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BRAZIL

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

	1998	1999	2000 1/
Income, Production and Employment:			
Nominal GDP 2/	775	530	550
Real GDP Growth (pct) 3/	-0.1	0.8	3.8
GDP By Sector (pct)			
Agriculture	8.4	8.7	9.0
Industry	34.0	36.0	37.0
Services	57.6	55.3	54.0
Per Capita GDP (US$) 4/	4,800	3,200	3,320
Labor Force (millions)	76.9	79.3	80.0
Unemployment Rate (pct)	7.6	7.6	8.0
Money and Prices (annual percentage growth):			
Money Supply (M2)	24.4	23.0	26.0
Consumer Price Index 5/	2.5	8.0	5.8
Exchange Rate (R/US$ annual average)			
Commercial	1.15	1.82	1.85
Balance of Payments and Trade:			
Total Exports FOB 6/	51.1	48.0	51.0
Exports to U.S. 6/	9.8	10.8	12.0
Total Imports FOB 6/	57.7	49.0	51.0
Imports from U.S. 6/	13.7	11.8	12.0
Trade Balance 6/	-6.6	-1.0	0.0
Balance with U.S. 6/	-3.9	-1.0	0.0
Fiscal Deficit/GDP (pct) (- = surplus)			
Nominal	8.0	9.5	4.0
Primary (inflation adjusted)	0.0	-3.0	-3.3
Current Account Deficit/GDP (pct)	4.33	4.2	4.1
External Public Debt 7/	95.4	100.8	112.0
Debt Service/GDP (pct)	1.5	2.9	3.0
Gold and Foreign Exchange Reserves (int'l liquidity)	44.6	36.3	28.0
Aid from U.S. (US$ millions) 8/	10.9	13.9	13.3
Aid from Other Countries	N/A	N/A	N/A

1/ Estimates except where noted.

2/ GDP at market prices.
3/ Percentage changes calculated in local currency.
4/ At current prices.
5/ Source: INPC (National CPI).
6/ Merchandise trade; Source: Ministry of Industry, Commerce and Tourism (MICT). Trade totals are preliminary for entire year. U.S. totals are extrapolated from January-June data.
7/ Non-financial public sector (excludes Petrobras and CVRD).
8/ USAID only.

1. General Policy Framework

Brazil underwent an important economic transition in 1999 and is currently embarked on a year of recovery. The Emerging Markets Crisis of 1998 interrupted the progress Brazil had been making in consolidating its stabilization program. Following the introduction of a new monetary unit (the “real”) in 1994 and the dismantling of "indexation" mechanisms that had automatically transmitted price increases throughout the economy, domestic inflation fell abruptly. From almost 2500 percent in 1993, consumer price inflation fell to 3 percent by 1998 before rising to 8 percent in 1999 due to currency depreciation.

The Real Plan initially created more buying power for many Brazilian consumers due to disappearance of the so-called "inflation tax" which hit the poor hardest and to a 40 percent increase in the minimum wage in 1995. While price stabilization undeniably benefited the poor, lifting an estimated 13 million people above the official poverty line, Brazil still has one of the most unequal income distributions in the world. A consumption-led boom that began in 1994 due to higher real incomes and improved access to consumer credit ended in mid-1997.

Price stability came with a steep price tag for Brazil in terms of lower economic growth in the absence of fiscal reforms and spending restraint. In particular, Brazil's central bank had to keep real interest rates high to defend an overvalued currency, while at the same time attracting sufficient foreign capital to make up for public sector dissaving. From 5.9 percent in 1994, real GDP growth declined to 2.8 percent in 1996 and 3.5 percent in 1997. Due to the slowdown following the Asian Financial Crisis in late 1997, growth in 1998 was flat. Following the Emerging Markets Crisis in August, the economy officially entered into a recession in the second half of 1998. Despite the announcement of a three-year fiscal stabilization plan and negotiation of a $41.5 billion assistance package with the IMF and other lenders, declining confidence in Brazil and capital flight provoked an abrupt switch to a floating rate regime in January 1999. After an initial overreaction, the currency ended the year at 1.8 to the dollar. On an average nominal exchange rate basis, the currency depreciated almost 60 percent against the dollar from 1998 to 1999. As of October 2000, the exchange rate is approximately 1.9 to the dollar.

Dire predictions of sharply lower growth and higher inflation in 1999 were not realized, with growth coming in at one percent and inflation just under nine percent. At the same time, predictions of a substantial trading surplus were also frustrated as the excess of imports over exports was $1.2 billion. Main factors underlying and inflation performance were the stability already provided by the Real Plan, progress on fiscal reforms, adoption of an inflation-targeting monetary policy in mid-1999, and fiscal stringency. Foreign investor confidence was also surprisingly robust as foreign direct investment inflow totaled $30 billion for the year, an all-time record. At the same time, exchange rate volatility, lack of export finance, lag effects, weak demand in Asia and Latin America, and declining basic product prices undermined export performance.

Export-led industrial recovery began to emerge in the fourth quarter of 1999. Intermediate good production has been particularly strong both to satisfy domestic demand and foreign consumption. Industrial and agricultural production were up strongly for the first half of 2000 compared to the same period in 1999 and employment has been trending upward. The current consensus forecast is for 3.8 percent GDP growth in 2000 and 4.2 percent in 2001, with trade in 2000 being essentially balanced.

In July 1999 Brazil adopted an inflation targeting policy framework that relies on monetary policy to achieve target ranges of inflation. Inflation was low for the first six months of 2000, jumped in July and August because of higher fuel and food prices, and then dropped again in September. The 12-month inflation through September was 7.7 percent, and as of October the market forecast for 2000 inflation is slightly over the Central Bank's inflation target of 6 percent. The Central Bank has lowered the overnight interest rate, its key inflation-targeting tool, from 19 percent at the beginning of the year, to 16.5 percent.

In addition to meeting and indeed surpassing its primary surplus goals since 1998, Brazil has made significant progress on structural fiscal reforms. Notable successes include introduction of an actuarial factor into calculation of public pensions for private sector workers (INSS), passage of the budget guidelines and fiscal responsibility laws, limitation of public worker social security benefits, and completion of a massive debt rescheduling with state and municipal governments. Still lacking as of late 2000 are completion of a long-awaited domestic tax reform simplification/consolidation and the second phase of social security reform permitting higher contributions from retired public servants, as well as needed judicial reforms

Concerned about a widening current account deficit, which reached 4.2 percent of GDP in 1997 and 4.3 percent of GDP in 1998, the government began to adopt measures in 1997 aimed at discouraging imports and encouraging exports. These included imposing restrictions on short-term import finance and consumer credit, expanding the official export credit program, eliminating tariff exemptions for a long list of capital goods, adoption of a customs valuation table, increasing import documentation requirements, and tightening standards and enforcement. Even so, access to Brazilian markets in most sectors is generally good. Most sectors are characterized by competition and participation by foreign firms through imports, local production and joint ventures. The import finance restriction was effectively ended in March 1999 and completely rescinded in October.

In December 1995 Brazil implemented a complex automotive products import regime. The regime expired at the end of 1999 and Brazil is currently engaged in negotiations with its Mercosur partners to develop a common Mercosur auto regime.

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

Chile and Bolivia became associate members of Mercosur in October 1996, and negotiations with the Andean Community began in November 1996.

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

2. Exchange Rate Policy

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

When introduced in July 1994, the real was pegged at parity with the dollar but quickly appreciated. The Central Bank established a new system of trading bands in March 1995 and subsequently devalued very gradually, first within the bands and then by adjusting the bands upward. The bank formerly pursued a so-called "crawling peg" policy of nominal depreciation of the real against the dollar at a rate of about 7.5 percent per year. With a steady decline in international reserves following the Russian Crisis, the country was forced to devalue in January 1999 and switched to a floating rate system with Central Bank intervention only to contain volatility.

3. Structural Policies

Although some administrative improvements have been made in recent years, the Brazilian legal and regulatory system is not fully transparent. The government has historically exercised considerable control over private business through extensive and frequently changing regulations. As part of its efforts to keep inflation down, the government is reluctant to allow raises in public utility rates.

Brazil accelerated the privatization program initiated in 1990 to reduce the size of the government and improve public sector fiscal balances. Revenues peaked in 1997-98. Steel companies and most petrochemical companies owned by the government, the main exception being Petrobras, have already been privatized. The majority of voting shares in mining conglomerate Companhia Vale do Rio Doce (CVRD) was sold to the private sector in May 1997 and Telebras was split into 12 firms and privatized in July 1998. Several electric utilities have been privatized, and so-called band B cellular telephone concessions covering the whole country were sold in 1997 and 1998. ANATEL, the government's telecommunications regulatory agency, will conclude an auction of Personal Communications System Bands C-E by mid-March 2001. The pace of privatization slowed in 1999 and 2000, although the Parana state bank, Banestado was privatized in October 2000, and the Sao Paulo state bank Banespa is scheduled to be sold in November 2000. As of October 2000, Brazil realized $77.6 billion in direct sales revenues and a further $18.1 billion in retirement of public sector debt. The power and telecom sectors have each accounted for a third of total privatization proceeds to date.

Brazil's tax system is extremely complex, with a wide range of income, production, movement, consumption, and payroll taxes levied at the federal, state and municipal levels. Because of difficulties in passing comprehensive tax reform through Congress, the government has focused on limited revisions by executive order. In late 1995 it passed revisions to the corporate and individual income tax regimes. In 1996 it exempted exports and capital purchases from the state-collected value added tax and announced a single tax on the gross receipts of small and medium enterprises. While the overall objective remains simplification, the government imposed an additional tax on financial transactions as a temporary measure, although the tax has been extended until 2002. The government has announced plans to transform the current system into one where a value-added tax, state and city sales taxes, and a selective excise tax would replace the current system of multiple taxation. The proposal is strongly advocated by Brazil's private sector. Congress prepared an alternative proposal, but there has been little progress on either proposal in 2000. Currently, tax collections, at all levels, amount to about 31 percent of GDP.

4. Debt Management Policies

Brazil's total external debt by the end of 1999 was $241 billion, of which 41.7 percent was due to the public sector (excluding Petrobras foreign branches) and the remainder to the private sector. Total external debt fell slightly as of June 2000, to $233 billion. Debt service in 1999 represented 2.9 percent of Brazil's GDP. Brazil concluded a commercial debt rescheduling agreement (without an IMF standby program) in April 1994 after twelve years of negotiations and has fully complied with the commitments made in this agreement. Until the global financial crisis erupted in mid-1998, the terms of Brazilian debt obligations had lengthened and spreads narrowed on both public and private sector external debts. In November 1998 Brazil negotiated a $41.5 billion assistance program with the IMF and renegotiated the agreement in March 1999 following the decision to float the currency. Perceptions of Brazil's risk, and thus availability of foreign funding, depend on progress on the fiscal stabilization program announced by the government in October 1998 as well as on compliance with fiscal and monetary performance targets set in conjunction with the IMF. As of October 2000, Brazil was in compliance with its IMF targets and is expected to meet its inflation target (within the narrow one-percent band) for this year. In August 2000 Brazil issued over $5 billion in 40-year Global Bonds to retire a range of Brady bonds.

5. Significant Barriers to U.S. Exports

Since 1990, Brazil has made substantial progress in reducing traditional border trade barriers (tariffs, import licensing, etc), although tariff rates in many areas such as information technology and automobiles remain high. Significant non-border trade barriers remain.

Import Licenses: The Secretariat of Foreign Trade implemented a computerized trade documentation system (SISCOMEX) in early 1997 to handle import licensing. Licenses for many products were to be issued automatically. However, a wide variety of products were subject to non-automatic licensing. A primary concern has been the reported use of minimum reference prices by Customs officials both as a requirement to obtain import licenses and/or as a base requirement for import. Such measures have been characterized by Brazil as a "deepening" of the existing import licensing regime and as part of a larger strategy to prevent under-invoicing. However, the reported use of minimum price lists raises questions about whether Brazil's regime is consistent with its obligations under the WTO Agreement on Customs Valuation. In July 2000 the United States held WTO dispute settlement consultations with Brazil over the reference price issue. Earlier, the United States acted as an interested third party in WTO dispute settlement negotiations on this issue brought by the European Union.

Agricultural Barriers: In November 1998 the United States signed a protocol with Brazil clearing the way for imports of U.S. Hard Red Winter wheat. On November 28, 2000, Brazil lifted restrictions on the importation of U.S. Soft Red Winter wheat and Hard Red Spring wheat from U.S. gulf ports. The U.S. government will continue to work to resolve continuing import restrictions on shipments of U.S. wheat out of west coast ports.

The Brazilian import policy regarding GMO corn and soybeans is inconsistent and lacks transparency. The poultry industry in the northeast is dependent on corn imports, and GMO grain imports have been ruled permissible for feed use. However, Brazil has blocked the import of several shipments of Argentine GMO corn this year, due to pressure from consumer and environmental groups. As a result, importers cannot be certain that their shipments will not be held up at Brazilian ports and may be subject to costly delays and demurrage charges.

Brazil prohibits the entry of poultry and poultry products from the United States, alleging lack of reciprocity. Brazil had previously granted conditional approval for U.S. poultry exports, but this was withdrawn when the United States could not grant Brazil an exception to the standard U.S. approval process. Following the lead of the European Union, Brazil prohibits the importation of beef treated with anabolics; however, beef imports from the United States have been allowed on a waiver basis since 1991. In October 1995 Brazil prohibited the importation of live sheep from the United States due to scrapie (a sheep disease).

Services Barriers: Restrictive investment laws, lack of administrative transparency, legal and administrative restrictions on remittances, and arbitrary application of regulations and laws limit U.S. service exports to Brazil. Service trade opportunities in some sectors have been affected by limitations on foreign capital participation.

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

Foreign participation in the insurance industry has responded positively to market-opening measures adopted in 1996. However, problems remain with market reserves for Brazilian firms in areas such as import insurance and the requirement that state enterprises purchase insurance only from Brazilian-owned firms. In June 1996 the government legally ended the state's monopoly on reinsurance, but the monopoly has yet to end in practice and its persistence is keeping costs high for insurers, both domestic and foreign. The monopoly Brazil Reinsurance Institute is scheduled for privatization in 2001. U.S. and other foreign reinsurers have expressed concern with proposed regulations regarding the reinsurance market following the sale.

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

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

Foreign ownership of land in rural areas and adjacent to national borders remains prohibited under law number 6634. Despite investment restrictions, U.S. and other foreign firms have major investments in Brazil, with the U.S. investment stake more than doubling from 1994 to 1998.

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

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

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

6. Export Subsidies Policies

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

An export credit program, known as PROEX, was established in 1991. PROEX is intended to equalize domestic and international interest rates for export financing and to directly finance production of tradeable goods. In 1999 $901 million was budgeted for PROEX with $460 million slated for equalization and $441 million for direct financing. $451 million was actually spend last year on equalization, but only $175 million went to financing. Historically, PROEX never used more than 30 percent of its allocated budget, but in 1998 utilized over 50 percent of its allocated resources for the first time, and 70 percent in 1999. In 1999 a WTO panel found PROEX interest equalization payments on regional aircraft to be a prohibited subsidy. The WTO Appellate Body upheld this finding. The Government of Brazil states that it has modified PROEX to bring it into conformity with WTO subsidy rules.

7. Protection of U.S. Intellectual Property

Brazil belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). It is also a signatory to the Paris Convention, Bern Convention, Madrid Agreement, Rome Convention, Patent Cooperation Treaty, Strasbourg Agreement, Phonograms Convention, Nairobi Treaty, Film Register Treaty, and the Universal Copyright Convention. Brazil has not yet ratified the WIPO Treaties on Copyright and Performances and

Phonograms. In 2000 the U.S. Trade Representative placed Brazil on the "Special 301" Watch List primarily as a result of serious concerns regarding copyright enforcement. In June 2000, the U.S. government held WTO consultations on the "local working" provision in Brazil's patent law that appears to be TRIPS inconsistent. Although Brazil has made progress toward improved protection for intellectual property rights, copyright piracy and lax copyright enforcement remain a serious problem.

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

Patents: The Industrial Property Law provides patent protection for chemical and pharmaceutical substances, chemical compounds, and processed food products not patentable under Brazil's 1971 law, and provides patent protection for genetically altered micro-organisms. The law also extends the term for product patents from 15 to 20 years, and provides "pipeline" protection for pharmaceutical products patented in other countries but not yet placed on the market. The large backlog of pipeline patents is being processed. In April 1997, a Plant Variety Law was passed that provides protection to producers of new varieties of seeds.

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

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

Copyrights: In February 1998, in an effort to raise Brazil's copyright protection to the level of the TRIPS Agreement, President Cardoso signed a new copyright law that generally conforms to international standards. Enforcement, however, remains a serious problem. The generally inefficient nature of Brazil's courts and judicial system, combined with resource constraints, and other law enforcement priorities have complicated the enforcement of intellectual property rights. The Brazilian government is working on a project to broaden criminal penalties and streamline the judicial process. The government is also working to create an interagency IPR committee, coordinated by the Ministry of Justice, to improve antipiracy enforcement, although this initiative remains stalled as of October 2000. The U.S. copyright industry reports that in 1998 its trade losses from piracy in Brazil were over $900 million. Problems have been particularly acute with regard to sound recordings and video cassettes.

Semiconductor Chip Layout Design: In April 1996, a bill to protect layout designs of integrated circuits was introduced, but the bill has languished.

8. Worker Rights

a. *The Right of Association:* Unions are free to organize in Brazil. Virtually all workers (except for the military, the military police and firemen) have the right to representation. The only significant limitation is "unicidade" (literally "one per city"), which restricts representation for any professional category to one union in a given geographical area. Both the government and the major labor confederations have argued in favor of removing this restriction, but the necessary constitutional amendment is still under consideration by Congress. Otherwise, unions remain independent of the government, but major unions tend to share links to various political.

b. *The Right to Organize and Bargain Collectively:* The constitution provides for the right to organize, and approximately 26 percent of the work force is. With government assistance, businesses and unions are working to expand and improve mechanisms of collective bargaining. For now, however, many issues normally resolved by collective bargaining come under the purview of Brazil's labor courts, which have the power to intervene in wage bargaining and impose settlements, or are resolved by mediation.

c. *Prohibition of Forced or Compulsory Labor:* Although the constitution prohibits forced labor, credible sources continue to report cases of forced labor in Brazil. The Catholic Church's Pastoral Land Commission (CPT) has documented cases of forced labor in some states, although the CPT reported that the total number of incidents declined from 1996 through 1998. Forced labor continues on farms producing charcoal for use in the iron and steel industries, and on sugar plantations. The federal government has created a task force, comprising seven different ministries, to combat forced labor, and the Ministry of Labor has augmented the task force with mobile inspection teams. These efforts have improved the situation considerably, though all concerned concede that forced labor continues to be a problem.

d. *Minimum Age for Employment of Children:* The Brazilian constitution prohibits work by children under the age of 16. Despite this prohibition, the Ministry of Labor estimates that nearly 3.8 million children under 16 years work. Sectors that have child labor include charcoal production, sugar cane harvesting , citrus fruit plantations, hemp growing, and mining, among others. A coalition of government agencies and NGOs have made effective efforts to limit child labor, notably through the implementation of "scholarships" for families who keep their children in school. The problem, however, persists.

e. *Acceptable Conditions of Work:* Brazil has a minimum wage of approximately 85 dollars (151 reals) a month, subject to increase, usually on an annual basis in May. Many workers, particularly those outside the regulated economy and in the northeastern part of Brazil, reportedly earn less than the minimum wage. The 1988 constitution limits the workweek to 44 hours and specifies a weekly rest period of 24 consecutive hours, preferably on Sundays. The constitution expanded pay and fringe benefits and established new protections for agricultural and domestic workers, though not all provisions are enforced. All workers in the formal sector receive overtime pay for work beyond 44 hours and there are prohibitions against excessive use of overtime. Unsafe working conditions exist throughout Brazil, though Brazilian occupational health and safety standards are consistent with international norms. The Ministry of Labor, responsible for monitoring working conditions, has insufficient resources for adequate inspection and enforcement of these standards.

f. *Rights in Sectors with U.S. Investment:* U.S. multinationals have invested in virtually all the productive sectors in Brazil. Nearly all of the Fortune 500 companies are represented in Brazil. In U.S.-linked enterprises, conditions usually do not differ significantly from the best Brazilian companies; at most U.S. multinationals, conditions are considerably better than the average.

Extent of U.S. Investment in Selected Industries—U.S. Direct Investment Position Abroad on an Historical Cost Basis—1999

(Millions of U.S. dollars)

Category		Amount
Petroleum		1,703
Total Manufacturing		20,225
Food & Kindred Products	2,149	
Chemicals & Allied Products	4,617	
Primary & Fabricated Metals	1,359	
Industrial Machinery and Equipment	1,647	
Electric & Electronic Equipment	1,850	
Transportation Equipment	2,764	
Other Manufacturing	5,839	
Wholesale Trade		355
Banking		2,034
Finance/Insurance/Real Estate		5,225
Services		848
Other Industries		4,613
TOTAL ALL INDUSTRIES		35,003

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