF	- 11	0	- 11	0	0	0
Short-term liabilities	- 37	0	- 37	0	0	0
Arrears	0	0	0	0	0	0
Others	- 37	0	- 37	0	0	0
Exceptional financing	8 469	-5 503	2 966	-10 323	0	-10 323

1/ Includes reinvested earnings.

2/ Includes reinvestments.

3/ Includes bonds, commercial paper, fixed/floating rate notes, securitization and intercompany loans.

In 1999, includes US\$3 billion in debt swaps (bonds).

based on US\$55.1 billion in exports, the highest foreign sales mark in history, and imports worth US\$55.8 billion. The final result was a deficit of US\$698 million in the year.

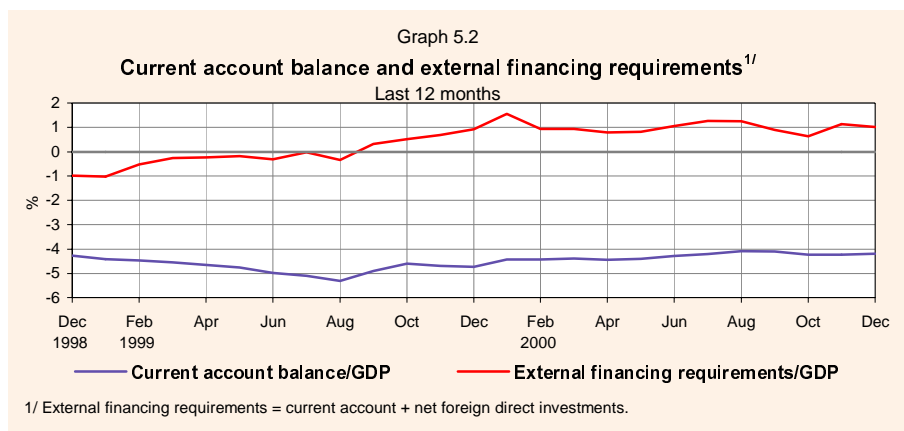
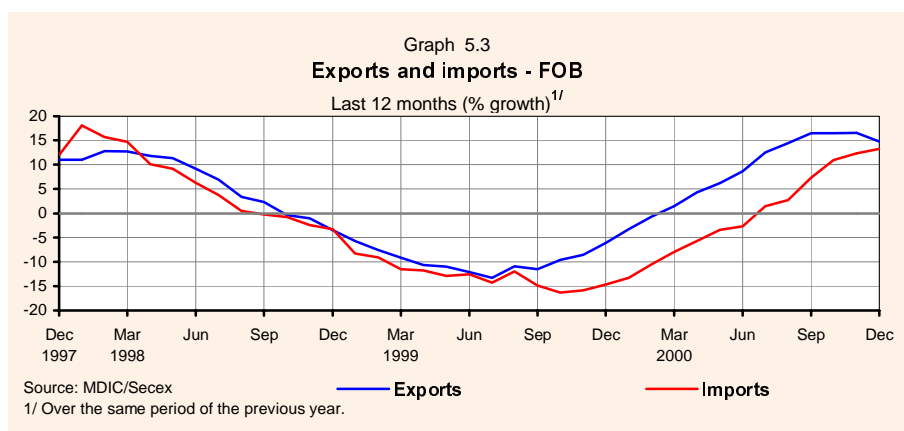


Table 5.4 - Trade balance - FOB

US\$ million

Year	Exports	Imports	Balance
1999	48 011	49 272	-1 260
2000	55 086	55 801	- 715
% change	14.7	13.3	

Source: MDIC/Secex



The trade balance result reflected growth in oil prices and expanded imports of raw materials and intermediate goods as a result of the high level of industrial growth in the year. Total imports increased by 13.2% with growth of 13% in volume and 0.3% in prices. However, even though the period ended with a deficit, the performance

of the export sector was significant, with growth of 11% in volume and 3.3% in prices, resulting in a 14.7% increase in value.

Exports benefited from intense growth in world trade, which registered the best result in a decade. The volume of world trade increased by 10% in 2000, compared to 5.1% in 1999 and 4.3% in 1998, according to data released by the OECD. One should note that the gain in competitiveness was achieved through modernization of the industrial structure and the opening of the economy to international competition in the 1990s.

Exchange devaluation also played an important role in increased foreign market competitiveness, as is evident in the results of export profitability indices in recent years and, particularly, in early 1999.

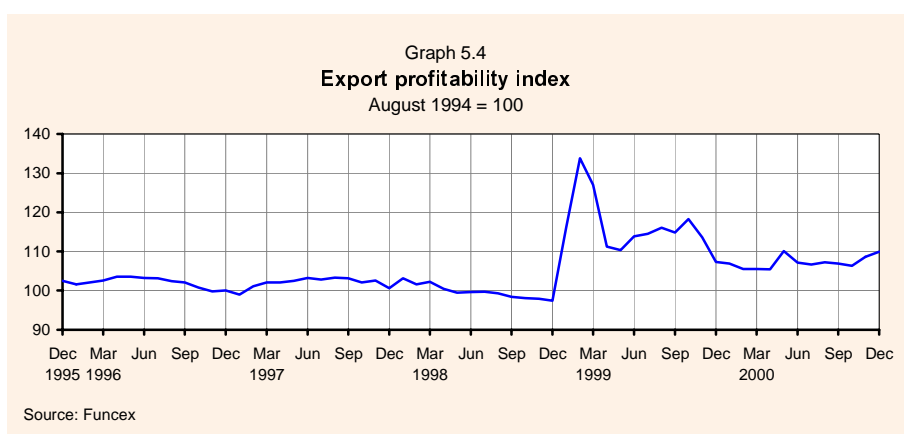


Table 5.5 - Export price and quantum indices

% change over the same period of the previous year

Itemization	1999		2000	
	Price	Quantum	Price	Quantum
Total	-12.8	7.7	3.3	11.0
Primary products	-16.1	8.7	-2.1	8.5
Semimanufactured goods	-15.8	16.8	14.4	-6.9
Manufactured goods	-10.8	4.3	1.7	17.1

Source: Funcex

Insofar as imports are concerned, the steady rise in oil prices over the course of the year and particularly in the final six months was a factor of fundamental importance. One should note here that the outlook for oil prices at the start of the year pointed to stabilization more or less at the average between the maximum and minimum prices

determined by Opec (US\$28/barrel and US\$25/barrel) or, in the opinion of some observers, closer to the minimum level. However, the supply restrictions imposed by the Opec member countries coupled with increased demand for purposes of replenishing developing countries' stocks and, furthermore, the effects of the severe winter in the northern hemisphere and increased violence in the Middle East had the result of pressuring prices upward. The final result for Brent-type oil was a maximum of US\$37.73/barrel in September, an average price in the range of US\$30/barrel in the second half of the year and an annual average of approximately US\$28/barrel, or quite close to the Opec maximum.

The impact of the rise in petroleum prices on the trade balance can be evaluated through a comparison of growth in the overall trade balance result with the same balance less exports and imports of fuels and oils. In the first case, total exports expanded by 14.7% and imports grew by 13.2%, resulting in a reduction in the trade deficit from US\$1.3 billion in 1999 to US\$698 million in 2000. Once fuels and oils are excluded, exports expanded by 13.8% and imports by 8.3%, resulting in an increase in the trade surplus from US\$3.8 billion in 1999 to US\$6.7 billion in 2000. Viewed from a different angle, one notes that net outlays on acquisitions of fuels and oils at current prices came to US\$7.4 billion in 2000, a figure that drops to US\$5.2 billion at average 1997-1999 prices, a decline of approximately 30%.

Table 5.6 - Exports and imports of petroleum and derivatives

US\$ million

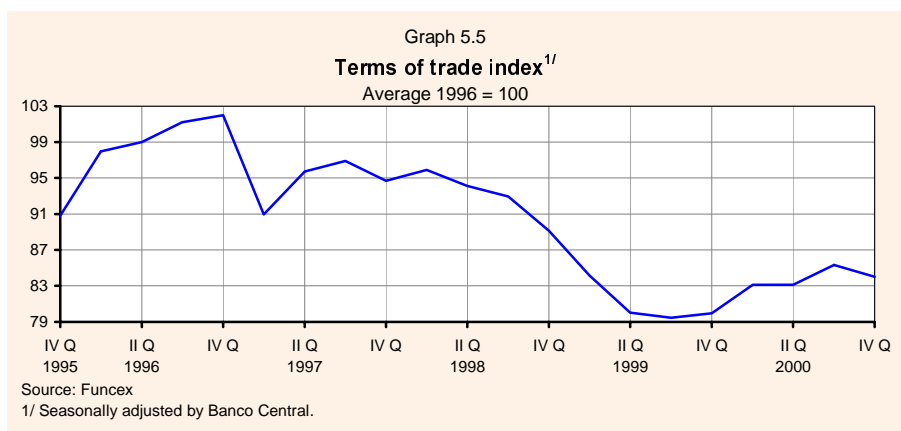
Itemization	At current prices	Simulation	
		At 1999 prices	At 1997-1999 prices
Exports	908	492	530
Imports	8 303	5 404	5 728
Balance	-7 394	-4 912	-5 198

Source: MDIC/Secex

Other factors of a structural nature that impacted foreign trade in 2000 were increased imports of raw materials and intermediate products and high utilization levels of installed output capacity in several important industries.

The increase in demand for raw materials and intermediate products was, to a great extent, a consequence of industrial growth in 2000 which, in turn, was stimulated by expanded foreign sales of manufactured goods of greater aggregate value, such as automobiles and aircraft. Thus, considering that these products utilize a high level of imported components, the result was a sharp upturn in the trade flow. Aside from these factors, other intermediate goods used by industries operating near maximum capacity, such as paper, cardboard, rubber and steel, also registered increased imports.

Thus, the trade balance, which had registered positive growth in the first six months of the year, though at a level below expectations, moved into a downward curve. The terms of trade, which had improved in the period between mid-1999 to the third quarter of 2000, reversed course in the final quarter as a result of both a slowdown in the process of recovery in export prices and a sharp rise in those of imported products, principally as a consequence of continued high petroleum prices.



Analysis of exports by aggregate factor indicated an increase of 11% in volume in 2000 due to growth in the volume of basic product exports (8.5%) and, principally, foreign sales of manufactured goods (17.1%). The quantity of semimanufactured products exported dropped by 6.9%. In terms of export prices, the 14.4% high registered under semimanufactured products and the 1.7% increase under the prices of manufactured goods neutralized the 2.1% reduction in the prices of basic product sales. With these results, export prices in general increased by 3.3%.

Table 5.7 - Exports by aggregate factor - FOB

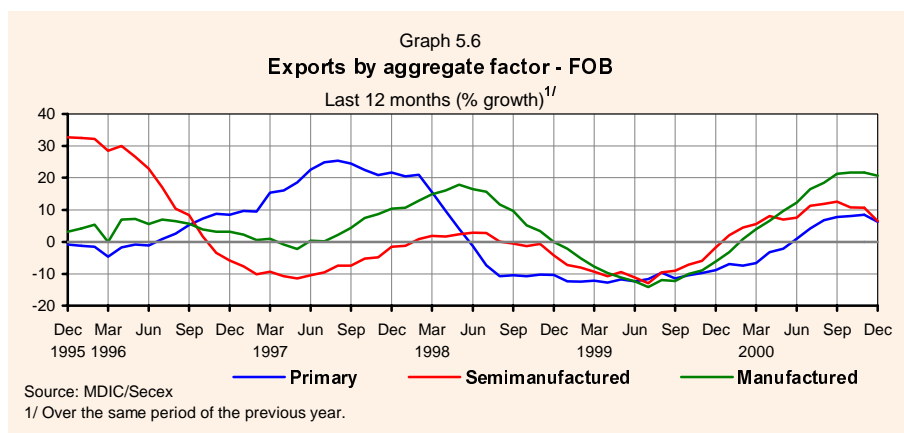
US\$ million

Itemization	1996	1997	1998	1999	2000
Total	47 747	52 994	51 140	48 011	55 086
Primary products	11 900	14 475	12 977	11 828	12 562
Industrial products	35 025	37 676	37 507	35 312	41 027
Semimanufactured goods	8 615	8 480	8 120	7 982	8 499
Manufactured goods	26 410	29 196	29 387	27 330	32 528
Special transactions	822	844	656	872	1 497

Source: MDIC/Secex

Though based primarily on expanded volume in the sales of several major products, growth of 6.2% in exports of basic products, which came to an overall total of US\$12.6 billion in 2000, was also stimulated by a less accentuated falloff in the prices of these goods. This deceleration would have been even stronger were it not for the sharp decline in the prices of several types of exported meats. On the other hand, several important products registered highs, the most important being soy meal with an increase of 22.1%.

Foreign sales of iron ore came to US\$3 billion or 11% more than in 1999, due basically to 12.2% expansion in the volume of foreign sales. In the case of the mineral extraction industry, one should mention 20.2% growth in the exported volume of kaolin, generating revenues of US\$151 million, together with growth of 103% in the volume of manganese ore sales (US\$46.6 million). Exports of aluminum ore dropped by 7.7% in volume and 2.2% in revenues, closing at US\$113 million, partly as a consequence of increased internal demand.



Among farm products, soybean exports came to US\$2.2 billion, with growth of 29.2% in volume and 37.3% in prices. This growth was, to some extent, a consequence of initial operation of soybean processing units in China which has demanded a greater volume of imports by that country. At the same time, the greater demand for soybeans has resulted in a cutback of 10.1% in the volume of soy meal exported. However, reflecting the rise in the prices of this product, these sales earned US\$1.7 billion, for an increase of 9.8% over 1999. Foreign sales of unprocessed coffee beans registered a falloff of 8% in prices and 24% in volume, resulting in a revenue drop of 30.1% to a level of US\$1.7 billion. To some extent, the reduction in quantity was due to retention of 20% of the volume targeted to the foreign market, as required by the plan approved by producer countries in an effort to support international prices. The reduction in coffee prices was due to the high level of supply generated by increased output and exports from such countries as Vietnam, India and Mexico. Tobacco in leaf also registered a price decline in the period (8.1%), though the volume exported remained stable. The result was a revenue loss of 8%, dropping to US\$813 million.

Table 5.8 - Exports - FOB - main primary products

% change 2000/1999

Products	Value	Price ^{1/}	Weight ^{2/}
Iron ore and concentrates	11.0	-1.1	12.2
Soybean including grinded	37.3	6.3	29.2
Oil-cake and other residues from soybeans	9.8	22.1	-10.1
Coffee, not roasted	-30.1	-8.0	-24.0
Tobacco, unmanufactured; tobacco refuse	-8.0	-8.1	0.2
Meat and edible offal of chicken	-8.0	-21.8	17.7
Meat of bovine animals	13.4	-9.4	25.2
Cashew nuts	16.1	-16.7	39.4
Meat of swine	41.8	-7.8	53.8
Kaolin and other kaolinic clays	23.0	2.3	20.2
Aluminum ore and concentrates	-2.2	5.9	-7.7
Shrimp, frozen	161.3	-4.9	174.8
Meat and edible offal of turkey	61.7	-3.4	67.4
Pepper, neither crushed nor ground	-21.0	-24.0	3.9
Fishes	63.3	10.1	48.3
Lobster; frozen	26.4	6.4	18.7
Guts, bladders and stomachs of animals (other than fish)	-2.7	-8.2	6.0
Manganese ore and concentrates	77.9	-12.2	102.6

Source: MDIC/Secex

1/ In US\$/kg.

2/ In kg.

Foreign market prices of the major types of exported meat moved downward. This was one of the most important factors responsible for the slow pace of recovery in the prices of basic products in 2000. However, the volume exported expanded considerably, resulting in growth of 13.4% in revenues on foreign sales of meat of bovine animals, which came to a total of US\$503 million, followed by an increase of 41.8% in sales of meat of swine (US\$163 million) and 61.7% in those of turkey (US\$73.6 million). The 17.7% increase in the volume of chicken meat sales was not sufficient to offset the 21.8% drop in prices. The final result of these figures was a reduction of 8% in value, which closed at US\$806 million.

One should further note that, among basic products, revenue growth on sales of seafood resulted mostly from volume increases and consolidated the segment's position among primary product exports. In this context, foreign sales of frozen shrimp expanded by 161% and closed at US\$105 million, while sales of frozen fish and lobster increased by 63.3% and 26.4%, respectively, closing with totals of US\$61.2 million and US\$50.7 million.

Foreign sales of semimanufactured goods came to US\$8.5 billion, for growth of 6.5% in the year with a decline of 6.9% in the volume of these operations and an increase

Graph 5.7
Quarterly price and quantum indices of Brazilian exports

Average of 1996 = 100



Source: Funcex

of 14.4% under prices. The reduction in volume was mostly due to the peculiarities of the sugar and soybean oil markets and to growth in internal demand for various types of goods.

Table 5.9 - Exports - FOB - main semimanufactured goods

% change 2000/1999

Products	Value	Price ^{1/}	Weight ^{2/}
Chemical wood pulp	28.8	33.1	-3.2
Iron or nonalloy steel semifinished products	24.1	27.4	-2.6
Aluminum, unwrought	9.5	17.2	-6.5
Cane sugar, raw	-34.5	18.0	-44.5
Hides and skins	27.2	25.9	1.0
Wood, sawn or chipped lengthwise	4.5	-8.5	14.1
Iron alloys	11.8	-10.8	25.4
Pig iron and spiegeleisen	38.4	10.1	25.7
Gold, nonmonetary in semimanufactured forms	7.9	-	6.5
Soybean oil, crude	-46.9	-24.3	-29.8
Aluminum alloys, unwrought	27.9	15.0	11.2
Synthetic rubber and artificial rubber	13.7	21.2	-6.2
Nickel cathodes	43.2	56.1	-8.3
Cocoa butter, fat or oil	-2.4	-29.1	37.8
Nickel mattes	38.7	61.5	-14.1
Wood sheets	-9.5	17.9	-23.2
Vegetable waxes	3.5	16.4	-11.0
Tin, unwrought	14.4	-1.0	15.5
Zinc, unwrought	0.4	8.3	-7.3
Copper cathodes	-21.8	23.0	-36.5

Source: MDIC/Secex

1/ In US\$/kg.

2/ In kg.

Reduced exports of raw sugar reflected the severe drought that hit the central-west region of the country, which accounts for 90% of the nation's sugar production. The results in that region of the country generated a 20% cutback in the nation's overall output of sugarcane. Parallel to this factor, one should also cite internal market growth in sales of sugar and alcohol, since prices were more attractive than on the foreign market. The result of this preference was a 44.5% drop in the quantity of sugar shipped abroad. The world market showed sign of shortages, leading to a price increase of 18% which, albeit substantial, was still insufficient to avoid a 34.5% drop in revenues, which closed at US\$761 million. With regard to exports of crude soybean oil, the final total came to US\$300 million for a reduction of 46.9% in comparison to those of 1999 and was strongly impacted by both lesser demand in the Chinese market and a strong falloff in prices.

Other important semimanufactured products classified as intermediate goods registered sharp price growth and slight declines in the volume of exports. Foreign of chemical wood pulp (cellulose), the major semimanufactured product on the list of Brazilian exports, came to a total of US\$1.6 billion, representing growth of 28.8% in the year. Foreign sales of semimanufactured iron or nonalloy steel semifinished products expanded by 24.1% and closed at US\$1.4 billion, while those of unwrought aluminum increased by 9.5% to US\$946 million, and sales of synthetic or artificial rubber came to 13.7%, rising to a total of US\$114 million.

Exports of hides and skins registered increases in both quantity and prices and closed at US\$756 million, equivalent to growth of 27.2%. Exports of pig iron and *spiegeleisen* registered growth in both quantity and prices, closing with a final total of US\$446 million and 38.4% expansion in the year under analysis. Sales of unwrought aluminum alloys came to US\$236 million for growth of 27.9% and sales of gold in semimanufactured form ended the period at US\$375 million, for an increase of 7.9%.

One should note that, among the major semimanufactured products, those that registered the strongest price reductions and quantity increases were sawn wood and iron alloys, which closed with total sales of US\$520 million and US\$456 million, respectively. The volumes exported rose by 14.1% and 25.4% and prices declined by 8.5% and 10.8%, for revenue growth of 4.5% and 11.8%, in the same order.

Foreign sales of manufactured products represented 59% of total foreign sales, compared to 57% in 1999, with a final total of US\$32.5 billion. This total was 19% higher than in 1999, and reflected growth of 17.1% in volume exported and 1.7% in prices. The performance of this category, the component most responsible for export growth in the year, was a consequence of international economic expansion and improvement in the nation's competitive position as a result of the January 1999 exchange devaluation and an ongoing process of technological modernization at the company level.

One of the fundamental differences between exports of basic and semimanufactured goods and those involving manufactured products is that the first two sectors are highly concentrated in relatively few products. In each of these sectors, just ten products account for about 88% of overall exports, while sales of manufactured goods are marked by a significantly higher degree of dispersion: the ten major manufactured goods account for just 42% of overall value, while such nontraditional products, such as aircraft and computers, are playing an increasingly important role in this area.

Foreign market sales of airplanes increased by 72.4% and closed at US\$3.1 billion and are now the leading Brazilian export product. One should underscore the fact that this was achieved despite the alterations introduced into Proex as a consequence

Table 5.10 - Exports - FOB - main manufactured goods

% change 2000/1999

Products	Value	Price ^{1/}	Weight ^{2/}
Airplanes	72.4	10.6	55.9
Passenger motor vehicles	55.3	6.0	46.6
Transmission and reception apparatus, and components	115.2	47.6	45.8
Footwear, parts and components	20.5	0.7	19.6
Parts and accessories for moto cars and tractors	-1.9	-3.1	1.3
Passenger motor vehicles engines and parts thereof	2.0	-0.6	2.7
Orange juice	-17.5	-21.3	4.8
Iron or nonalloy steel flat-rolled products	7.9	23.0	-12.3
Pumps, compressors, fans and others	6.8	-5.7	13.3
Motor vehicles for the transport of goods	11.2	-7.4	20.1
Pneumatic rubber tires	2.7	-6.9	10.2
Paper and paperboard used for writing, printing etc.	-3.5	17.3	-17.7
Furniture and parts thereof, except for medical-surgical use	27.0	-4.5	32.9
Polymer of ethylene, propylene and styrene	48.0	15.4	28.3
Cane sugar, refined	-41.5	15.8	-49.5
Gasoline	113.2	63.6	30.4
Electric motors, generators and transformers; parts thereof	21.2	-6.2	29.2
Hydrocarbons and their halogenated, derivatives	43.5	53.1	-6.3
Plywood and similar laminated wood	8.3	-12.0	23.0
Chassis fitted with engines and bodies for motor vehicles	69.2	2.8	64.6
Automatic data processing machines and devices thereof	7.8	-30.2	54.5
Gears and gearing; ball screws; gear boxes, etc; parts thereof	19.2	3.3	15.4
Civil engineering and contractors' plant and equipment	-3.6	-4.5	0.9
Fuel oils	54.4	104.5	-24.5
Prepared meals of the meat of bovine animals	-20.8	-11.5	-10.6
Aluminum and aluminum alloys, worked	51.1	7.4	40.8
Iron and steel bars and rods	4.5	5.2	-0.7
Aluminum oxide and aluminum hydroxide	29.2	12.2	15.1
Nitrogen-function compounds	0.7	-6.7	8.0
Linens for the bed, table, toilet and kitchen	10.7	-11.0	24.5
Instant coffee	-4.5	-7.8	3.6

Source: MDIC/Secex

1/ In US\$/kg.

2/ In kg.

of WTO arbitration of the dispute between Embraer, the Brazilian aircraft manufacturer and exporter, and Bombardier of Canada, the major international competitor of the Brazilian corporation. In this regard, Banco Central issued Resolution 2,667, dated 11.19.1999, effectively revising the Proex system in the area of interest rate equalization. With this alteration, Banco Central defined the United States Treasury ten year bond rate plus a spread of 0.2% per year as the reference rate to be used in equalizing interest in aircraft export financing operations. Circular Letter 2,881 was issued on the same date and reduced the equalization limits applicable to all of

the different financing maturities. In April 2000, a report delivered by the WTO to the two countries classified the Proex international reference rate below market rates. As a result, Banco Central issued Resolution 2,799, dated 12.6.2000, designating the CIRR, the minimum reference rate for commercial interest applied by the OECD, to be used as the interest equalization rate. This measure did not apply to contracts involving 671 units to be delivered by 2010 since these contracts were formalized prior to November 1999. This measure attenuated the possible negative impacts of these adjustments on exports in 2000.

Foreign sales of other goods related to the transportation industry also turned in strong growth in the year, particularly in volume terms. Exports of passenger cars benefited from sectoral agreements with Mercosul member countries and Mexico and rose by 55.3% to a level of US\$1.8 billion. Approximately 54% of foreign sales of passenger cars are channeled to Mercosul, principally Argentina, and Mexico, the largest importer of Brazilian automobiles in 2000. Newly inaugurated assembly plants raised the participation of passenger cars in total exports from eleventh position to number four in the ranking of the nation's major export items, generating revenues that surpassed those of such traditional products as soy meal, footwear and coffee. The number of cargo vehicles exported also increased in the period, though prices did decline. The final result under this heading was an increase of 11.2% in revenues, which came to US\$696 million. Exports of chassis fitted with engines already mounted and automobile bodies increased by 69.2% and closed at US\$365 million.

Though they turned in a less favorable performance, exports of automotive industry components have assumed an important position in the wake of rising vehicle sales. In this context, foreign sales of parts and accessories for moto cars and tractors registered a decline of 1.9% to US\$1.2 billion, principally due to declining prices. One should note that sales of passenger moto vehicles engines and parts thereof increased by 2% and closed at US\$1.1 billion. Sales of pneumatic rubber tires came to a total of US\$525 million, for an increase of 2.7% in the year.

Exports of transmission and reception apparatus and components expanded by 115% and closed at US\$1.6 billion. This result was based on 45.8% growth in volume and 47.6% in prices. For the most part, the expansion registered in this segment was generated by the dissemination of cell telephone services both in terms of domestic consumption and reexport operations.

Among products with greater aggregate value, foreign sales in the segments of pumps, compressors, fans and others, as well as electric motors, generators and transformers, and parts thereof, all of which are items traditionally exported by the country, came to levels of US\$725 million and US\$377 million for growth figures of 6.8% and 21.2%, respectively.

Among manufactured goods of lesser aggregate value, one should emphasize foreign sales of footwear, which totaled US\$1.6 billion, for expansion of 20.5%; rolled iron or steel, with US\$859 million, and growth of 7.9%, principally as a consequence of price increases; paper and paperboard, with growth of US\$518 million, a reduction of 3.5%, principally as a result of a cutbacks in quantity; furniture, with a total of US\$488 million, or 27% more than in 1999; and polymers, with a total of US\$447 million and expansion of 48% in the year.

The major manufactured products derived from simple transformation of crop/livestock goods in general registered a price decline, following the trend of crop/livestock commodities. Exports of frozen orange juice came to US\$1 billion or 17.5% less than in 1999; sales of refined sugar closed with US\$438 million, reflecting a reduction of 41.5%, despite a 15.8% increase in prices; prepared meals of the meat of bovine animals ended the period at US\$252 million, for a reduction of 20.8%; and instant coffee sales ended at US\$202 million, a cutback of 4.5% in the year.

One should also emphasize special operations which added up to US\$1.5 billion, with growth of 71.6% in comparison to 1999. For the most part, this was due to reexports of aircraft in the amount of US\$371 million when their lease contracts expired in 2000, and the effect of petroleum price increases on the supply of fuels to ships and aircraft, resulting in an increase of 33.7% in on-board consumption, which closed at US\$1 billion.

With respect to major markets for Brazilian goods, exports increased to the Latin American Integration Association (Laia), particularly in the cases of basic products (16.5%) and manufactured goods (23.4%), while sales of semimanufactured goods expanded by 3.7%. The strongest increase occurred under sales to countries outside Mercosul, particularly Mexico, Chile and Venezuela. In the case of Mexico, this growth was due to the automotive sector agreement formalized on 5.29.2000. According to the terms of this instrument, foreign sales of passenger cars, engines for automotive vehicles, auto parts, cargo vehicles and chassis/engine combinations and automobile bodies, which accounted for 37% of exports to Mexico in 1999, raised their participation to a level of 52% in 2000, with growth of 124% in revenues, totaling US\$889 million. In overall terms, exports to Mexico added up to US\$1.7 billion, 60.2% more than in 1999. In the case of Chile, total foreign sales increased by 39.1% and came to a level of US\$1.2 billion. Though with lesser concentration than occurred in operations with Mexico, the major products here were also passenger vehicles, cargo vehicles and chassis/engine combinations and automobile bodies, which produced overall revenues of US\$222 million or 17.8% of the total, compared to 13.8% in 1999.

Insofar as the Mercosul countries are concerned, foreign sales of manufactured goods added up to US\$7.1 billion, with growth of 15.7%, while exports of basic

products ended at US\$453 million, for growth of 4% and those involving semimanufactured products dropped by 6.5% to a level of US\$193 million. A breakdown according to export markets indicates that Argentina acquired goods worth US\$6.2 billion, for growth of 16.2% in the year. Products turned out by the automotive sector, such as passenger cars, auto parts, cargo vehicles and engines for automotive vehicles registered a reduction in participation in sales to Argentina from 21.7% in 1999 to 18.9% in 2000, adding up to a total of US\$1.2 billion. Despite this result, one should note that sales of passenger cars increased by 23.6% to a level of US\$422 million. One should also emphasize that sales of transmission and reception apparatus totaled US\$531 million and growth of 203%, accounting for 69.7% of the total. For the most part, these operations involved sales of cell telephones, which accounted for a full 69.7% of the item. Sales of computers ended at US\$192 million, for growth of 25.1%.

Paraguay increased its acquisitions of Brazilian products by 11.8% to a total of US\$832 million. The overall listing of exports to that country was quite varied as the ten major items accounted for approximately one fourth of the total exported. Here, one should stress sales of tires, pesticides and agricultural equipment, footwear, beverages and products turned out by the paper and home appliance industries. Exports to Uruguay dropped slightly (0.2%) and closed at US\$669 million. These sales were also quite diversified, as the ten major products accounted for 26.9% of the total. The most significant items were furniture, polymers, maté, passenger cars, cargo vehicles, auto parts, footwear and home appliances.

Exports to the United States, including Puerto Rico, came to a total of US\$13.4 billion, for growth of 23.2%, ratifying the position of that country as the major market for Brazilian goods. Sales of manufactured products ended at US\$9.7 billion for growth of 27.2% in relation to 1999, accounting for 72.7% of total sales to the USA. Here, one should mention operations involving aircraft, with sales of US\$1.7 billion and growth of 46.7%, accounting for more than half of aircraft sale during the course of the year; footwear, with US\$1.1 billion and growth of 22.9%, reflecting a full 67% of exports of these goods; transmission/reception equipment, with a total of US\$662 million and growth of 87.7%, a segment in which cell telephones accounted for approximately 35%. Foreign sales of semimanufactured products came to a total of US\$2.4 billion for growth of 17.2%, of which US\$548 million were concentrated in iron or steel semimanufactured products, with growth of 6.5%. These operations were followed by sales of cellulose, with a total of US\$428 million and growth of 30.8%, and pig iron and *spiegeleisen*, with a total of US\$364 million and growth of 44.6%. Foreign sales of basic products dropped by 13.7%, coming to a total of US\$937 million, principally as a result of a reduction of 53.5% in exports of unprocessed coffee beans, which dropped to US\$218 million and reduced their participation in total sales of basic goods to the USA from 43.2% in 1999 to 23.3% in 2000. Exports of tobacco in leaf dropped by 7.8%, adding up to US\$121 million.

Table 5.11 - Exports by aggregate factor and by regions - FOB

US\$ million

Product	1999		2000		
	Value	Value	Change from 1999 (%)	Share (%)	
				Total	Blocs
Total	48 011	55 086	14.7	100.0	-
Basic	11 828	12 562	6.2	22.8	-
Semimanufactured	7 982	8 499	6.5	15.4	-
Manufactured	27 330	32 528	19.0	59.1	-
Special transactions	872	1 497	71.6	2.7	-
Laia	10 560	12 902	22.2	23.4	100.0
Basic	665	775	16.5	1.4	6.0
Semimanufactured	354	367	3.7	0.7	2.8
Manufactured	9 501	11 726	23.4	21.3	90.9
Special transactions	40	34	-15.3	0.1	0.3
Mercosul	6 778	7 733	14.1	14.0	100.0
Basic	435	453	4.0	0.8	5.9
Semimanufactured	206	193	-6.5	0.4	2.5
Manufactured	6 106	7 066	15.7	12.8	91.4
Special transactions	31	22	-28.6	0.0	0.3
USA	10 849	13 366	23.2	24.3	100.0
Basic	1 086	937	-13.7	1.7	7.0
Semimanufactured	2 088	2 447	17.2	4.4	18.3
Manufactured	7 635	9 714	27.2	17.6	72.7
Special transactions	41	268	559.3	0.5	2.0
European Union	13 736	14 784	7.6	26.8	100.0
Basic	6 112	6 277	2.7	11.4	42.5
Semimanufactured	1 986	2 552	28.5	4.6	17.3
Manufactured	5 580	5 897	5.7	10.7	39.9
Special transactions	59	58	-1.2	0.1	0.4
Asia	5 732	6 324	10.3	11.5	100.0
Basic	2 313	2 681	15.9	4.9	42.4
Semimanufactured	1 915	1 892	-1.2	3.4	29.9
Manufactured	1 497	1 581	5.6	2.9	25.0
Special transactions	7	170	2511.5	0.3	2.7
Others	7 134	7 710	8.1	14.0	100.0
Basic	1 652	1 892	14.5	3.4	24.5
Semimanufactured	1 639	1 242	-24.2	2.3	16.1
Manufactured	3 117	3 610	15.8	6.6	46.8
Special transactions	726	967	33.1	1.8	12.5

Source: MDIC/Secex

The European Union (EU) acquired US\$14.8 billion in Brazilian products or 7.6% more than in the preceding year. The European bloc was the major buyer of Brazilian primary and semimanufactured goods, absorbing 50% and 30% of total Brazilian sales under these two headings. The performance registered under sales of basic goods in the period was no more than modest, however, with an increase of just 2.7% and a drop in the level of overall participation from 51.7% in 1999 to 50% in 2000, while the participation of semimanufactured goods increased from 24.9% to 30% in the same period, registering growth of 28.5% in relation to 2000. Purchases of manufactured products by the bloc expanded by 5.7% in the year, but declined in overall participation from 20.4% in 1999 to 18.1% in 2000, closing with a total of US\$5.9 billion.

Of total sales to the European bloc, the Netherlands accounted for the highest percentage with 18.9%, with purchase totaling US\$2.8 billion and growth of 7.8% in the year. Foreign sales of soybeans and soy meal added up to respective levels of US\$657 million and US\$411 million, with growth of 20.8% and 8.7%, respectively. This result was followed by frozen orange juice, with US\$348 million and a reduction of 19.6%, unwrought aluminum, with a total of US\$238 million and growth of 123%. Taken together, these items accounted for 59% of exports channeled to that country.

Germany was the second largest market in the European bloc, with US\$2.5 billion and a reduction of 0.7% in relation to 1999. Among the major export products, the most important registered under basic goods were iron ore, with a total of US\$429 million and growth of 21.7%; unprocessed coffee beans, with US\$268 million, making Germany the largest importer of this product, despite a drop of 39.9%; soybeans, with US\$201 million and expansion of 29.4%; and tobacco in leaf, with a total of US\$117 million, for a decline of 18.9%. Among semimanufactured products, one should mention sales of cellulose, with US\$83.5 million and growth of 23.7% while, in the case of manufactured products, the leading product was that of automobile engines with a total of US\$144 million and growth of 14.4% when compared to 1999.

Exports to Italy came to US\$2.1 billion for growth of 16.3% in the year. A breakdown of basic goods shows that the most important items were iron ore (US\$240 million), unprocessed coffee beans (US\$174 million) and soybeans (US\$85 million) which, taken together, represented 23.2% of the total targeted to the country. The most important items were hides and skins with US\$305 million and cellulose with US\$127 million, reflecting participation of 20.1% of the total. Among manufactured products, the most important were products generated by the transportation industry, particularly passenger cars, with US\$192 million, cargo vehicles, US\$145 million, and aircraft, US\$108 million, representing an overall participation level of 20.7%.

Exports to Belgium-Luxembourg came to US\$1.9 billion, for growth of 2.7%, with particularly strong performances under orange juice (US\$314 million) and cellulose

(US\$292 million). Foreign sales to France added up to US\$1.7 billion for growth of 44.3%, the highest rate of expansion among all European bloc countries. The two major items here were soy meal with US\$413 million and aircraft with US\$369 million. Sales to the United Kingdom came to US\$1.5 billion or 4.3% more than in 1999, principally involving aircraft (US\$217 million), footwear (US\$111 million) and cellulose (US\$109 million).

Exports to Asia, including operations with Indonesia, came to a total of US\$6.3 billion, reflecting 11.9% of the total and growth of 10.3% in the year. The region acquired basic products totaling US\$2.7 billion, for growth of 15.9%, and semimanufactured products worth US\$1.9 billion, for a reduction of 1.2% in the year. Exports of manufactured products totaled US\$1.6 billion for an increase of 5.6% in the year under analysis.

The major market for Brazilian products in the region was Japan, with 39.1% of the total or US\$2.5 billion. Of this amount, which was 12.8% greater than in 1999, the most important basic products were iron ore, with US\$456 million and growth of 7.6%; unprocessed coffee beans, with US\$154 million and a reduction of 16%, chicken meat with a total of US\$119 million and a cutback of 24.3%; and soybeans, with US\$103 million and growth of 60.1%, in comparison to 1999. Of total exports to Japan, these products accounted for 33.6%. The major semimanufactured products were unwrought aluminum, with US\$358 million and growth of 0.2% in comparison to 1999; cellulose with US\$197 million, for growth of 24.8%; and iron-alloys, with a total of US\$110 million, for a reduction of 5.1%. Taken together, these products accounted for 26.9% of total sales to the Japanese market. Among manufactured goods, foreign sales of orange juice came to US\$70 million, while sales of transmission and reception apparatus totaled US\$56 million, of which 76.8% referred to components for these apparatus.

Foreign sales to China increased by 60.5%, particularly as a result of the 203% increase in sales of soybeans, which came to a total of US\$337 million, accounting for approximately one third of total sales to that country. This growth was due to initial operation of soybean crushing industries in China, a fact that resulted in a cutback in Chinese imports of soy meal and oil. Exports of iron ore added up to US\$271 million, for growth of 12.4% and, coupled with sales of soybeans, accounted for 56.1% of total sales to that country. One should further note sales of cellulose, with US\$54 million, tobacco in leaf, with US\$50 million, and aircraft, with US\$37 million.

Insofar as imports are concerned, a breakdown by categories of usage and final destination demonstrates that the 13% growth registered in the volume of imports was fundamentally due to growth in foreign purchases of raw materials and intermediate goods, which registered a volume increase of 24.5%. In contrast to this

performance, imports under capital goods, consumer durables and nondurables registered only moderate expansion of 3.1%, 5.5% and 1%, respectively, despite the fact that these headings turned in sharp reductions in 1999. Downward movement in the volume of fuels and lubricants imported continued as these operations closed with a reduction of 8.4% due to growth in domestic output which has gradually been supplanting the imported product.

Insofar as prices are concerned, fuels and lubricants turned in growth of 73.4%, demonstrating the strong growth that occurred in 2000 under petroleum prices. Among the price declines that occurred under other categories, one should underscore the performances of nondurable consumer goods, with a drop of 10.6%, followed by capital goods (7.1%), raw materials and intermediate products (6.4%) and consumer durables (5.3%). When one considers overall imports, the variation in prices came to 0.2%.

Table 5.12 - Import price and quantum indices

% change over the same period of the previous year

Itemization	1999		2000	
	Price	Quantum	Price	Quantum
Total	0.5	-15.0	0.2	13.0
Capital goods	1.2	-20.0	-7.1	3.1
Intermediate goods	-1.6	-8.4	-6.4	24.5
Durable consumer goods	-2.3	-49.7	-5.3	5.5
Nondurable consumer goods	-4.6	-22.6	-10.6	1.0
Fuels and lubricants	20.6	-7.5	73.4	-8.4

Source: Funcex

Table 5.13 - Imports - FOB

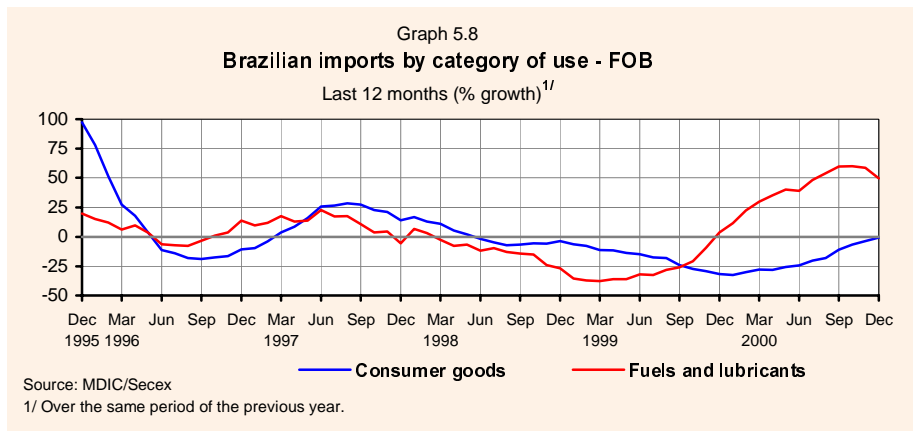
US\$ million

Itemization	1996	1997	1998	1999	2000
Total	53 346	59 742	57 743	49 272	55 783
Capital goods	12 918	16 106	16 102	13 568	13 591
Raw materials	24 742	26 903	26 812	24 101	28 524
Consumer goods	9 758	11 137	10 723	7 345	7 307
Durable	4 586	5 652	5 253	3 171	3 375
Nondurable	5 172	5 486	5 470	4 174	3 932
Fuels and lubricants	5 929	5 597	4 106	4 258	6 362

Source: MDIC/Secex

The value of consumer and capital goods imports registered relatively little variation in relation to the 1999 result, a year in which value had dropped below average as a consequence of exchange devaluation. In this context, imports of consumer goods came to US\$7.3 billion, for a reduction of 0.5% in relation to 1999 and 30.7% when compared to the average for the period from 1996 to 1998, while foreign market purchases of capital goods came to US\$13.6 billion, for growth of 0.2% and a reduction of 9.6%, utilizing the same bases of comparison. Imports of raw materials and intermediate products, on the other hand, increased by 18.4% in relation to 1999, and closed at a level of US\$28.5 billion, mirroring growth of 9.1% when compared to the 1996-1998 average.

Among consumer products, imports of nondurables totaled US\$3.9 billion for a reduction of 5.8% in the year. However, purchases of consumer durables registered growth of 6.4% and a total of US\$3.4 billion. These products are more sensitive to exchange variations due to the fact that it is more difficult to substitute these goods. Imports of consumer durables in 1999 declined by 38.6% in relation to the 1996-1998 average, while foreign purchases of nondurables dropped by 22.4%.



Among nondurable products, the most important were imports of foodstuffs, principally dairy products, which came to a level of US\$1.5 billion, for a decline of 9% in the year, followed by purchases of pharmaceutical goods, with US\$1.1 billion and a decline of 5.5% of which medicines administered in doses accounted for a full 81.5%. Among consumer durables, imports of passenger motor vehicles closed at US\$1.2 billion or 0.2% less than in 1999. This performance was generated basically by the fact that Brazil had formalized bilateral agreements with such countries as Argentina, the point of origin of 49.4% of the automobiles imported by the country in 2000, and Mexico, which moved from a total of US\$3 million in 1999 to US\$17.2 million in 2000. Parallel to these results, imports of items for personal use or adornment totaled US\$696 million, while purchases of machines and appliances for household use came to US\$550 million, with growth of 29.8% due mostly to imports

of cell telephone apparatuses and components, and parts and spares for durable consumer goods, with US\$503 million.

Imports of capital goods have followed a gradual upward trend in recent months, mostly as a result of the combination of enhanced internal economic stability and solidly based exchange rules. The volume of imports of capital goods decreased in

Table 5.14 - Imports - FOB - main products

% change 2000/1999

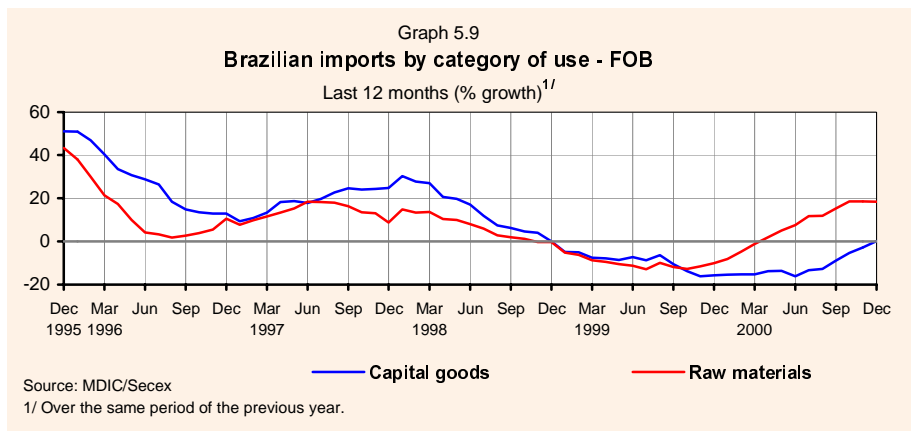
Products	Value	Price ^{1/}	Weight ^{2/}
Capital goods			
Industrial machinery	-18.7	15.4	-29.5
Other fixed equipments	14.5	-3.4	18.5
Machines and apparatuses for office and scientific destination	15.4	-1.0	16.6
Capital good parts and components	11.2	-11.9	26.2
Transportation movable equipment	-4.6	-5.9	1.4
Industrial machinery accessories	12.3	-3.0	15.8
Intermediate products and raw material			
Chemical and pharmaceutical products	8.2	-11.9	22.8
Mineral products	32.2	24.4	6.3
Intermediate products - parts	43.2	-7.2	54.3
Accessories for transport equipment	10.0	-10.5	22.9
Inedible farm products	13.4	-1.9	15.6
Foodstuffs	-5.6	-9.7	4.5
Nondurable consumer goods			
Foodstuffs	-9.0	7.9	-15.7
Pharmaceutical products	-5.5	-13.0	8.6
Other nondurable consumer goods	0.3	-3.1	3.5
Perfumery, cosmetics, or toilet preparations	4.9	2.1	2.7
Apparel and other textiles clothing	-14.9	-2.1	-13.0
Tobacco and beverage	-6.9	-21.3	18.3
Durable consumer goods			
Passenger motor vehicles	-0.2	-5.9	6.0
Articles for personal use or adornment	6.3	0.6	5.6
Machines and appliances for household use	29.8	-3.4	34.5
Durable consumer goods parts	-0.5	-10.6	11.3
Furniture and other household equipment	12.6	6.3	5.9
Household articles	12.3	0.5	11.7
Fuels and lubricants			
Fuels	49.8	51.6	-1.2
Lubricants	29.3	-4.1	34.8

Source: MDIC/Secex

1/ In US\$/kg.

2/ In kg.

1998 as a result of uncertainties surrounding economic performance in the wake of the 1997 Asian crisis and the additional 3% charge on Mercosul TEC rates in the same year. However, signs of an increase became evident in the second half of 2000. Consequently, the quantum index for capital goods imports expanded from 47.6 in 1994 to 125.1 in 1997, for an average increase of 34.5% per year in the period according to the Foreign Trade Study Center Foundation (Funcex) calculations. In 1998, the quantum index dropped back to 121.5 and in 1999 slipped to 97.2. In 2000, the index turned upward once more and moved from an average of 89.3 in the first quarter to 109.7 in the final quarter of the year, for growth of 22.8%. Part of this growth can be attributed to the behavior of prices. In this case, the 1994 average index of 111.4 dropped in the period between 1995 and 1999 to a level between 101.4 and 99.5 and stabilized at that point, before declining to 93.9 in 2000.

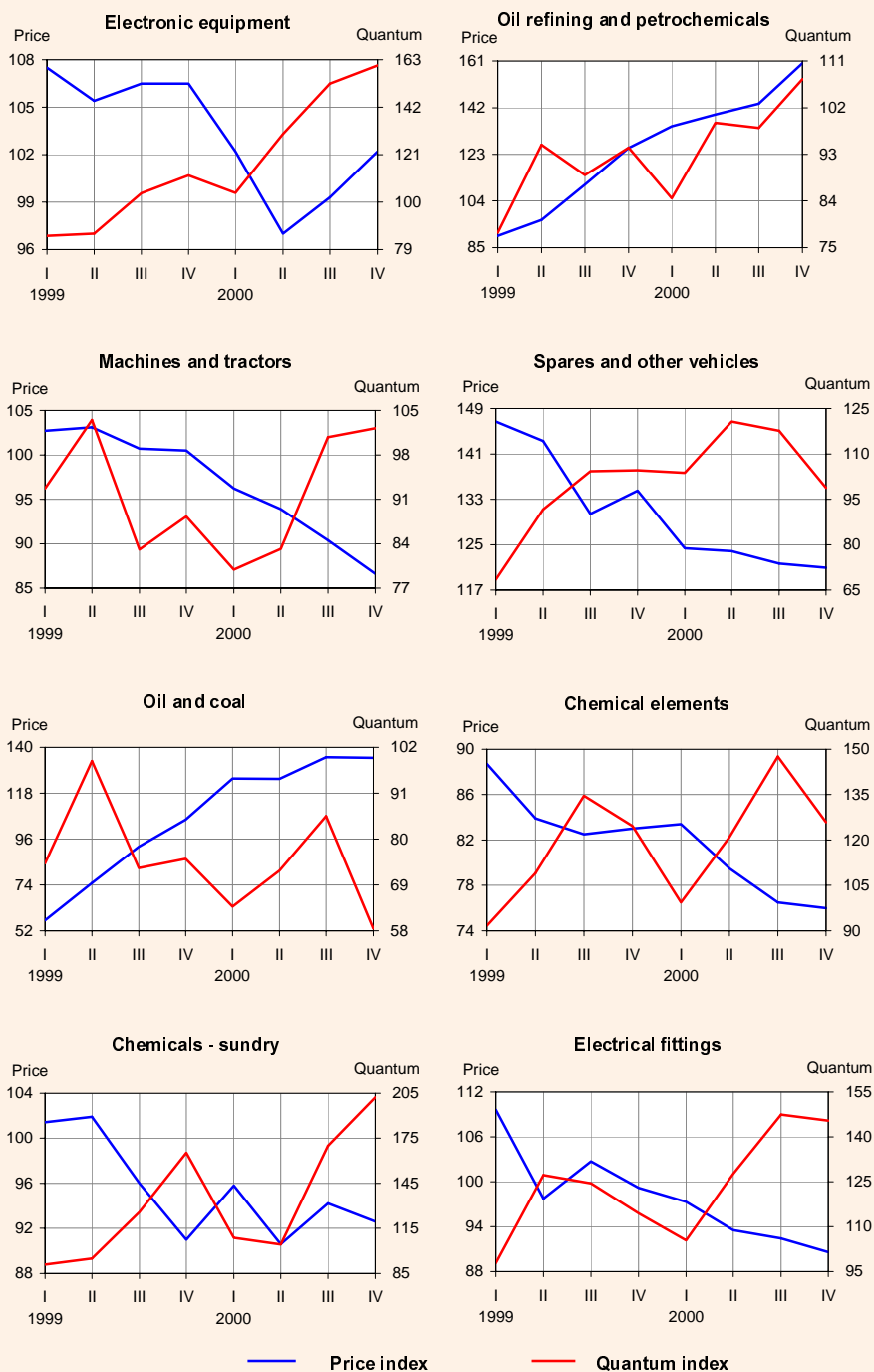


In value terms, the most significant growth in the segment's imports occurred under other capital goods, composed mostly of such other fixed equipments as electric apparatuses and telephone transmitters, with a high of 14.5% and a total of US\$2.9 billion; apparatuses for office and scientific destination, with an increase of 15.4% and a total balance of US\$2.5 billion, of which 40.7% refer to computers; and parts and components for industrial capital goods, which registered growth of 11.1% and a balance of US\$1.6 billion, concentrated also in electric apparatuses for use in telephone systems (28.9%).

Consequently, the recovery in acquisitions of capital goods in 2000 was mostly concentrated in the sector of telephone communications which, in turn, gained considerably greater momentum as a result of privatizations and the technological advances being implemented in the nation's cell telephone services.

Imports of industrial machinery, the major item among the nation's capital goods imports, dropped by 18.7% to a level of US\$3.9 billion. This heading, taken together with imports of transportation movable equipment, which registered a drop of 4.6%

Graph 5.10
Quarterly price and quantum indices of Brazilian imports
 Average of 1996 = 100



Source: Funcex

to a level of US\$1.3 billion, offset growth in imports of equipment in the areas of telephone communications and informatics. However, one should highlight the fact that purchases of industrial machinery toward the end of the year had begun registering strong marginal growth and were clearly moving toward recovery of the high levels that had marked 1997.

Imports of raw materials and intermediate products were influenced by growth in the manufacturing industry, particularly in such areas as aircraft, automobiles and home appliances and other sectors oriented to the export market. Here, one should underline the importance of imports of parts and spares classified under intermediate products, such as integrated circuits and microelectronic devices, with growth of 43.2% and a total of US\$4.9 billion; mineral products, mostly including naphthas, with an increase of 32.2% and a total of US\$4.9 billion; accessories for transportation equipment, principally parts and accessories for automotive vehicles and aircraft, which came to US\$4 billion with growth of 10%; fertilizers and other raw materials for the farm sector, which tend to keep pace with growth in the exported quantity of basic products, with a final figure of US\$1.6 billion and expansion of 31.4%; and chemical and pharmaceutical goods, particularly semi-elaborated goods, with US\$7.8 billion and growth of 8.2%. Imports of inedible farm products, including mostly paper and cellulose, cotton, hides and skins, registered expansion of 13.4%, rising to a level of US\$2.5 billion.

Among the principal raw materials and intermediate products that registered cutbacks in imported value, the most important were foodstuffs, principally wheat and derivatives, rice and soybeans and derivatives. Purchases of these goods came to US\$1.6 billion, for a reduction of 5.6% in the year, followed by building materials, with a less significant total of US\$390 million and a reduction of 9.6%.

Insofar as countries of origin are concerned, approximately 25% of overall imports originated in the EU, with a total of US\$14 billion, 6.5% less than in 1999. Of this total, 50.2% reflected raw materials and intermediate products, 34.7% mirrored capital goods and 13.6% represented consumer goods. The reduction in imports from the EU was mostly due to cutbacks in acquisitions of industrial machinery (27.1%).

Germany was the largest supplier of products to Brazil among EU members and third largest in world terms, surpassed only by the United States and Argentina. It should be stated that this performance was achieved despite a drop of 6.9% in Brazilian purchases when compared to 1999. The following positions were held by Italy (US\$2.2 billion) and France (US\$1.9 billion), reflecting drops of 16.5% and 5.2%, respectively, and the United Kingdom (US\$1.2 billion) and Spain (US\$1.1 billion), for increases of 0.9% and 2.4% in that order.

Table 5.15 - Imports by category of use and by region - FOB

US\$ million

Product	1999		2000		
	Value	Value	Change from 1999 (%)	Share (%)	
				Total	Blocs
Total	49 272	55 783	13.2	100.0	-
Capital goods	13 568	13 591	0.2	24.4	-
Raw material and intermediate goods	24 101	28 524	18.4	51.1	-
Nondurable consumer goods	4 174	3 932	-5.8	7.0	-
Durable consumer goods	3 171	3 375	6.4	6.0	-
Fuels and lubricants	4 258	6 362	49.4	11.4	-
Laia	9 460	11 660	23.3	20.9	100.0
Capital goods	806	961	19.2	1.7	8.2
Raw material and intermediate goods	4 898	5 732	17.0	10.3	49.2
Nondurable consumer goods	1 525	1 360	-10.9	2.4	11.7
Durable consumer goods	772	787	1.9	1.4	6.7
Fuels and lubricants	1 459	2 820	93.3	5.1	24.2
Mercosul	6 721	7 796	16.0	14.0	100.0
Capital goods	697	818	17.4	1.5	10.5
Raw material and intermediate goods	3 574	3 987	11.6	7.1	51.1
Nondurable consumer goods	1 189	1 042	-12.4	1.9	13.4
Durable consumer goods	726	716	-1.4	1.3	9.2
Fuels and lubricants	534	1 233	130.9	2.2	15.8
USA	11 880	13 002	9.4	23.3	100.0
Capital goods	4 001	4 307	7.6	7.7	33.1
Raw material and intermediate goods	6 318	7 222	14.3	12.9	55.5
Nondurable consumer goods	757	669	-11.6	1.2	5.1
Durable consumer goods	477	501	5.1	0.9	3.9
Fuels and lubricants	327	304	-7.0	0.5	2.3
European Union	15 022	14 048	-6.5	25.2	100.0
Capital goods	5 958	4 872	-18.2	8.7	34.7
Raw material and intermediate goods	6 890	7 050	2.3	12.6	50.2
Nondurable consumer goods	1 070	1 066	-0.3	1.9	7.6
Durable consumer goods	876	850	-3.0	1.5	6.0
Fuels and lubricants	229	210	-8.6	0.4	1.5
Asia	6 477	8 593	32.7	15.4	100.0
Capital goods	2 067	2 602	25.9	4.7	30.3
Raw material and intermediate goods	2 993	4 217	40.9	7.6	49.1
Nondurable consumer goods	393	393	-0.1	0.7	4.6
Durable consumer goods	942	1 085	15.2	1.9	12.6
Fuels and lubricants	82	296	261.4	0.5	3.4
Others	6 433	8 480	31.8	15.2	100.0
Capital goods	737	849	15.3	1.5	10.0
Raw material and intermediate goods	3 002	4 303	43.3	7.7	50.7
Nondurable consumer goods	429	444	3.6	0.8	5.2
Durable consumer goods	105	152	44.8	0.3	1.8
Fuels and lubricants	2 161	2 732	26.4	4.9	32.2

Source: MDIC/Secex

Imports from the United States including Puerto Rico came to a total of US\$13 billion or 9.4% more than in 1999. This result was generated mostly by growth in imports of raw materials and intermediate products, which accounted for 55.5% of the total, representing an increase of 14.3%. Among the major products, one should highlight chemical and pharmaceutical goods, parts and spares for intermediate products and transportation equipment accessories. Purchases of capital goods rose to a level of US\$4.3 billion or 33.1% of the total. This heading registered positive growth of 7.6%, principally as a result of increased imports of computers. Imports of consumer goods represented 9% of the total, with nondurable consumer goods closing at US\$669 million or 11.6% less than in 1999, particularly as a consequence of a 21.2% cutback in purchases of pharmaceutical goods. At the same time, purchases of consumer durables totaled US\$501 million, for an increase of 5.1% due to the high level of imports involving manufactured objects for personal adornment, which came to 38.3% of the total under this heading.

Imports from the Laia countries, including Venezuela, added up to US\$11.7 billion, with growth of 23.3% in relation to 1999. Of this total, 66.9% originated in Mercosul, corresponding to a total of US\$7.8 billion or 16% more than in 1999, with Argentina – the nation's second largest individual trading partner – contributing a total of US\$6.8 billion. Venezuela participated with US\$1.3 billion, Chile with US\$974 million and Mexico with US\$754 million. These countries, taken together with Argentina, accounted for 84.8% of the Laia total.

Of total imports from the Laia countries, US\$5.7 billion consisted of raw materials and intermediate goods and represented 20.1% of total Brazilian imports under these two categories. A breakdown of this total shows that Mercosul contributed 69.6%, concentrated principally under primary food products and semi-elaborated chemical and pharmaceutical goods.

Foreign purchases of fuels and lubricants increased as a consequence of the rise in world petroleum prices and closed at US\$2.8 billion, representing 44.3% of external supplies of these products. Mercosul participated with 43.7% of the Laia total, of which US\$1 billion was supplied by Argentina.

The region was also responsible for the supply of 29.4% of imports of consumer goods. Foreign purchases in the segment of nondurable consumer goods came to US\$1.4 billion or 34.6% of the total under this heading, with US\$1 billion originating in Mercosul. The major products in this grouping were foodstuffs, while imports of consumer durables closed at US\$787 million or 23.3% of the total. Automobiles were responsible for about 82% of this value and benefited from the automotive agreement formalized with Argentina which, in turn, accounted for US\$598 million or 76% of the total.

Capital goods from the Laia countries added up to US\$961 million or 7.1% of the total under this heading, of which 85.1% originated in the Mercosul countries. Here, the most important items were transportation movable equipment (US\$545 million), mostly involving cargo vehicles.

Imports from Asia added up to US\$8.6 billion, for growth of 32.7%, of which US\$3 billion originated in Japan, US\$1.4 billion in the Republic of South Korea and US\$1.2 billion in China, representing an overall total of 65.3% of purchases in that region of the world.

Raw materials and intermediate goods accounted for 49.1% of imports from the region, coming to a total of US\$4.2 billion, with growth of 40.9%. This expansion reflected the 67.8% growth in imports of parts and spares, which are classified as intermediate goods, particularly, electronic components, and came to a total of US\$1.9 billion. Capital goods represented 30.3% of overall imports, with a total of US\$2.6 billion and growth of 25.9%. The major factor here was growth in imports of apparatuses for office and scientific destination (43%) with a total of US\$594 million and parts for the industrial capital goods segment (31.8%), closing with a total of US\$255 million. Imports of industrial machinery came to US\$664 million or 2.7% more than in 1999.

Imports of consumer goods from the countries of Asia added up to US\$1.5 billion or 17.2% of the total. A breakdown of this figure shows US\$1.1 billion in durable goods, particularly appliances for household use, with US\$352 million and growth of 43%, followed by parts for consumer durables, which closed at a level practically equal to the 1999 mark of US\$223 million, and automobiles with a drop of 2.8% to a total of US\$157 million.

One should stress the negative impact of rising oil prices on trade with the Opec member countries. In this case, exports to those countries increased by 2.4% and closed at US\$2.3 billion, while imports spiraled by 33.1% from US\$3.7 billion in 1999 to US\$5 billion in 2000, raising the trade deficit with that bloc from US\$1.5 billion to US\$2.7 billion in the same period.

Trade exchanges

The US\$698 million trade deficit was strongly affected by petroleum imports, as is evident in the fact that Brazil closed with a US\$2.7 billion deficit in trade operations with the Opec member countries.

In the year, Brazil turned in a surplus of US\$1.2 billion in trade with the Laia nations, compared to US\$1.1 billion in the previous year, and registered growth in both exports and imports. Trade exchanges with the Mercosul countries ended the period with a deficit of US\$63 million due mostly to a negative result of US\$611 million with Argentina. Insofar as trade with the EU countries is concerned, the final figure was

Table 5.16 - Brazilian trade by region - FOB

US\$ million

Itemization	1999			2000		
	Exports	Imports	Balance	Exports	Imports	Balance
Total	48 011	49 276	-1 264	55 086	55 801	- 715
EFTA ^{1/}	389	967	- 578	756	1 040	- 284
Laia	10 560	9 460	1 100	12 902	11 662	1 240
Mercosul	6 778	6 721	57	7 733	7 797	- 63
Argentina	5 364	5 814	- 450	6 233	6 844	- 611
Paraguay	744	260	484	832	351	480
Uruguay	670	647	23	669	602	67
Chile	896	719	177	1 246	976	271
Mexico	1 068	618	450	1 711	754	957
Others	1 818	1 402	416	2 211	2 136	75
Canada	513	974	- 460	566	1 086	- 520
European Union	13 736	15 023	-1 287	14 784	14 056	728
Germany	2 544	4 749	-2 205	2 526	4 421	-1 895
Belgium/Luxembourg	1 817	493	1 324	1 867	571	1 296
Spain	1 169	1 179	- 10	1 008	1 119	- 110
France	1 200	1 990	- 790	1 732	1 886	- 155
Italy	1 845	2 598	- 753	2 146	2 171	- 25
Netherlands	2 594	595	1 999	2 796	698	2 098
United Kingdom	1 437	1 222	216	1 498	1 233	265
Others	1 129	2 197	-1 068	1 211	1 957	- 746
Central and Eastern Europe ^{2/}	1 175	704	471	972	1 162	- 189
Asia ^{3/}	5 732	6 476	- 744	6 324	8 597	-2 273
Japan	2 193	2 576	- 383	2 472	2 960	- 488
China	676	865	- 189	1 085	1 222	- 137
Korea, Republic of	628	1 019	- 392	581	1 430	- 849
Others	2 236	2 016	220	2 186	2 985	- 800
USA ^{4/}	10 849	11 882	-1 034	13 366	13 008	358
Others	5 057	3 790	1 267	5 416	5 190	226
Memo:						
Nafta	12 430	13 474	-1 044	15 643	14 848	795
Opec	2 269	3 746	-1 477	2 324	4 982	-2 658

Source: MDIC/Secex

1/ Iceland, Liechtenstein, Norway and Switzerland.

2/ Albania, Bulgaria, Hungary, Poland, Slovak Republic, Czech Republic, Romania and countries of the former Soviet Union.

3/ Excludes Middle East.

4/ Includes Puerto Rico.

a surplus of US\$728 million, compared to a deficit of US\$1.3 billion in 1999. A similar turnaround occurred in trade with the United States as the year closed with a surplus of US\$364 million, as against a 1999 deficit of US\$1 billion.

The increase in petroleum prices resulted in an expanded deficit with the Opec countries, moving from US\$1.5 billion in 1999 to US\$2.7 billion in 2000. Also in relation to the Asian countries, the deficit increased from US\$744 million in 1999 to US\$2.3 billion in 2000, reflecting growth of 10.3% under exports and 32.8% under imports.

Services

The service account registered a deficit of US\$25.7 billion in 2000. This result was quite close to the 1999 figure and reflected expansion of 16% in revenues and 4.6% in expenditures.

Net outlays on international travel expanded by 43.2% in relation to 1999. This growth is seen as a consequence of the strong downturn in exchange operations in 1999 when the nation's exchange system was totally revamped. Brazilian spending on foreign tourism added up to US\$3.6 billion, for an increase of 25.2%. while the spending of incoming tourism totaled US\$1.8 billion, for expansion of 10.9%. Business travel generated net spending of US\$167 million for growth of 27.9%.

Table 5.17 - Services

US\$ million

Itemization	1999			2000		
	Revenue	Expenditure	Balance	Revenue	Expenditure	Balance
Total	11 415	37 244	-25 829	13 256	38 962	-25 706
International travel	1 628	3 085	-1 457	1 807	3 893	-2 086
Tourism	1 594	2 877	-1 283	1 768	3 602	-1 834
Credit cards	878	1 891	-1 013	1 151	1 935	- 784
Other tourism services	716	986	- 270	617	1 667	-1 050
Others	35	209	- 174	39	291	- 252
Transport	1 141	4 212	-3 071	1 295	4 602	-3 308
Freight	367	1 484	-1 118	470	1 800	-1 330
Other	774	2 728	-1 953	824	2 802	-1 977
Insurance	165	293	- 128	312	316	- 4
Capital income	3 663	22 999	-19 336	3 419	22 097	-18 677
Interest	2 231	17 468	-15 237	2 454	17 542	-15 088
Profits and dividends	1 432	5 531	-4 099	965	4 555	-3 589
Governmental (n.i.e.)	318	816	- 498	537	1 086	- 550
Sundry	4 500	5 839	-1 339	5 886	6 967	-1 081

Spending by foreign business travelers to Brazil came to US\$30 million, an increase of US\$4 million, while Brazilian business travelers abroad spent US\$197 million, reflecting growth of US\$40 million. Net outlays by student travelers, which include support and remittances of tuition, came to a total of US\$73 million or more than double the 1999 figure and reflected an increase in spending from US\$37 million to US\$77 million. Net spending by government employees came to US\$9 million while outlays on health treatment closed at US\$3 million.

Net spending on transportation registered an increase of 7.7%, reflecting growth in the flow of trade and in travel abroad. Freight services resulted in net outlays of US\$1.3 billion for an increase of US\$212 million in relation to 1999. For the most part, this resulted from increased exports, which generated a revenue increase of US\$104 million, and larger imports, with an increase in outlays totaling US\$316 million. Expenditures on ship charters dropped by US\$74 million, with growth of US\$25

Table 5.18 - Income remitted abroad^{1/}

US\$ million

Itemization	1999			2000		
	Interest	Profits and dividends	Total	Interest	Profits and dividends	Total
Total	17 468	5 531	22 999	17 542	4 555	22 097
United States	7 404	2 766	10 170	8 464	1 584	10 048
Japan	2 902	121	3 023	2 840	133	2 973
United Kingdom	1 105	551	1 656	1 403	254	1 657
Cayman Islands	1 143	116	1 259	920	345	1 265
Netherlands	253	852	1 106	394	804	1 199
Germany	783	146	929	657	283	940
Bahamas	741	41	782	527	119	646
Belgium	609	12	621	399	27	427
France	289	218	506	241	243	483
Luxembourg	450	42	492	409	27	436
Switzerland	88	250	339	83	236	318
Italy	155	71	226	141	52	193
Panama	170	58	228	121	68	189
Portugal	265	20	284	82	21	103
Uruguay	144	25	169	133	73	206
Spain	232	16	248	52	25	78
Netherlands Antilles	129	60	189	89	8	97
Sweden	102	8	110	101	7	108
Canada	70	37	107	65	28	92
British Virgin Islands	21	15	36	30	55	86
Finland	9	30	39	8	60	69
Bermuda	35	8	43	31	24	55
Argentina	43	15	58	35	5	39
Barbados	43	0	43	44	0	44
Other	284	54	338	272	74	346

1/ Does not include production factor-related sundry services.

million in maritime charters and a reduction of US\$99 million in air transportation charters. The increase in the international tourist flow resulted in greater outlays on tickets, with revenues of US\$159 million, for an increase of US\$66 million and outlays of US\$654 million, reflecting an increase of US\$188 million. Other transportation outlays, which include port and airport fees, airport services, payments of fuels and other auxiliary transportation services, came to a total of US\$1.1 billion.

Capital earnings registered a reduction of US\$659 million in remittances abroad. Net payments of interest registered a drop of US\$149 million and net remittances of profits and dividends fell by US\$510 million.

The United States was the country to which the major share of these earnings was channeled, with a total of US\$10 billion or just under half of the total. Japan and the United Kingdom ended in second and third positions, with respective totals of US\$3 billion and US\$1.7 billion. One should also note the volume of profits and dividends remitted to the Netherlands (US\$804 million), making that nation the second largest beneficiary of income of this type remitted by Brazilians.

Interest outlays came to US\$17.5 billion and closed quite close to the 1999 result, registering an increase of just US\$74 million.

Table 5.19 - Interest payments^{1/}

Itemization	1999			2000		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	8 803	8 665	17 468	8 929	8 612	17 542
Loans	5 773	4 953	10 726	5 742	5 679	11 422
Debt securities	3 982	3 431	7 413	4 155	4 343	8 498
Bonds	1 764	1 458	3 221	1 988	2 198	4 185
Notes	2 051	1 805	3 856	2 032	1 978	4 009
Commercial papers	83	68	151	91	96	187
Other	84	101	185	45	71	116
Restructured debt	331	234	565	307	47	355
Other	1 460	1 288	2 748	1 280	1 289	2 569
Resolution 63	461	309	770	252	111	362
Loans to agricultural sector	127	89	215	52	18	70
Other	872	890	1 762	976	1 161	2 137
Financing	2 428	2 522	4 949	2 287	2 517	4 804
Import financing	1 331	1 499	2 831	1 338	1 499	2 837
Export financing	1 096	1 022	2 118	948	1 018	1 967
of which related to advance payments	577	558	1 134	488	483	971
Other	602	1 190	1 792	900	416	1 316
of which loans managed by						
Banco Central do Brasil	364	775	1 139	495	60	555

1/ Classified according to the modalities through which funds are raised.

Insofar as loans are concerned, interest payments in the form of securites came to US\$8.5 billion, compared to US\$7.4 billion in 1999. For the most part, this was due to payments involving bonds, which increased by 29.9% equivalent to US\$964 million. This growth was higher than the increase in bond liabilities, a performance that is justified by the payment characteristics of new bonds issued for purposes of either exchanges for restructured foreign debt securities or of obtaining new funding, with payment of larger volumes of interest during the validity of the bond and amortization of principal only at maturity. Aside from this, payments related to notes and commercial papers increased by 4% and 24.1%, respectively. Payments of the restructured foreign debt dropped by US\$211 million as a result of January 2001 payment of interest owed to the Paris Club and matured on December 31, 2000. This payment occurred in January because the final day of 2000 coincided with a holiday. Payments related to loans under the terms of Resolution 63 declined to US\$362 million or 47% of the total registered in 1999, while loans to the agroindustrial sector ended the period at US\$70 million.

Interest payments on the financing of goods and services added up to US\$4.8 billion, for a reduction of US\$145 million. Payments of import financing operations remained practically stable, while those involving export financing granted to residents of the country for goods and service diminished by US\$152 million and remittances for purposes of anticipated payment dropped by US\$163 million. Interest paid on other liabilities dropped by US\$476 million due mostly to reductions in remittances involving normalization loans.

Net remittances of profits and dividends dropped by 12.4% in relation to those effected in 1999. Profit and dividend revenues diminished by 32.6% due to the reduction in profit remittances to the country, which came to a total of just US\$458 million or approximately half the 1999 amount. Dividends and stock bonus revenues fell by 4.4% to US\$507 million.

Table 5.20 - Remittances of profits and dividends

US\$ million

Itemization	1999			2000		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	2 725	2 805	5 531	2 561	1 993	4 554
Dividends and bonuses	553	779	1 332	937	492	1 429
Stocks	193	319	511	265	71	336
Appendices I to V (Resolution 1,289)	336	446	782	498	259	757
Other ^{1/}	25	14	38	174	161	336
Profits	2 172	2 027	4 199	1 624	1 502	3 125

1/ Includes capital earnings.

Table 5.21 - Sundry services

US\$ million

Itemization	1999			2000		
	Credit	Debit	Total	Credit	Debit	Total
Total	4 500	5 839	-1 339	5 886	6 967	-1 081
Related to production factors	4 130	5 274	-1 145	5 411	6 281	- 870
Equipment rental	6	605	- 599	172	1 401	-1 229
Rental of motion pictures	0	87	- 87	0	76	- 76
Rental of tapes and records	0	19	- 19	0	20	- 19
Rental of real-estate	6	4	3	6	4	2
Contractual commissions	348	338	10	423	389	34
Brokerage	1	4	- 3	3	3	- 1
Administrative services	1 304	428	876	1 506	358	1 147
Copyright	31	194	- 163	12	184	- 172
Assignment rights of professional athletes	94	33	61	130	23	107
Fees	51	17	34	63	18	45
Merchanting gains/losses	434	77	357	368	66	302
Transactions in commodity exchange abroad	109	112	- 3	104	93	11
Trans. in commodity exchange in Brazil	0	1	- 1	0	0	0
Wages	306	168	139	234	158	76
Participation in exhibits	15	10	4	12	22	- 9
Hedging operations	175	179	- 4	151	174	- 23
Use of brands or advertisement	5	38	- 33	12	31	- 19
Use of copyrights	0	97	- 97	0	94	- 94
Supply of industrial technology	15	482	- 467	4	619	- 615
Supply of industrial cooperation	5	434	- 429	7	401	- 394
Supply of other services	1	25	- 24	0	34	- 34
Franchises	0	4	- 4	1	12	- 11
Implementation/installation of projects	23	16	8	558	17	541
Brands and copyrights ^{1/}	76	7	68	88	7	81
Specialized technical services	1 121	932	189	1 550	1 050	500
Software (copy)	2	958	- 956	4	1 023	-1 019
Guarantee to export credit	0	4	- 4	0	0	- 0
Non-related to production factors	370	565	- 194	475	686	- 211
Subscriptions to newspapers, magazines etc.	1	42	- 40	1	67	- 66
Acquisition of medication	0	0	- 0	0	0	- 0
Communications	30	13	17	35	30	5
Courses and congresses	15	244	- 230	26	231	- 205
Banking services	112	140	- 29	136	115	21
Advertising	125	56	70	161	110	51
Competitions/exhibits	24	21	2	36	32	4
Information services	11	26	- 14	29	53	- 24
International orders	0	11	- 11	1	28	- 27
Other	52	12	40	49	18	31

1/ Registry, deposit and maintenance.

Spending registered a reduction of 17.7%, equivalent to US\$977 million and reflected the US\$1.1 billion drop in profits. Dividends and bonuses sent abroad added up to US\$1.4 billion, for an increase of 7.3%. This result was generated by growth of US\$286 million in capital gains remittances, partially offset by reductions of US\$175 million in stock dividend remittances and US\$26 million in investments under the terms of Appendices I to V.

Net outlays on diverse services dropped from US\$1.3 billion to US\$1.1 billion, with reductions in those consequent upon services related to production factors and an increase under services not related to production factors. Net outlays on diverse services related to production factors came to a total of US\$870 million, corresponding to a reduction of 24% when compared to the 1999 result. The increase in revenues (US\$1.3 billion) was greater than the rise in outlays (US\$1 billion). Here, one should note that the increase in outlays reflects the process of modernization of the internal productive sector, while the increase in revenues points to the existence of an external market from which resident companies can supply technology. The growth in revenues and expenditures resulted in 24.3% growth in the flow of these services. The sharpest increase occurred under technology transfers, moving from US\$3.1 billion to US\$3.8 billion. Among other services related to production factors, revenues on administrative services came to US\$1.5 billion, for an increase of US\$202 million; outlays on equipment rentals closed at US\$1.4 billion, with growth of US\$796 million; and acquisitions of software ended the period at US\$1 billion, reflecting growth of US\$65 million.

Net outlays on diverse services not related to production factors totaled US\$211 million, reflecting a decrease of US\$17 million. The most important outlays occurred under courses and congresses (US\$231 million), banking services (US\$115 million) and advertising (US\$110 million), while the highest revenue totals were obtained by banking services (US\$136 million) and advertising (US\$161 million).

Unrequited transfers

Net unrequited transfers to residents came to US\$1.8 billion, reflecting a falloff of 11.4% in comparison to the 1999 total. Among the operations registered under this heading, one should cite reductions of US\$80 million in inflows of funding to constitute resources available in the country and US\$59 million in total assets transferred from abroad to Brazil. Resources remitted for purposes of support of residents, which encompass remittances by Brazilians residing abroad to residents in Brazil, remained at the same level as in 1999. The reduction in total transfers to the country was due principally to a 42% decline – equivalent to US\$270 million – in remittances from Japan, while those from the United States increased by US\$115 million. With this result, the United States increased its participation in the total amount remitted to Brazil from 47.8% to 57.6%. This fact is consistent with expectations that the good performance of economic activity in the United States in recent years would increase the volume of resources transferred by Brazilian residents of the United States to Brazil.

Table 5.22 - Unrequited transfers

US\$ million

Itemization	1999			2000		
	Credit	Debit	Total	Credit	Debit	Total
Total	2 329	302	2 027	2 133	337	1 796
United States	1 114	135	980	1 230	143	1 373
Japan	642	7	635	372	7	379
Germany	141	7	134	118	9	127
Portugal	41	33	7	45	36	81
Italy	58	12	46	58	20	78
Switzerland	43	7	36	39	12	51
United Kingdom	34	13	21	36	13	49
Spain	23	24	- 1	20	27	47
France	25	10	15	23	11	35
Netherlands	24	1	23	25	2	26
Canada	5	8	- 4	4	7	11
Uruguay	10	3	7	7	2	9
Bahamas	2		2	10	9	18
Panama	7	3	4	9	1	10
Argentina	6	4	2	5	4	9
Other	154	34	120	133	35	167

Capital movement

Capital movement in 2000 was characterized by an increase in risk investments in Brazil, particularly in the form of foreign direct investments, and by a reversal in net medium and long-term loan flows.

Table 5.23 - Direct investments

US\$ million

Itemization	1999			2000		
	1st half	2nd half	Year	1st half	2nd half	Year
Foreign	12 955	17 032	29 987	12 712	17 851	30 563
Inflows	13 867	17 495	31 362	13 781	19 766	33 547
Foreign currency	12 260	14 677	26 937	13 170	18 451	31 621
Privatization ^{1/}	5 018	3 768	8 786	1 462	5 589	7 051
Other	7 242	10 909	18 151	11 708	12 862	24 570
Goods	106	21	127	31	186	216
Conversions	1 501	2 797	4 298	580	1 130	1 710
Outflows	912	463	1 375	1 069	1 915	2 984
Brazilian	- 494	- 622	-1 116	- 539	-1 217	-1 756
Inflows	201	182	383	450	389	839
Outflows	695	803	1 498	989	1 606	2 596

1/ In 2000, US\$ 374 million were included as conversion.

Net direct foreign investments in Brazil during the year under analysis set a net record, reaching a total of US\$30.6 billion. This result reflects inflows of autonomous resources totaling US\$26.5 billion, for growth of 17.4% when compared to the 1999 total, and privatization investments, with US\$7.1 billion, of which US\$3.7 billion were channeled into the Banespa sale and US\$2.3 billion invested in the telecommunications sector. Insofar as the origin of resources is concerned, the country that injected the largest volume of direct investments into Brazil in 2000 was Spain, with a net total of US\$9 billion, corresponding to 54.4% growth. The United States made net investments of US\$6 billion, representing a decline of 8.6% compared to the 1999 total, and dropped from first to second position among the largest investors. The third most important source of these funds was Portugal, with net investments of US\$2.3 billion, for a reduction of US\$140 million.

Table 5.24 - Foreign direct investments in Brazil
According to country of origin/destination

Country	US\$ million			
	Inflows		Outflows	
	1999	2000	1999	2000
Total	31 362	33 547	1 375	2 984
Spain	5 810	9 649	2	682
United States	7 069	6 355	549	398
Portugal	2 403	2 600	6	342
Cayman Islands	2 094	2 144	41	897
Netherlands	1 810	2 298	47	142
France	2 079	2 064	1	108
United Kingdom	1 315	461	4	34
Germany	624	457	10	33
Luxembourg	49	1 068	2	0
Belgium	102	395	495	0
Italy	496	465	1	0
Switzerland	436	377	17	16
British Virgin Islands	315	361	72	32
Japan	348	274	5	115
Bermuda	263	369	47	-
Canada	297	214	6	31
Sweden	214	301	-	-
Bahamas	197	235	16	6
Uruguay	158	221	13	17
Argentina	160	137	25	61
Denmark	13	289	-	-
Mexico	28	255	-	5
Barbados	123	149	-	-
Panama	121	44	9	29
Chile	88	40	-	21
Other ^{1/}	4 751	2 324	10	12

1/ Includes operations in national currency, reinvestments, merchandise and conversions of loans and financing in investments.

Table 5.25 - Foreign direct investments
Privatization-related inflows

US\$ million

Itemization	1996	1997	1998	1999	2000
Total	2 645	5 249	6 121	8 785	7 051
Electric sector	1 760	3 079	1 927	1 020	693
Light	1 177	-	-	-	-
CERJ	583	-	-	-	-
Coelba	-	448	-	-	-
Cachoeira Dourada - Goiás	-	715	-	-	-
Cia. Norte e NE de Distribuição de Energia Elétrica	-	363	-	-	-
Cia. Estadual de Energia Elétrica - RS	-	1 373	-	-	-
Cia. de Distribuição de Energia Elétrica - SE	-	180	-	-	-
Cia. de Energia Elétrica do Ceará (Coelce) - CE	-	-	551	-	-
Elektro	-	-	909	-	-
Gerasul	-	-	409	-	-
Empresa Bandeirantes de Energia S/A	-	-	58	-	-
CESP-Parapanema	-	-	-	710	-
CESP-Tiete	-	-	-	310	-
Companhia Energética de Pernambuco (CELPE)	-	-	-	-	398
Companhia Energética do Maranhão (Cemar)	-	-	-	-	295
Railways	341	-	-	-	-
Ferrovia Novoeste	20	-	-	-	-
Malha Sudeste	300	-	-	-	-
Malha Centro-Leste	17	-	-	-	-
Malha Sul	5	-	-	-	-
Telecommunications	544	433	4 168	6 659	2 289
CRT	544	-	1 019	-	-
Banda B	-	433	427	250	866
Sistema Telebrás	-	-	2 721	6 308	1 424
Eletronet	-	-	-	101	-
Gas utilities	-	574	-	1 106	295
Rio Gás S/A	-	336	-	-	-
Cia. Estadual de Gás (CEG) - RJ	-	238	-	-	-
Cia. de Gás de São Paulo (Comgás)	-	-	-	963	-
Gas concession - São Paulo - second area	-	-	-	143	-
Natural gas concession - São Paulo Sul	-	-	-	-	295
Banks	-	-	-	-	3 715
Meridional	-	-	-	-	15
Banespa	-	-	-	-	3 700
Other	-	1 163	27	-	58
Porto de Sepetiba	-	-	27	-	-
CVRD	-	1 163	-	-	-
Cia. de Saneamento do Amazonas (Cosama)	-	-	-	-	58

In 2000, legislation on foreign portfolio investments was altered through issue of Resolution 2,689, dated 3.31.2000, which granted foreign investors greater liberty to channel their funds into the financial and capital markets by allowing them to make the same investments as Brazilian investors. This Resolution revoked Appendices I and II of Resolution 1,289 and defined a specific period of time for transfers of investment positions under the terms of Appendix IV of Resolution 1,289. Once Resolution 2,689 had gone into effect, new foreign investments in the financial and capital markets were only accepted under the terms of that Resolution and Appendix III of Resolution 1,289. Insofar as financial flows are concerned, net foreign portfolio investments came to a total of US\$2.7 billion or double the 1999 figure. This result was a consequence of inflows through ADR (Appendix V to Resolution 1,289) which came to a total of US\$6.3 billion. With the change in legislation, inflows into fund

Table 5.26 - Portfolio investments

US\$ million

Itemization	1999			2000		
	1st half	2nd half	Year	1st half	2nd half	Year
Foreign	1 018	342	1 360	1 367	1 355	2 722
Inflows	11 463	6 840	18 303	10 484	9 335	19 819
Outflows	10 445	6 497	16 943	9 117	7 980	17 097
Appendices I to IV	1 481	102	1 583	-1 482	208	-1 274
Inflows	7 647	4 866	12 513	3 735	363	4 098
Outflows	6 165	4 765	10 930	5 217	155	5 373
Appendix V	604	477	1 081	2 406	3 929	6 335
Inflows	1 548	1 405	2 953	3 474	4 448	7 922
Outflows	943	929	1 872	1 068	519	1 587
Resolution 2,689	-	-	-	1 189	-2 668	-1 479
Inflows	-	-	-	3 117	4 524	7 641
Outflows	-	-	-	1 928	7 192	9 120
Funds	-1 068	-236	-1 304	-746	-113	-859
Inflows	2 269	568	2 837	158	-	158
Outflows	3 337	804	4 141	904	113	1 017
Brazilian	428	-506	-79	-343	-1 627	-1 970
Outflows	2 966	871	3 837	581	4 002	4 583
Inflows	3 393	365	3 758	239	2 375	2 613
Fiex	575	187	763	-41	13	-28
Outflows	2 464	165	2 628	224	435	659
Inflows	3 039	352	3 391	183	449	632
BDR	6	-	6	-	-945	-945
Outflows	1	-	1	-	2 614	2 614
Inflows	7	-	7	-	1 669	1 669
DR	-58	-64	-122	-302	-807	-1 110
Outflows	59	70	129	342	923	1 264
Inflows	1	6	6	39	115	155
Other	-143	-694	-836	1	112	112
Outflows	496	706	1 202	16	30	45
Inflows	353	13	366	17	141	158

investments were terminated as of April. This type of operation, consequently, closed the year with a net outflow of US\$859 million. Investments covered by Appendices I to IV turned in net outflows of US\$1.3 billion in the year, with reductions in comparison to the first and second halves of 2000 from US\$3.7 billion to US\$363 million in inflows and from US\$5.2 billion to US\$155 million in outflows. The flow of resources covered by Resolution 2,689, through which the major share of foreign portfolio investments were processed, closed with a net outflow of US\$1.5 billion.

With respect to the origin and destination of portfolio investments, the United States were the largest source of inflows as well as the country that received the major share of outflows. A full US\$14.2 billion in investments originated in that country, with growth of 27.5%, while US\$12 billion flowed back to the United States, corresponding to an increase of 20.2%. The following position was occupied by the Bahama Islands, with inflow of US\$1.8 billion, reflecting a reduction of 38%, and outflow of US\$1 billion, a cutback of 66.7%.

Table 5.27 - Portfolio investments in Brazil
Distribution by country of origin/destination

Country	Inflows		Outflows	
	1999	2000	1999	2000
Total	18 303	19 819	16 943	17 097
United States	11 168	14 244	9 990	12 007
Bahamas	2 962	1 837	3 061	1 018
United Kingdom	1 123	805	1 179	827
Cayman Islands	1 133	620	763	1 099
Luxembourg	366	563	305	412
British Virgin Islands	238	11	284	203
Switzerland	252	78	332	48
Hong Kong	4	1	401	3
Ireland	147	14	130	63
France	162	47	83	37
Uruguay	31	144	32	103
Germany	38	60	20	57
Argentina	52	21	33	42
Netherlands Antilles	38	8	73	16
Bermuda	50	37	39	4
Puerto Rico	-	113	-	-
Turks and Caicos Islands	49	-	0	33
Spain	23	4	5	13
Netherlands	9	6	15	10
Canada	15	-	23	0
Panama	4	-	32	0
Other ^{1/}	436	1 206	143	1 101

1/ Includes operations in national currency.

Brazilian investments abroad in 2000 resulted in net outflows of US\$3.7 billion, for an increase of 185% in relation to 1999, of which US\$1.8 billion were concentrated under direct investments and US\$2 billion under portfolio investments. Investments in Investment Funds Abroad (Fiex), the segment in which 1999 outflows were concentrated, registered total net outflows of US\$28 million.

Resources entering the country through loan and financing operations turned in a highly differentiated performance in 2000, generating net inflows of US\$8.2 billion in foreign capital in the year.

Table 5.28 - Medium & long-term loans and financing

US\$ million

Itemization	1999			2000		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-6 731	1 875	-4 856	3 381	4 422	7 803
Foreign	-6 325	2 211	-4 114	3 511	4 732	8 243
Financing	-1 600	-2 291	-3 891	- 954	-1 844	-2 797
Disbursements	8 613	8 077	16 690	6 708	5 026	11 734
Multilateral organizations	2 074	2 510	4 584	2 767	1 940	4 707
Government agencies	384	742	1 126	531	466	997
Suppliers/buyers' credits	6 154	4 825	10 979	3 409	2 620	6 029
Amortizations	10 213	10 368	20 580	7 662	6 869	14 531
Multilateral organizations	866	734	1 599	753	717	1 470
Government agencies	887	801	1 688	705	283	988
Suppliers/buyers' credits	8 460	8 833	17 293	6 203	5 870	12 073
Loans	-4 725	4 501	- 224	4 465	6 575	11 040
Disbursements	13 368	14 948	28 316	11 278	19 921	31 199
New inflows	12 368	12 948	25 316	10 678	14 384	25 063
Bonds	2 000	2 719	4 719	3 562	2 524	6 086
Notes	5 547	5 776	11 323	2 474	3 011	5 485
Commercial paper	1 044	602	1 646	325	625	950
Banks	1 220	1 515	2 735	1 985	3 997	5 982
Intercompany	1 812	1 669	3 480	2 021	3 845	5 866
Securitization	124	130	254	178	300	477
Other	621	538	1 159	133	83	217
Refinancing	1 000	2 000	3 000	600	5 536	6 136
Amortization	18 094	10 446	28 540	6 813	13 345	20 159
Paid	16 900	7 443	24 343	6 108	7 529	13 638
Bonds	1 288	123	1 411	1 724	646	2 370
Notes	9 098	3 606	12 704	1 328	2 496	3 824
Commercial paper	498	148	645	203	587	789
Banks	3 202	1 659	4 860	1 640	1 912	3 552
Intercompany	979	1 015	1 994	1 085	1 466	2 551
Securitization	397	62	459	48	192	240
Other	1 437	832	2 269	81	231	312
Refinancing	1 193	3 003	4 196	705	5 816	6 521
Brazilian (net)	- 406	- 336	- 742	- 130	- 309	- 439

Foreign medium and long-term financing resulted in net amortizations of US\$2.8 billion or 28.1% less than in 1999, reflecting declines of US\$5 billion in disbursements and US\$6 billion in amortizations. Net outflows of resources were concentrated in suppliers' and buyers' credits, with net amortizations of US\$6 billion, an improvement of US\$270 million. The reduction of US\$5 billion in disbursements was accompanied by a reduction of US\$5.2 billion in payments. Financing from organizations generated net disbursements of US\$3.2 billion. The International Bank for Reconstruction and Development (IBRD) disbursed a net total of US\$804 million, representing an increase of US\$186 million, while the Interamerican Development Bank (IDB) registered net disbursements of US\$2.6 billion in 2000, the same amount as in the previous year. Government agencies contributed significantly to improvement in the financing result, with net disbursements of US\$9 million compared to net payments of US\$562 million in 1999.

Table 5.29 - Official financing and suppliers'/buyers' credits

Disbursements to Brazil

US\$ million

Itemization	1999			2000		
	Currency	Goods	Total	Currency	Goods ^{1/}	Total
Total	5 538	11 152	16 690	5 704	6 029	11 734
Multilateral organizations	4 583	2	4 584	4 707	...	4 707
IDB	2 896	2	2 898	2 871	...	2 871
IBRD	1 533	0	1 533	1 692	...	1 692
IFC	154	0	154	144	...	144
Government agencies	955	171	1 126	997	...	997
Eximbank - Japan	513	8	522	186	...	186
KFW	149	23	172	475	...	475
Other	293	140	432	336	...	336
Suppliers'/buyers'	-	10 979	10 979	-	6 029	6 029

1/ Financing from multilateral organizations and government agencies are included under suppliers'/buyers' credits.

Medium and long-term foreign loans registered disbursements of US\$25.1 billion in the form of new resources in 2000, a reduction of US\$254 million in comparison to the previous year. One should highlight the change in the composition of resources, with growth in direct loans – from banks and connected companies (intercompany operations) – and a drop under funding operations through security issues, with the exception of bonds. Disbursements from commercial banks added up to US\$6 billion or more than double the 1999 amount, while intercompany credits climbed to US\$5.9 billion, for an increase of 68.6%. Placements of notes generated inflows of US\$5.5 billion, for a reduction of 51.6%, while funding operations based on issues of commercial papers added up to US\$950 million, for a reduction of 42.3%.

Amortizations paid on medium and long-term loans added up to US\$13.6 billion, for a reduction of 44% compared to the 1999 total. Here, one should stress that the first quarter of that year registered payments of US\$12.7 billion due to the strong funding operations contracted at the end of 1997 and early 1998, with maturity terms in the range of one year. A comparison between the two halves of 2000 shows that payments remained constant, with no alteration in relation to the expected pattern. Amortizations of notes added up to US\$3.8 billion, corresponding to 30% of the amortizations registered in 1999, as evident in the fact that outflows in that year were concentrated in this type of operation, while payments of commercial papers came to US\$789 million. Payments of intercompany loans totaled US\$2.6 billion, for a reduction of US\$557 million. Amortizations of bank loans resulted in US\$3.6 billion, of which practically half was related to payments of resources contracted under the terms of Resolution 63. One should also mention that Resolution 2,770 was issued on 8.30.2000 in the framework of the National Program for Streamlining Bureaucracy. The purpose of this instrument was to simplify and consolidate norms on contracting external loans. Among other norms, this Resolution revoked Resolution 63 and Firce (Foreign Capital Department) Communiqué 10. With regard to other loan amortizations, there was a reduction in payments involving resources for onlending to the agroindustrial sector from US\$2.2 billion in 1999 to US\$310 million in 2000.

Bond operations generated net inflows of US\$3.3 billion in the balance of payments in 2000. This amount includes refinancing of loans and refinanced amortizations, which correspond entirely to the total bonds delivered (US\$6.1 billion) and bonds received (US\$6.5 billion) in operations involving exchanges of Bonds of the Republic (Global Bonds) for renegotiated external debt bonds (Bradies). Aside from exchanges of debt, Bonds of the Republic resulted in new inflows totaling US\$5.8 billion. Other inflows of new bond resources resulted from issues of US\$246 million in securities by BNDES.

Short-term capital, which includes Brazilian and foreign resources with maturities of up to 360 days and without specified maturity terms, such as deposits, registered a reduction of 24.5% in net outflows in 2000. Foreign capital, which represents the constitution of external liabilities by residents with nonresidents, came to a total of US\$4.4 billion, for a reduction of US\$550 million compared to the total for the previous year. One should stress the alteration in the composition of net credits, with growth of US\$2 billion in net loans granted to residents and a reduction of US\$3.1 billion in redemptions of nonresident deposits effected with residents, partially offset by the turnaround in the financing flow, from net inflows of US\$1 billion to net amortizations totaling US\$2.3 billion.

Brazilian short-term capital, representing the constitution of external assets by residents with nonresidents in the form of loans, financing, deposits and other assets, registered net outflows of US\$1.9 billion, with a reduction of 43.9% in relation to

Table 5.30 - Short-term capital

US\$ million

Itemization	1999			2000		
	1st. half	2nd. half	Year	1st. half	2nd. half	Year
Total	-3 942	-4 511	-8 452	-2 726	-3 659	-6 384
Foreign capital	-3 917	-1 078	-4 994	-2 124	-2 321	-4 445
Loans	620	- 205	415	1 138	1 234	2 372
Inflows	2 803	1 729	4 532	3 318	3 251	6 570
Debt securities	717	176	893	216	239	455
Direct loans	2 086	1 553	3 639	3 103	3 012	6 115
Of which intercompany	1 285	769	2 054	1 160	1 505	2 665
Amortization	2 183	1 934	4 117	2 180	2 018	4 198
Debt securities	243	362	605	93	38	131
Direct loans	1 940	1 572	3 512	2 087	1 979	4 066
Of which intercompany	973	702	1 675	361	533	894
Financing (net)	- 913	1 930	1 016	-1 343	- 952	-2 295
Bank lines of credit	- 723	1 944	1 220	-1 428	325	-1 103
Other lines of credit	- 190	- 14	- 204	85	-1 277	-1 192
Deposits	-1 969	-2 006	-3 974	278	-1 170	- 892
At commercial banks	- 376	237	- 138	516	- 486	31
At other sectors	-1 593	-2 243	-3 836	- 239	- 684	- 923
Other capital	-1 655	- 796	-2 451	-2 197	-1 433	-3 630
Brazilian capital	- 25	-3 433	-3 458	- 601	-1 338	-1 940
Loans (net)	- 225	- 737	- 962	133	- 614	- 480
Commercial bank financing	17	9	26	- 17	2	- 14
Deposits	183	-2 705	-2 522	- 718	- 727	-1 445
By commercial banks	1 417	-1 029	387	875	1 389	2 264
By other sectors	-1 233	-1 675	-2 909	-1 593	-2 116	-3 709
Memo item:						
Transactions with foreign financial institutions	-4 782	-5 481	-10 263	-2 968	-4 265	-7 233
Bank liabilities	-1 099	2 181	1 082	- 912	- 160	-1 072
Bank assets	1 444	-1 599	- 155	1 243	1 391	2 634

1999. For the most part, this growth was due to a reduction of US\$1.1 billion in Brazilian deposits abroad. Total deposits abroad (US\$1.4 billion) resulted from net constitution of US\$3.7 billion in deposits abroad by nonbanking sectors and net returns of US\$2.3 billion in commercial bank deposits abroad.

In 2000, payments worth US\$10.3 billion in amortizations of the financial assistance program (PAF), which is coordinated by the IMF, were effected. These payments were distributed as follows: US\$6.9 billion to the IMF, US\$3.2 billion to the BIS and US\$296 million to the BoJ. Other disbursements came to US\$2.8 billion, with US\$1.7 billion supplied by the IBRD and US\$1 billion by the IDB. Interest paid on this program added up to US\$911 million in 2000.

Net flows of resources consequent upon growth in Brazilian external liabilities registered net outflows of US\$14.9 billion in 2000 or less than half of the 1999 total. For the most part, this result was due to reductions in amortizations, particularly in the form of notes and import financing operations, since very little change was registered in disbursements and interest payments.

Net credits from international organizations - with the exception of the IMF - came to US\$1.9 billion. Net resources from the IBRD totaled US\$104 million, with an increase of US\$150 million in disbursements and a reduction of US\$102 million in amortizations. A net total of US\$1.8 billion was received from the IDB, while interest payments increased by US\$269 million.

Interest payments to the IMF came to a total of US\$383 million, for a reduction of US\$132 million. This was a consequence of a reduction in the liabilities tied to balance of payments normalization loans.

Operations with government agencies resulted in net payments of US\$575 million for a reduction of US\$757 million in relation to 1999. The reason underlying this performance was a cutback of US\$951 million in debt service with the Paris Club. The flow of resources with other agencies resulted in net inflows of US\$179 million, corresponding to a reduction of US\$195 million. A breakdown of this figure shows a drop of US\$129 million in disbursements and increases of US\$38 million in amortizations and US\$28 million in interest payments.

Net payments to commercial banks dropped sharply in 2000, when compared to the previous year. Amortizations totaled US\$3.6 billion for a reduction of 26.9% and interest payments fell by 10.5%, closing at US\$2.5 billion. On the other hand, disbursements more than doubled and closed at US\$6 billion.

Net payments of resources tied to notes also mirrored the improvement in the country's external financing conditions in 2000, as evinced by the 55.3% reduction in net payments. Amortizations diminished to US\$3.8 billion or less than a third of the preceding year's total. The reduction in disbursements, in turn, represented an additional voluntary cutback in this type of funding operation more than an actual restriction imposed on these transactions by foreign creditors.

Bond operations generated net payments of US\$595 million. This result reflects a reversal in net flows in comparison to 1999, but reaffirms the downturn in payments in relation to the years prior to 1999. One should stress that this result does not include bonds issued and amortized in exchange operations.

Table 5.31 - Brazil: Financial flow by foreign creditor^{1/}

US\$ million

Itemization	1996	1997	1998	1999	2000
Total	-1 279	-9 301	739	-31 365	-14 944
Disbursements	25 904	31 130	47 962	31 026	30 767
Amortizations	14 419	26 021	31 381	44 924	28 169
Interest	12 764	14 410	15 843	17 468	17 542
IBRD ^{2/}	174	121	704	- 148	104
Disbursements	2 043	1 781	2 121	1 686	1 837
Amortizations	1 366	1 166	1 112	1 257	1 155
Interest	503	493	304	578	578
IDB	248	716	1 448	2 079	1 810
Disbursements	830	1 369	2 050	2 898	2 871
Amortizations	342	354	347	343	315
Interest	240	300	255	476	745
IMF ^{3/}	- 24	- 22	- 20	- 515	- 383
Interest	24	22	20	515	383
Government agencies	-3 987	-1 492	-1 853	-1 332	- 575
Agencies	- 154	760	400	374	179
Disbursements	394	1 260	1 144	1 126	997
Amortizations	355	319	563	481	519
Interest	194	181	181	271	299
Paris Club	-3 833	-2 252	-2 253	-1 705	- 754
Amortizations	2 136	1 496	1 497	1 206	469
Interest	1 697	756	756	499	285
Bonds	-2 549	-8 368	-3 310	69	- 595
Disbursements	1 263	2 751	2 698	4 719	6 086
Amortizations ^{4/}	571	7 624	2 867	1 411	2 370
Interest	3 240	3 496	3 141	3 239	4 311
Notes	13 672	7 002	17 838	-5 260	-2 353
Disbursements	17 242	15 591	24 602	11 323	5 485
Amortizations	2 491	6 622	3 868	12 704	3 824
Interest	1 078	1 967	2 896	3 879	4 014
Intercompany	474	1 250	3 770	159	2 049
Disbursements	1 578	3 062	6 339	3 480	5 866
Amortizations	355	494	1 219	1 994	2 551
Interest	749	1 318	1 350	1 327	1 267
Banks	-5 465	-3 099	269	-4 960	- 107
Disbursements	565	2 434	5 801	2 735	5 982
Amortizations	3 640	2 569	2 705	4 860	3 552
Interest	2 389	2 964	2 827	2 834	2 537
Others	-3 822	-5 409	-18 108	-21 458	-14 893
Disbursements	1 990	2 882	3 209	3 059	1 644
Amortizations	3 162	5 378	17 204	20 667	13 414
Interest	2 650	2 913	4 113	3 850	3 122

1/ Does not include suppliers/buyers' credits.

2/ Includes IFC.

3/ Disbursements and amortizations regarding to exceptional financing are not included.

4/ In 1997 includes US\$ 5.296 billion related to debt swap for National Treasury Note (NTN).

Flows of intercompany resources – the credit modality utilized frequently in foreign direct investments – resulted in a net inflow of US\$2 billion. Disbursements increased by 68.6% to US\$5.9 billion and amortizations rose by 27.9% to US\$2.6 billion.

External debt

The total external debt reached the mark of US\$236.2 billion in December 2000, representing a drop of US\$5.3 billion in relation to the December 1999 stock. The medium and long-term debt closed with a reduction of US\$7.9 billion. Amortizations came to US\$10.3 billion in the PAF framework. The short-term debt closed at US\$30 billion, with growth of 9.4% in the period.

IMF loans included in the PAF were reduced by US\$7 billion, as a result of alterations in the exchange parity of Special Drawing Rights (SDR), a reduction of US\$196 million and full amortization of resources withdrawn under the heading of Supplemental Reserve Facility (SRF), with the remaining US\$1.8 billion withdrawn in the Credit Tranche modality. Complementary PAF resources contracted in dollars with BIS and BoJ were totally amortized, generating a reduction of US\$3.4 billion in the total debt.

The bond stock, composed of Bradies, eurobonds, Samurai bonds and global bonds, increased by 5.6% or US\$2.9 billion, with important alterations in composition. The share represented by Bradies dropped by US\$10.1 billion, while the stock of other bonds increased by US\$13 billion, thus surpassing the participation of Bradies in the total security stock by 16.8%. Aside from the programmed maturities and the contracting of new resources, this movement is explained by the volume involved in swap operations (US\$6.5 billion in 2000) in which the Republic issued global bonds and accepted Bradies from investors as matching funds.

Despite growth of US\$6.5 billion in imports in 2000, the stock of medium and long-term financing registered a reduction of 4.6% in the period. This falloff was concentrated under buyers' and suppliers' credits (US\$5.2 billion), while agencies accounted for US\$575 million. The stock due to international organizations increased by US\$3 billion.

A breakdown of the medium and long-term foreign debt in December 2000 indicates that 44.1% represented currency loans, 28.5% referred to trade financing and 26.6% involved bonds. The remaining 0.9% referred to the PAF.

The short-term debt increased by US\$2.6 billion for growth of 9.4% in comparison to the 1999 period. While the stock of commercial bank liabilities declined by US\$790

Table 5.32 - Gross foreign indebtedness

US\$ million

Itemization	1996	1997	1998	1999	2000
A. Total debt (B+C)	179 935	199 998	241 644	241 468	236 151
B. Medium and long-term debt ^{1/}	142 148	163 283	215 215	214 076	206 190
Exceptional financing	-	-	9 324	12 281	1 771
IMF	-	-	4 784	8 834	1 771
BIS	-	-	4 150	3 150	-
BoJ	-	-	390	297	-
IMF loans	68	32	11	-	-
Renegotiated debt bonds	51 239	41 930	40 419	35 330	25 250
Other bonds	3 637	7 457	9 321	16 509	29 504
Import financing	34 165	50 785	64 568	61 607	58 769
Multilateral	11 325	12 353	15 442	18 544	21 504
Bilateral	15 821	14 348	17 142	14 812	14 237
Other financing sources	7 019	24 084	31 984	28 252	23 027
Currency loans	52 836	62 898	91 415	88 219	90 886
Other loans	203	181	157	130	10
C. Short-term debt	37 787	36 715	26 429	27 392	29 961
Credit line for petroleum imports	4 985	5 695	3 355	3 318	2 572
Other credit lines of nonfinancial public companies	177	-	-	-	-
Commercial banks (liabilities)	30 611	26 501	17 911	18 954	18 164
Resolution 2,483 - Rural financing	1 944	4 003	1 399	542	319
Special operations ^{2/}	70	516	3 764	4 578	8 905
Financing	...	...	...	2 616	3 850
Currency loans	...	...	...	1 962	5 055

1/ Data refer to capital registration in the Banco Central do Brasil. They are not compatible with the balance of payments figures, which represent inflows and outflows effectively occurred in the period.

2/ As of 1997, aside from Banco Central operations, it includes bridge loans and loans to be onlend to export companies. In 1999, it also includes short-term inflows of commercial papers, notes, bonds, direct loans and import financing registered in Banco Central.

billion, the stock of other credits, for which registration has been required since 1999, expanded by US\$4.1 billion, distributed as follows: US\$2.9 billion in the form of loans and US\$1.2 billion as financing. The stock of credit lines for petroleum imports dropped by US\$746 million. With revocation of Resolution 2,483 in August 2000 and the consequent extinction of funding operations for rural financing purposes, the stock of these operations declined by US\$223 million.

When one considers only the stock of the registered external debt, which represents 91.2% of the total external debt, the private sector is the largest debtor, accumulating US\$107.9 billion in medium and long-term resources and US\$7.9 billion in short-term resources. The remaining 46.2% of the registered external debt are due by the public sector, including US\$98.2 billion in medium and long-term debt and US\$1.3 billion in short-term debt.

Table 5.33 - Registered external debt

US\$ million

Debtor	Creditor				
	Bonds	Paris Club	Multilateral institutions ^{1/}	Bank loans	Notes
Total	54 754	7 494	23 275	27 148	61 021
Medium and long-term	54 754	7 494	23 275	23 390	60 756
Public sector	54 631	7 494	20 732	2 477	6 708
Nonfinancial public sector	54 207	7 494	18 020	2 174	2 877
National Treasury	53 958	7 494	8 628	208	-
Public enterprises	249	-	2 379	1 032	2 877
States and municipalities	-	-	5 241	28	-
Banco Central do Brasil	-	-	1 771	907	-
Financial sector	424	-	2 713	303	3 831
Private sector	122	-	2 543	20 913	54 048
Nonfinancial sector	122	-	2 297	12 063	41 467
Financial sector	-	-	246	8 850	12 581
Short term	-	-	-	3 757	265
Loans	-	-	-	1 056	265
Nonfinancial sector	-	-	-	477	148
Financial sector	-	-	-	579	117
Import financing	-	-	-	2 701	-
Nonfinancial sector	-	-	-	1 249	-
Financial sector	-	-	-	1 452	-

(continues)

Medium and long-term private sector indebtedness (US\$107.9 billion) is concentrated in notes, which account for 50.1% of the total, followed by creditor banks with 19.4% and intercompany credits (14.8%). The share of indebtedness that refers to the private nonfinancial sector corresponded to 78% of the total.

In December 2000, the nonfinancial public sector held medium and long-term external debt worth US\$89.8 billion. Of this total, 80.8% were concentrated within the National Treasury, including 74.4% represented by bond operations. While the National Treasury debt is mostly referenced to bonds, state company debts are concentrated in notes (32.5%), though credits supplied by international organizations represent a quite close participation level, 26.8%. The latter figure is higher for state and municipal indebtedness (94%). With respect to Banco Central indebtedness, US\$1.8 billion refer to the PAF and US\$907 million to the Multiyear Deposit Facility Agreement (MYDFA), a loan consequent upon the debt restructuring.

Using the December 2000 position as reference, the amortization schedule for medium and long-term indebtedness indicated that 14.8% of the maturities are

Table 5.33 - Registered external debt (concluded)

US\$ million

Outstanding: 12.31.2000

Debtor	Creditor			Total
	Government agencies	Suppliers credits	Others ^{2/}	
Total	6 742	11 409	23 573	215 415
Medium and long-term	6 742	10 767	19 012	206 190
Public sector	3 485	568	2 160	98 257
Nonfinancial public sector	2 847	366	1 796	89 780
National Treasury	1 142	212	925	72 567
Public enterprises	1 313	142	869	8 861
States and municipalities	295	12	0	5 576
Banco Central do Brasil	97	-	1	2 777
Financial sector	639	203	364	8 477
Private sector	3 257	10 198	16 852	107 933
Nonfinancial sector	3 099	10 149	15 013	84 210
Financial sector	158	50	1 838	23 723
Short term	-	642	4 561	9 225
Loans	-	-	4 054	5 375
Nonfinancial sector	-	-	2 533	3 158
Financial sector	-	-	1 521	2 217
Import financing	-	642	507	3 850
Nonfinancial sector	-	640	254	2 143
Financial sector	-	2	253	1 707

1/ Includes IMF.

2/ Includes intercompany loans.

Table 5.34 - Public registered foreign debt

Breakdown of principal by debtor and by guarantor

US\$ million

Itemization	1996	1997	1998	1999	2000
Federal government (direct)	74 010	65 989	66 777	68 959	72 592
States and municipalities	2 796	3 512	4 886	5 401	5 575
Direct	347	364	746	320	97
Guaranteed by the federal government	2 449	3 148	4 140	5 081	5 478
Semi-autonomous entities, public companies and mixed companies	15 742	16 173	31 467	30 398	21 439
Direct	7 668	9 297	15 879	19 575	14 242
Guaranteed by the federal government	8 074	6 876	15 588	10 823	7 197
Private sector (guaranteed by the public sector)	370	489	919	919	919
Total	92 918	86 163	104 049	105 677	100 525
Direct	82 025	75 650	83 402	88 854	86 931
Guaranteed by	10 893	10 513	20 647	16 823	13 594
Federal government	10 255	10 111	19 920	16 622	13 246
States and municipalities	1	1	5	3	1
Semi-autonomous entities, public companies and mixed companies	637	401	722	198	347

programmed for 2001, 9.5% for 2002, 8.3% for 2003 and 12.4% for 2004. As of 2005, the percentage moves downward. Bond operations registered the longest maturity terms, while trade financing credits registered the shortest maturities. The concentration of currency loans in 2004 and 2005 is explained by the high volume of inflows in 1996 and 1997 at the start of the Real Plan. The underlying reason for this is that, at that time, funding operations based on security issues with terms equal to or greater than 8 years were exempt from the income tax.

Table 5.35 - Medium and long-term external debt

Amortization schedule^{1/}

US\$ million

Itemization	Debt stock	2001	2002	2003	2004	2005
Government bonds	54 754	3 190	2 180	1 880	5 861	3 494
Organizations and agencies	35 742	3 548	5 153	6 068	5 185	3 628
Loans and securities	90 895	15 126	9 628	7 630	13 246	11 498
Buyers and suppliers	23 027	8 398	2 503	1 343	985	579
Total	204 419	30 262	19 464	16 921	25 276	19 199

(continues)

Table 5.35 - Medium and long-term external debt (concluded)

Amortization schedule^{1/}

US\$ million

Outstanding: 12.31.2000

Itemization	2006	2007	2008	2009	2010	2011 and Beyond
Government bonds	3 184	4 162	3 384	3 619	2 171	21 630
Organizations and agencies	3 147	1 427	1 179	857	864	4 686
Loans and securities	6 441	9 181	3 858	2 506	1 530	10 252
Buyers and suppliers	357	299	200	194	116	8 053
Total	13 129	15 069	8 621	7 175	4 680	44 622

1/ Excludes regularization operations (IMF - Credit Tranche).

Placements of bonds with longer terms made it possible to lengthen the average term of the registered external debt, which moved from 5.7 years in the December 1999 position to 6.4 years in the December 2000 position.

Table 5.36 - Average term of total external debt^{1/}

In years

Itemization	1997	1998	1999	2000			
	Dec	Dec	Dec	Mar	Jun	Sep	Dec
Total	6.06	5.79	5.70	5.81	5.93	6.47	6.36

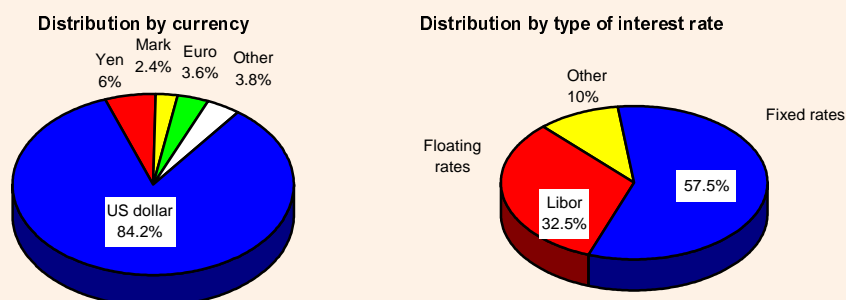
1/ Based on the amortization schedule.

In terms of composition by currency, the registered external debt remained stable. The American dollar continued in a predominant position as reference currency for 84.2% of the value of liabilities in December 2000. The participation of the euro, which came to 3.6%, and the Japanese yen, with 6%, increased over the course of the year. In the first case, there was a natural process of substitution of the national currencies of the Euro Zone member countries with the recently adopted new currency, which had gradually consolidated its position as the unit of account for international financial market operations. In this context, the Republic continued its issues denominated in euro, with a total US\$2.1 billion in 2000. Insofar as the second case is concerned, there were no alterations in the participation of the Japanese yen in private indebtedness. The increase in participation in total debt was a consequence of issues of Bonds of the Republic in yen, which came to a total of US\$1.1 billion.

Between December 1999 and December 2000, alterations in exchange parities reflected a decrease of approximately US\$2.7 billion in registered external indebtedness. The largest share of this reduction originated in upward movement in the value of the dollar against the euro and, consequently, against the individual currencies of the Euro Zone countries.

In December 1999, 47.8% of the debt stock earned floating rates of interest, dropping to 42.5% in December 2000. This alteration reflected a reduction in the exposure of Brazilian indebtedness to interest rate risk, making the debt service less sensitive to changes on the international economic scenario. Aside from private sector preference for loans and financing with fixed rates of interest, two other factors contributed to the change in percentage distribution: amortization of US\$10.3 billion in credits related to the international financial assistance program, with floating rates of interest, and operations involving exchanges of external debt securities, with cancellation of Bradies, some of which are subject to fixed rates and others to floating rates, and issue of Global Bonds, all of which are subject to fixed rates. The

Graph 5.11
Registered foreign debt composition
December 2000



half-yearly Libor continued as the major indexing factor in 76.4% of the debt stock contracted on the basis of floating rates.

Indebtedness indicators

The trajectory of deterioration in indebtedness indicators, which began in 1995, was reversed in 2000, mostly as a consequence of reductions in the external debt stock and payments of interest and principal. The turnaround in this trajectory initiated a process of improvement in all the major indices and led the various risk classification agencies to raise the ranking of Brazilian external debt securities in 2000.

Table 5.37 - Indebtedness indicators

US\$ million

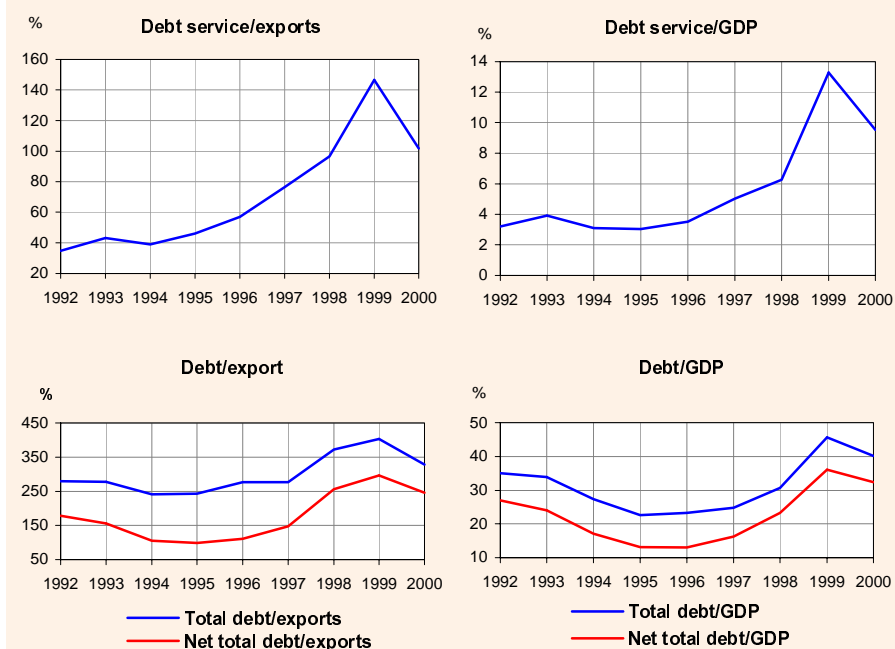
Itemization	1996	1997	1998	1999	2000
Debt service	27 183	40 431	47 224	70 375	56 034
Amortizations ^{1/}	14 419	26 021	31 381	52 907	38 492
Gross interest	12 764	14 410	15 843	17 468	17 542
Medium and long-term external debt (A)	142 148	163 283	215 214	214 076	206 190
Short-term external debt (B)	37 787	36 715	26 430	27 392	29 961
Total debt (C)=(A+B)	179 935	199 998	241 644	241 468	236 151
International reserves (D)	60 110	52 173	44 556	36 342	33 011
Brazilian credit abroad (E)	7 587	7 331	7 441	7 274	6 801
Commercial bank assets (F)	11 675	9 639	7 380	7 481	6 028
Net debt (G)=(C-D-E-F)	100 563	130 856	182 267	190 371	190 312
Export	47 747	52 990	51 140	48 011	55 086
GDP	775 475	807 814	787 499	529 398	587 971
Memorandum (in percentage)					
Debt service/exports	57	76	92	147	102
Debt service/GDP	4	5	6	13	10
Total debt/exports	377	377	473	503	429
Total debt/GDP	23	25	31	46	40
Net total debt/exports	211	247	356	397	345
Net total debt/GDP	13	16	23	36	32

^{1/} Includes the payments referring to the financial assistance program. Refinanced amortizations are not considered.

While the value of exports increased by 14.7% in 2000, the debt service – particularly in terms of amortizations – declined by 20.4% in the same period. The result was that export revenues once again came quite close to total debt service outlays. GDP measured in dollars in 2000 expanded by 11.1% in relation to 1999. As a result, the debt service expressed as a percentage of the aggregate declined from 13.3% in 1999 to 9.5% in 2000. The 2.2% reduction in the total external debt stock between the

December 1999 and December 2000 positions, together with growth in the GDP and exports, reduced the participation of the external debt in relation to GDP from 45.6% in 1999 to 40.2% in 2000, and the ratio between the external debt and exports from 502.9% to 428.7%, using the same basis of comparison. Excluding assets, the total debt, which, in the month of December, represented 397.8% of the value of export revenues over the last 12 months, moved to 345.5% in December 2000 and declined from 36.1% to 32.4% as a percentage of GDP.

Graph 5.12
Indebtedness indicators



External funding

Recent growth in the volume of sovereign funding operations based on bond issues demonstrated the degree of access that Brazil enjoys to the international financial market. This type of operation clearly consolidated itself in the year as the principal means of maintaining an appropriate level of international reserves and external financing. Since the process of external debt restructuring was concluded in 1994, the Federative Republic of Brazil has obtained US\$1.7 billion in 1995, US\$1.3 billion in 1996, US\$5.3 billion in 1997, US\$2.2 billion in 1998, US\$7.7 billion in 1999 and US\$12 billion in 2000. In much the same way, the weighted average term of these operations expressed in years increased from 2.4 in 1995 to 4.6 in 1996, 23.4 in 1997, 8.8 in 1998, 6 in 1999 and 25.2 in 2000.

The face value of the papers issued in 2000 by the Federative Republic of Brazil came to US\$12 billion, of which US\$5.8 billion referred to new resources and US\$6.2 billion to cancellation of restructured debt securities (Bradies). There were six issues based entirely on new resources: Global-20, denominated in dollars, Samurai 03 and Samurai 06, denominated in yen, Euro 10, Euro 05 and Euro 07, denominated in euro, coupled with two others that were combinations of new resources and cancellation of Bradies, designated Global 30 and Global 07, denominated in dollars. Continuing the policy initiated in 1999, papers with varied maturities were issued with the aim of broadening the reference cost curve for the issues of private agents. As a matter of fact, a reference was created for funding operations in euro with terms of 10 years and in dollars for longer terms of 20 and 30 years.

With respect to the rate of return offered to Brazil by American Treasury papers, the lowest risk premium paid in issues during the course of 2000 came to 474 basis points and the largest closed at 788 basis points. The gap between the two was due to utilization of different currencies and, principally, different funding periods.

External funding operations – exchange operations

Federal Senate Resolution 69, dated 9.12.1996, authorized the federal government to carry out Brazilian external debt security repurchase and restructuring operations, with the objective of acquiring securities with a discount on the

Table 5.38 - Exchange operations of bonds of the Republic

US\$ million

Bonds issued	Date of inflow	Date of maturity	Value of new issue ^{1/}	Value of Bradies cancelled	Nominal reduction of foreign debt	Collateral released
Global 27 ^{2/}	6.9.1997	4.15.2027	2 245	2 693	448	610
Global 04 ^{3/}	4.30.1999	4.15.2004	1 000	1 193	193	-
Global 09 ^{4/}	10.15.1999	10.15.2009	2 000	3 003	1 003	587
Global 30 ^{5/}	3.29.2000	3.6.2030	600	705	105	139
Global 07 ^{6/}	7.26.2000	7.26.2007	379	416	37	-
Global 40 ^{7/}	8.17.2000	8.17.2040	5 158	5 400	242	334
Total			11 382	13 410	2 028	1 670

1/ Includes only the amount issued as from the cancellation of Bradies.

2/ Bradies accepted for swap: Par, Discount and C Bond.

3/ Bradies accepted for swap: EI and IDU.

4/ Bradies accepted for swap: Par, Discount, C Bond and DCB.

5/ Bradies accepted for swap: Par, Discount, DCB, FLIRB, and EI.

6/ Bradies accepted for swap: FLIRB, NMB, EI and BIB.

7/ Bradies accepted for swap: Par, Discount, C Bond, DCB, FLIRB, NMB, EI, IDU and BIB.

secondary market and issuing new papers to replace those acquired. This operational format is targeted at various objectives, including reductions in charges or stocks, lengthening of terms and profile adjustments.

Based on the terms of the Resolution, between 1997 and 2000, the federal government repurchased US\$13.4 billion in Bradies at face value and issued six new securities known as Globals, which added up to US\$11.4 billion. The difference between the face value of the cancelled papers and the face value of the issued securities – a consequence of the ratio between the secondary market prices of Bradies and the prices of Global bonds at the time of issue – resulted in a nominal external debt reduction of US\$2 billion.

At issue of some Bradies – Par Bonds, Discount Bonds and Front Loaded Interest Reduction Bonds (FLIRB) – Brazil constituted guaranties for payment of the interest and principal of these papers. The guaranties of principal consisted of American Treasury securities held in custody at BIS with maturities similar to those of the Bradies, zero coupon. The interest guaranties consisted of fixed term interest bearing deposits, also held in custody at BIS. In exchange operations involving these collateralized Bradies, the share of guaranties referring to the amount of securities cancelled is released and incorporated into international reserves. When one considers the market value of American Treasury papers, the total release of collaterals came to US\$1.7 billion since the start of the exchange operations.

Investor demand for papers issued in exchange operations demonstrated the highly positive development of the nation's macroeconomic conditions, at the same time in which it was further stimulated by an almost natural wariness in relation to restructured liabilities. By providing issuers with added advantages, the conditions governing exchanges indicate the higher costs built into the papers generated in the debt renegotiation in comparison to papers for which demand is naturally created. In Bradies for Global Bond exchanges, investors opt to exchange papers marked by highly complex structures, with floating rate interest and scaled amortizations for other securities with much simpler structures, earnings defined exclusively on the basis of fixed interest and amortizations in a single payment. The new structure was responsible for transformation of the profile of indebtedness, considering that the increase in interest outlays as a result of increases in new coupons was more than offset by the reduction in expenditures on principal, which were restricted to the date of maturity. The implicit rate of interest, calculated according to interest outlays in a specific period of time in relation to the total debt stock, increased, while the temporal profile of the indebtedness was lengthened. In this way, the external debt service forecast for coming years was reduced as improved conditions for financing external liabilities are obtained.

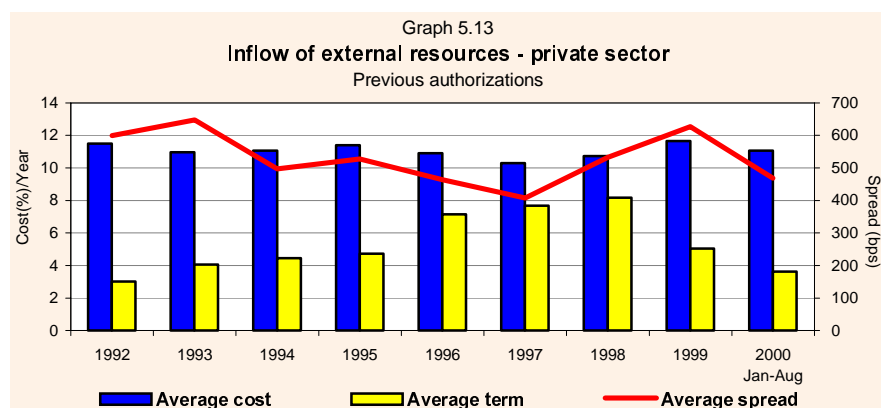
Table 5.39 - Issues of the Republic

Itemization	Date of inflow	Date of maturity	Maturity years	Value US\$ million	Coupon % p.y.	Rate of return at issuance % p.y.	Spread over U.S. Treasury basis points
Euroiene	6.19.1995	6.19.1997	2	942	6.000		481
Euromarco	7.20.1995	7.20.1998	3	730	9.000		410
Samurai 01	3.22.1996	3.22.2001	5	281	5.500		320
Caravela	5.15.1996	5.15.1999	3	76	Libor + 2,400		262
Eurolibra	6.11.1996	6.11.1999	3	153	9.750		250
Global 01	11.5.1996	11.5.2001	5	750	8.875	8.91	265
Euromarco 07	2.26.1997	2.26.2007	10	592	8.000		242
Fung NLG	5.21.1997	5.21.2002	5	210	6.625		190
Fung FRF	5.21.1997	5.21.2002	5	175	6.625		195
Fung ATS	5.21.1997	5.21.2002	5	168	6.625		190
Global 27	6.9.1997	6.9.2027	30	3 500	10.125	10.90	395
Eurolira	6.26.1997	6.26.2017	20	443	11.000		348
Eurolibra	7.30.1997	7.30.2007	10	244	10.000	8.73	268
Euro 03	3.3.1998	3.3.2003	5	547	8.625	9.67	417
Global 08	4.7.1998	4.7.2008	10	1 250	9.375	10.29	375
Euromarco 08	4.23.1998	4.23.2008	10	410	10.000	8.97	328
Global 04	4.22.1999	4.15.2004	5	3 000	11.625	11.88	675
Euro 02	7.29.1999	7.29.2002	3	859	9.500	12.24	650
Euro 04	9.30.1999	9.30.2004	5	531	11.125	13.18	742
Global 09	10.25.1999	10.15.2009	10	2 000	14.500	14.01	850
Euro 06	11.17.1999	11.17.2006	7	723	12.000	12.02	743
Euro 01	11.26.1999	11.26.2001	2	613	8.250	10.69	493
Global 20	1.26.2000	1.15.2020	20	1 000	12.750	13.27	650
Euro 10	2.4.2000	2.4.2010	10	737	11.000	12.52	652
Global 30	3.6.2000	3.6.2030	30	1 600	12.250	12.90	663
Samurai 03	4.17.2000	4.17.2003	3	573	4.500	11.23	474
Euro 05	7.5.2000	7.5.2005	5	714	9.000	11.10	488
Global 07	7.26.2000	7.26.2007	7	1 000	11.250	12.43	610
Global 40	8.17.2000	8.17.2040	40	5 157	11.000	13.73	788
Euro 07	10.5.2000	10.5.2007	7	656	9.500	11.01	508
Samurai 06	12.22.2000	3.22.2006	5	531	4.750	10.92	531

In the course of 2000, Global Bonds 30 were issued in March, Global 07 in July and Global 40 in August. The latter was significant in terms of value (US\$5.2 billion) and, principally, maturity (40 years), the longest term security ever placed by a Latin American country. The substitution of the estimated expenditure flow for the volume of Bradies cancelled with the Global 40 flow resulted in a reduction of US\$191 million in the debt service over a period of one year, US\$463 million in five years and US\$960 million in ten years.

External funding operations – private sector

External funding operations authorized by Banco Central for private sector borrowers registered total costs – including fees and commissions – equivalent to 11.7% per year in the period from January to August 2000, reflecting a reduction of 0.6 percentage points in relation to the 1999 result. The fact that both financial and nonfinancial Brazilian companies registered a lesser degree of risk in 2000 was more sharply reflected in the differential in return rates, which were impacted by growth in the rates paid by American Treasury securities in 2000. The rate of return differential was constructed as the weighted average of the value of authorizations for the first eight months of 2000 and came to 469 basis points, in contrast to 626 basis points for all of 1999. The cost reduction can be explained to some extent by the decrease in the average term of funding operations from 5 years in 1999 to 3.6 year in the aforementioned period of 2000.

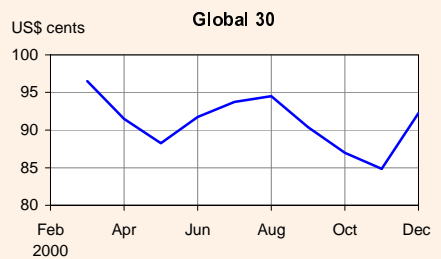
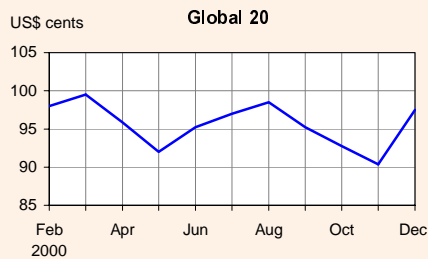
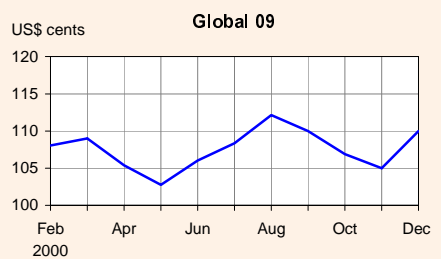
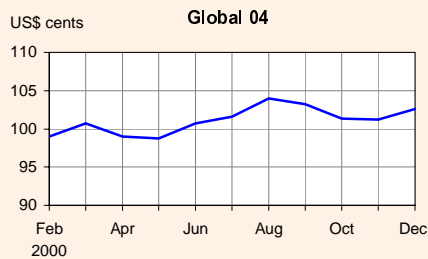
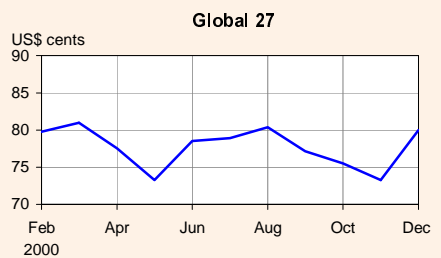
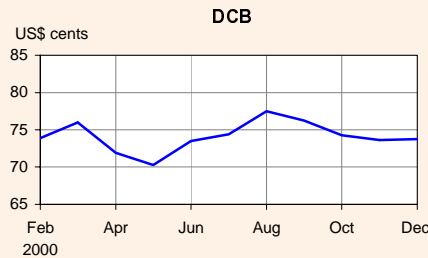
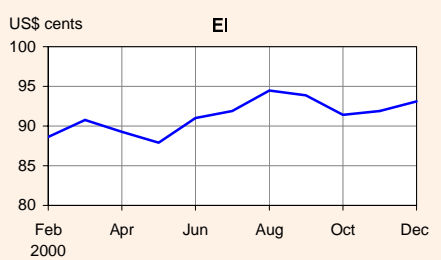
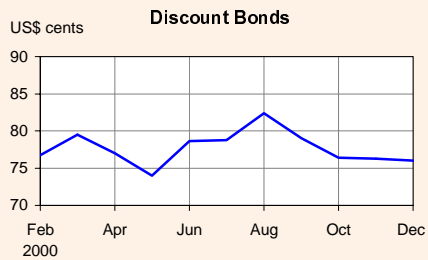
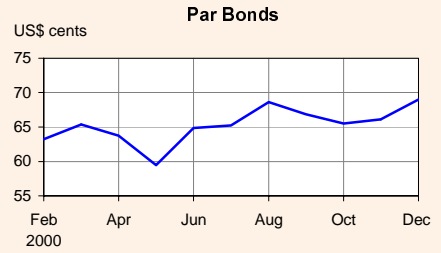
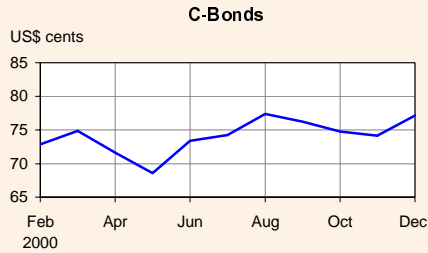


Brazilian external debt securities

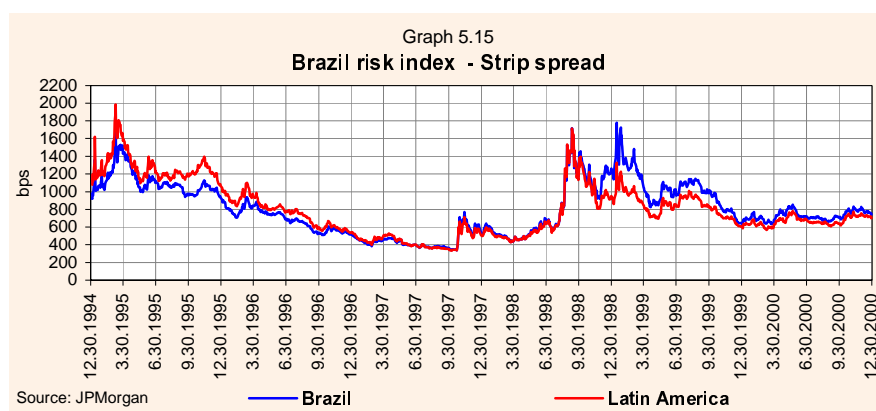
The performance of the major Brazilian external debt securities in 2000 was marked by low volatility in comparison to the previous year and an upward trend in value. With the exception of Global 30, all of the papers closed the year at price levels higher than in 1999. C-Bonds, which are the Brazilian external debt papers with the highest liquidity levels and the reference for papers subject to floating rates, moved up in value by 10.2% between January and December 2000.

The behavior of Bradies was impacted by security exchange operations, as demonstrated by the price peaks that occurred in March – issue date of the Global 30 – and August – issue date of the Global 40. The Federative Republic of Brazil's willingness to accept Bradies in issues of new securities generated a rise in secondary market demand and, consequently, in prices.

Graph 5.14
Prices of Brazilian securities abroad
 Secondary market - bid price, end-of-period
 2000



Over the course of 2000, the basket of Brazilian external debt securities, weighted by liquidity, registered a rate of return differential in relation to American Treasury papers that varied between 626 and 854 points and an average of 688 basis points calculated on the basis of daily observations. With the exchange problems that occurred in Mexico, Southeast Asia, Russia and Brazil, the differential moved sharply upward, only to fall back as the degree of volatility subsided, closing more or less at the level in effect at the end of 1999. In 2000, the external securities of Latin American countries were considered to have a slightly lower risk than Brazilian papers, offering an average rate of return that was 42 basis points lower.



International financial assistance program – drawdowns and amortizations

In the framework of the international financial assistance program, amortizations in April 2000 added up to US\$10.3 billion, distributed as follows: US\$6.9 billion to the IMF, US\$3.1 billion to BIS and US\$297 million to the BoJ.

A breakdown of total amortizations with the IMF shows that US\$2 billion referred to 50% of the drawdown in the SRF modality in December 1998 and US\$4.9 billion to the 100% drawdown under the same heading in April 1999. For the amount equivalent to 50% of the second drawdown, the fact of no amortization in April added 50 basis points to the rate of interest initially defined as the Charge Rate plus 300 basis points. However, amortization of 50% of the first drawdown could have occurred in June 2000 and 50% of the second drawdown in October 2000, with no increase in interest. In much the same way, the renewal of loans with BIS and the BoJ would result in addition of 50 points to the interest rate initially defined as the six month Libor plus 460 basis points. Therefore, payment of US\$10.3 billion reflected the fact that Brazil had opted not to renew US\$6.4 billion and had anticipated payment of US\$3.9 billion, thus generating a cutback in expenditures on interest to be paid on IMF, BIS and BoJ resources in a total amount from US\$1.1 billion in 1999 to US\$534 million in 2000. When one analyzes normalization operations,

the debt balance was restricted to US\$1.8 billion withdrawn from the IMF in the form of a Credit Tranche, with initial maturities scheduled for 2002.

The new exchange system implemented in 1999 and, principally, the evolution of the nation's external accounts made it possible to amortize resources allocated into normalization operations, maintaining an adequate level of international reserves.

In 2000, resources supplied by international development organizations, IBRD and IDB, provided inflows of US\$2.8 billion and interest outlays that came to US\$377 million, compared to US\$69 million in 1999. The credit line channeled by IDB to social programs was fully withdrawn by the National Treasury, while other resources from different credit lines that can only be withdrawn by the BNDES were not fully withdrawn. At the end of 2000, the debt balance with these organizations came to US\$5.8 billion, in terms of the financial assistance program, with maturities scheduled to occur between 2002 and 2019. Of the total initially made available, US\$9 billion, US\$3.2 billion are still available for withdrawal, provided that such an operation be authorized by the National Congress.

Table 5.40 - Exceptional financing

US\$ million

	1998 ^{1/}	1999			2000		
	Disbursements	Disbursements	Amortizations	Interest	Disbursements	Amortizations	Interest
IBRD ^{2/}	-	1 000	-	40	1 000	-	104
IDB ^{2/}	-	1 999	-	29	1 787	-	273
IMF	4 784	6 025	1 966	463	-	6 876	338
BIS	4 150	4 500	5 500	602	-	3 150	179
BoJ	390	424	517	57	-	297	17
Total	9 324	13 947	7 983	1 191	2 787	10 323	911

1/ No amortization or interest were paid this year.

2/ Included in the balance of payments under financing.

International financial assistance program – external indebtedness targets

The agreement formalized between Brazil and the IMF involved nominal targets for macroeconomic variables. The targets specified were defined as performance criteria so that noncompliance would make it impossible for Brazil to make new drawdowns. Among these performance criteria, ceilings were determined for the nonfinancial public sector external debt stock, private sector external debt guaranteed by the public sector and short-term public sector external debt.

Just as had occurred in 1999, the external indebtedness targets were met with considerable leeway. A quarterly calculation up to December indicates that the difference between the effective value and the nonfinancial public sector indebtedness target came to US\$4.8 billion. The amount registered for December under short-term indebtedness and private sector debt guaranteed by the public sector represented 62.6% of the value of the targets.

Table 5.41 - External debt targeting - 2000 (agreement with IMF)

US\$ million

Period	Medium- and long-terms		Short-term		Collateral	
	Target	Occurred ^{1/}	Target	Occurred	Target	Occurred ^{1/}
Mar	92 900	88 846	4 343	3 936	1 580	919
Jun	94 680	90 909	4 430	3 581	1 580	919
Sep	95 000	91 193	4 700	3 141	1 580	919
Dec	95 500	90 684	4 000	2 572	1 580	919

1/ Data cleared at the period.