

JUNE - 2005



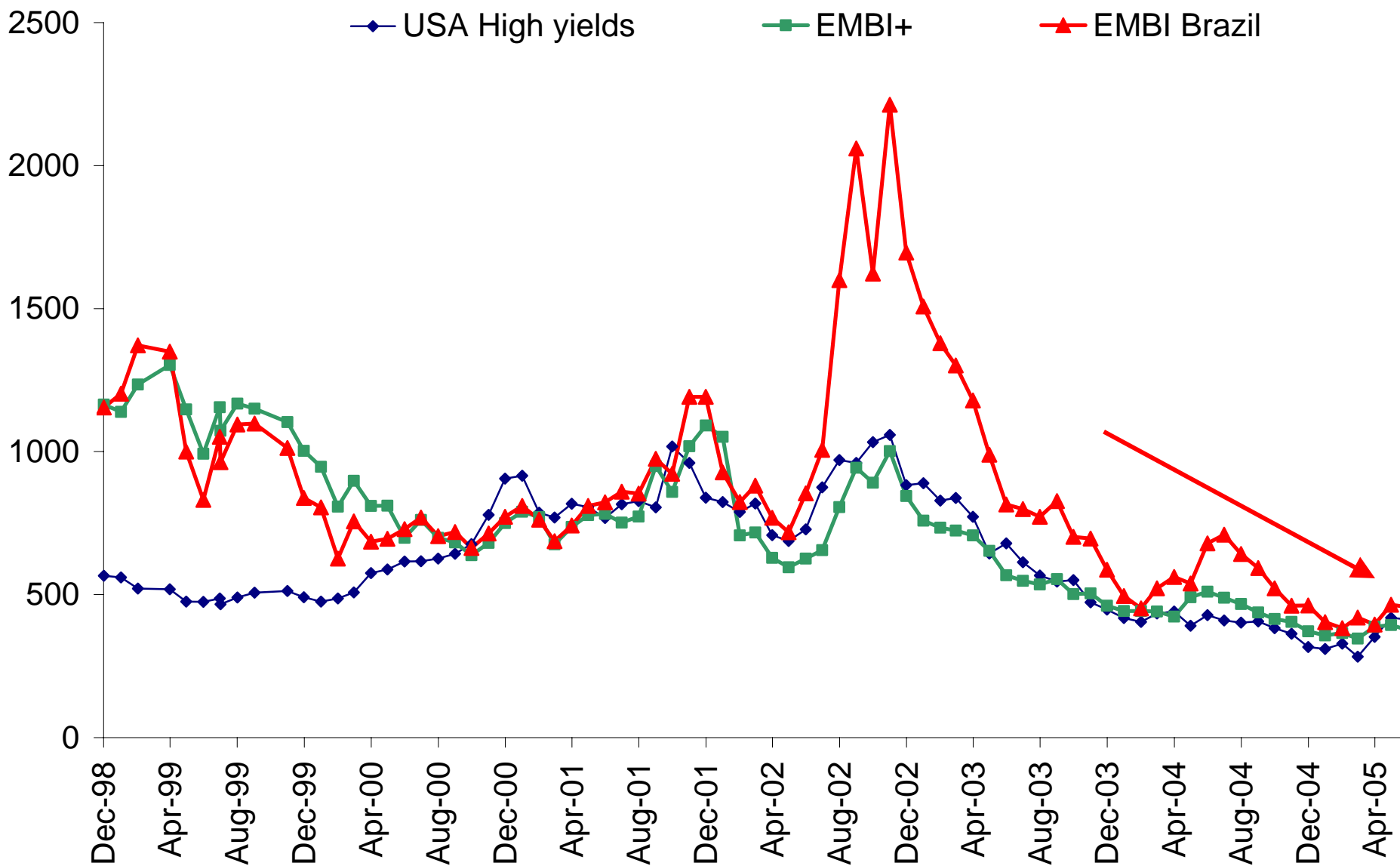
Bilateral Seminar on Foreign Trade and Investment Brazil and Switzerland

Joaquim Ferreira Levy
National Treasure Secretariat



International macro conditions led to historically low spreads...

High Yield and Emerging Markets Spreads





...due to favorable liquidity conditions...

Treasuries 10 years yield

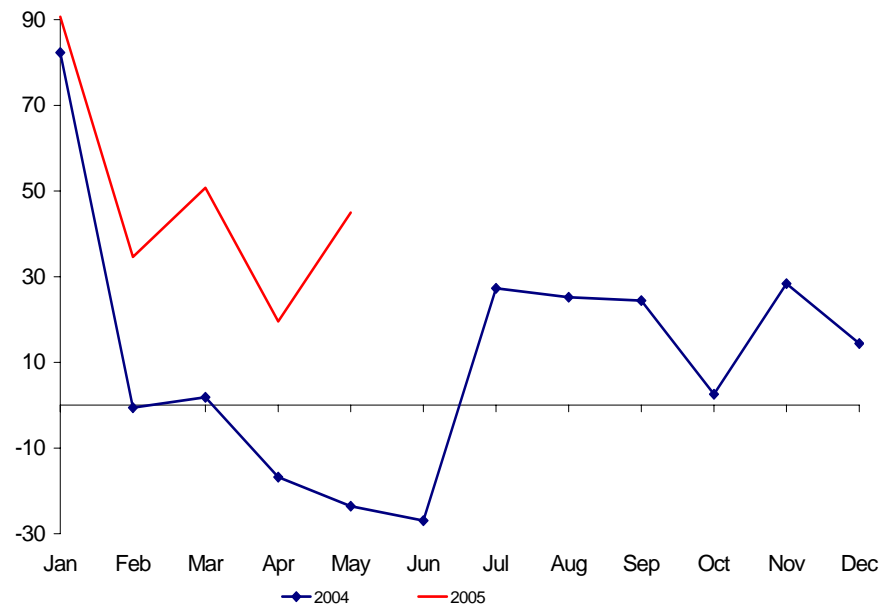


Source: Bloomberg

Flows to EM dedicated funds continue to provide underlying support

Lower international interest rate

EM - Dedicated Fund Flows - USD mn

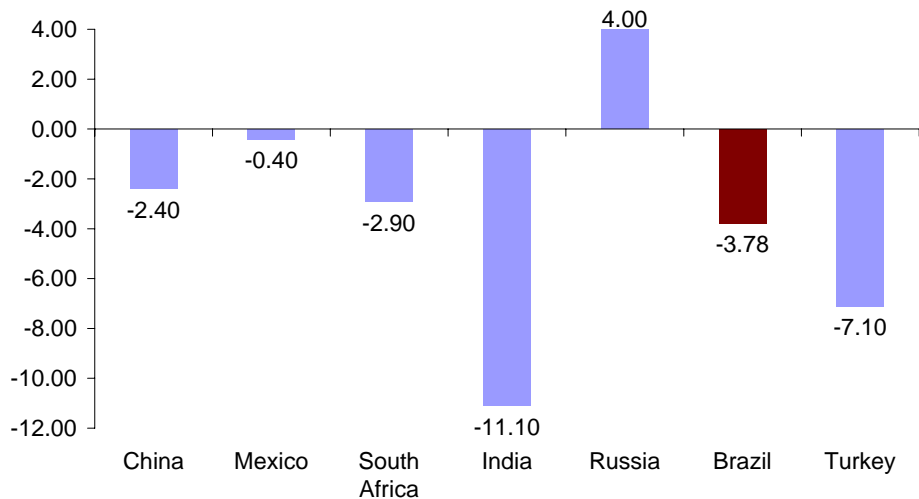


Source: Barclay's Capital



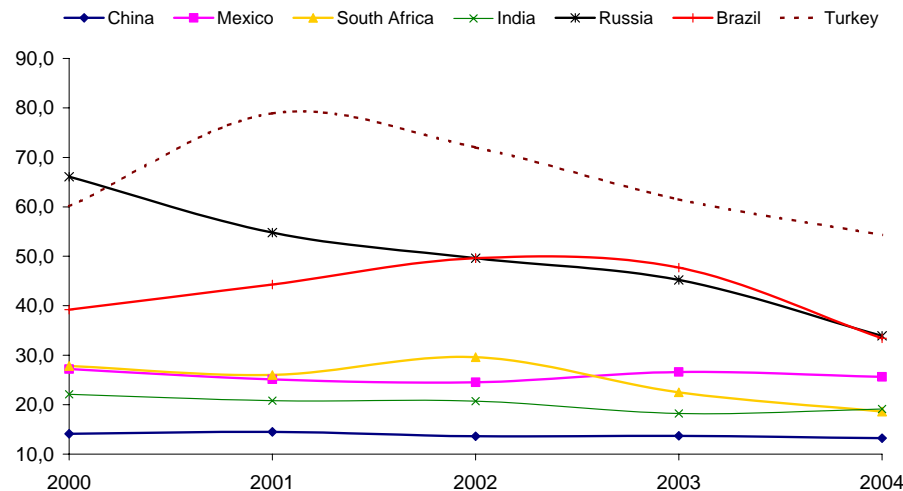
... and improvements in economic fundamentals

General Government Financial Balance 2004 (% of GDP)



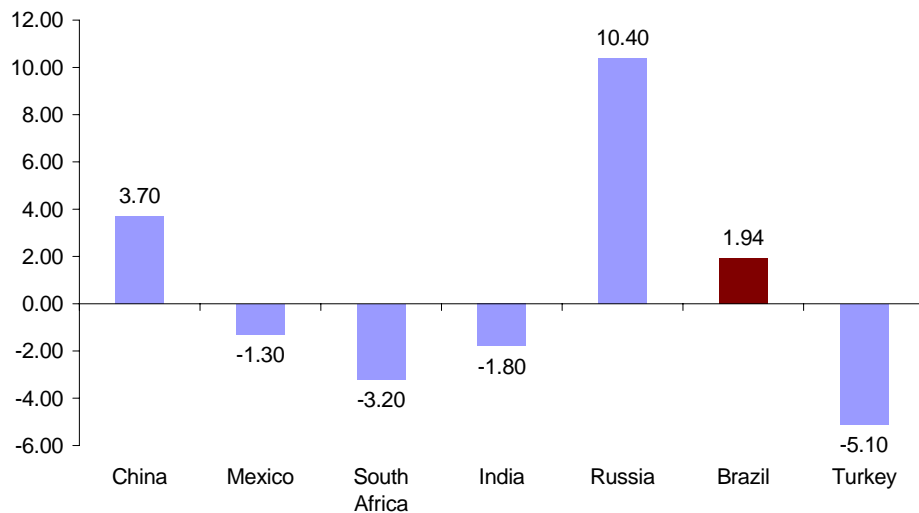
Source: Moody's, Central Bank

External Debt (% GDP)



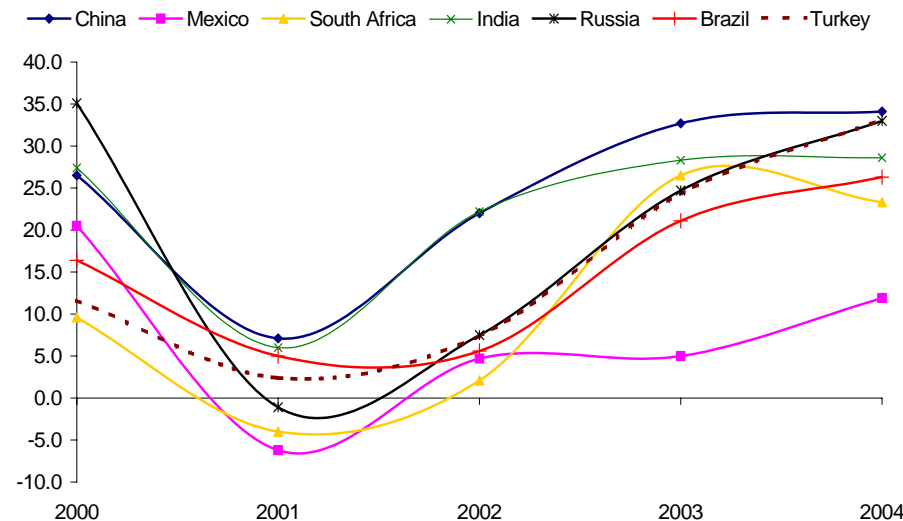
Source: Moody's, Central Bank

Current Account Balance 2004 (% GDP)



Source: Moody's, Central Bank

Nominal Exports of Goods and Services (% change, US\$ basis)



Source: Moody's, Central Bank



EM a less risky category

Emerging Markets Ratings Evolution - Since 2000

Year / Countries	2000	2001	2002	2003	2004	2005
Brazil	B2/B1	B1	B2	B2	B1	B1
China	A3	A3	A3	A3/A2	A2	A2
Colombia	Ba2	Ba2	Ba2	Ba2	Ba2	Ba2
India	Ba2	Ba2	Ba2	Ba1	Baa3	Baa3
Indonesia	B3	B3	B3	B3/B2	B2	B2
Mexico	Ba1/Baa3	Baa3	Baa2	Baa2	Baa2	Baa1
Peru	Ba3	Ba3	Ba3	Ba3	Ba3	Ba3
Philippines	Ba1	Ba1	Ba1	Ba1	Ba2	B1
Russia	B3	B2/Ba3	Ba3/Ba2	Ba2/Baa3	Baa3	Baa3
South Africa	Baa3	Baa3/Baa2	Baa2	Baa2	Baa2	Baa1
Turkey	B1	B1	B1	B1	B1	B1

Source: Moody's



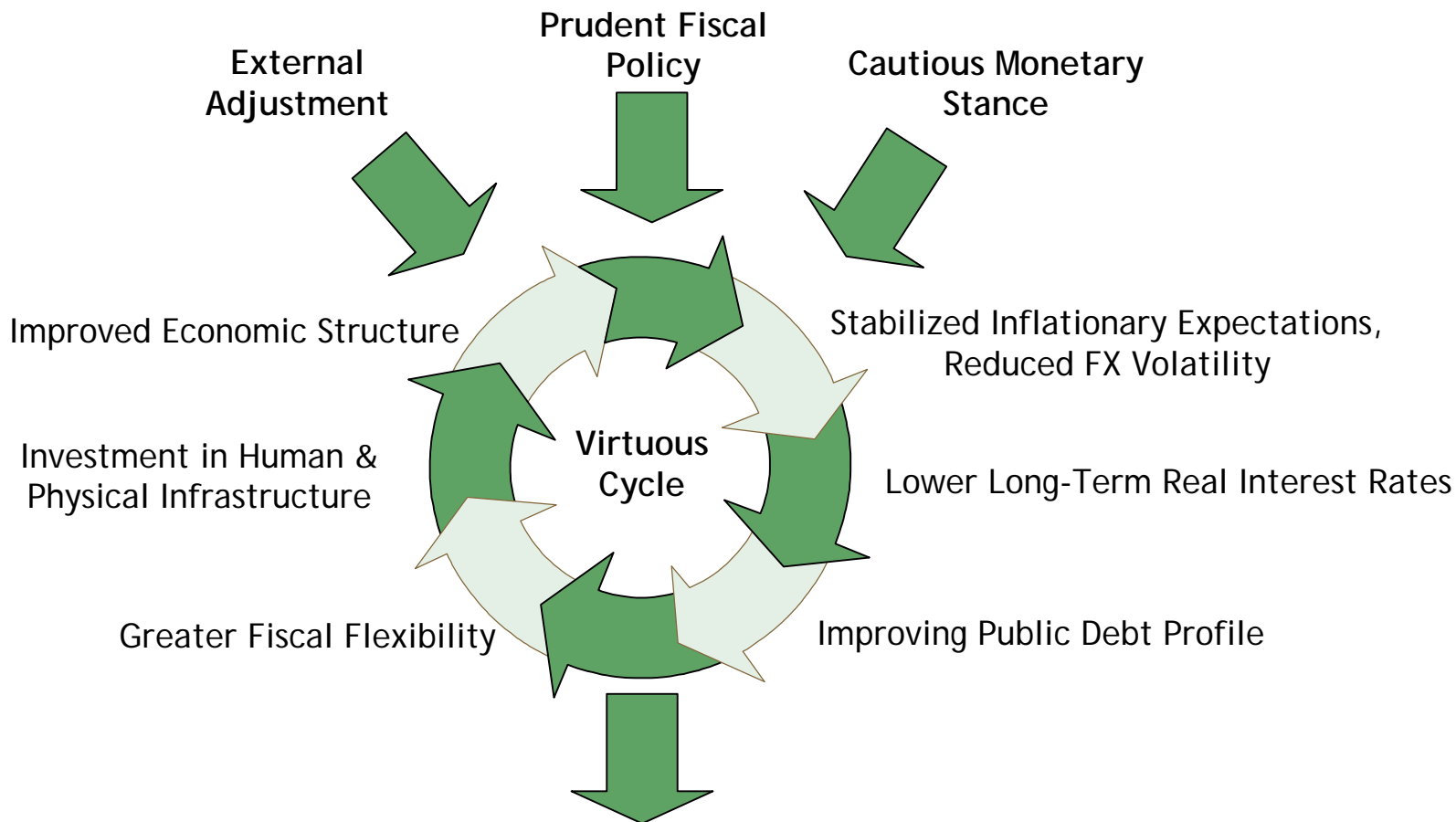
HOW HAS BRAZIL PROFITED FROM THE BENIGN ENVIRONMENT & IS MOVING AHEAD?

1. Macro Management
2. Micro/Supply-Side Reforms
3. Debt Management



Guidelines for the Macro Management

Economic Policy Mix Provides Buffer Against External Shocks

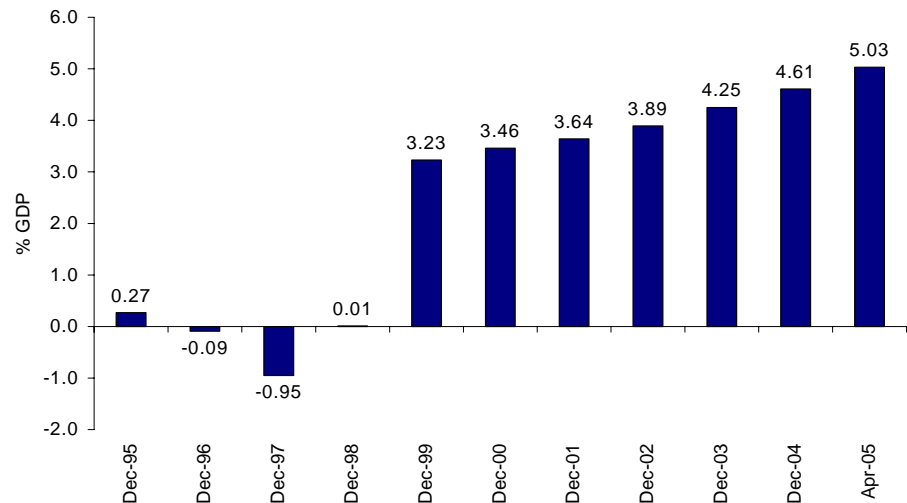


Sustainable Economic Growth & Improving Social Conditions



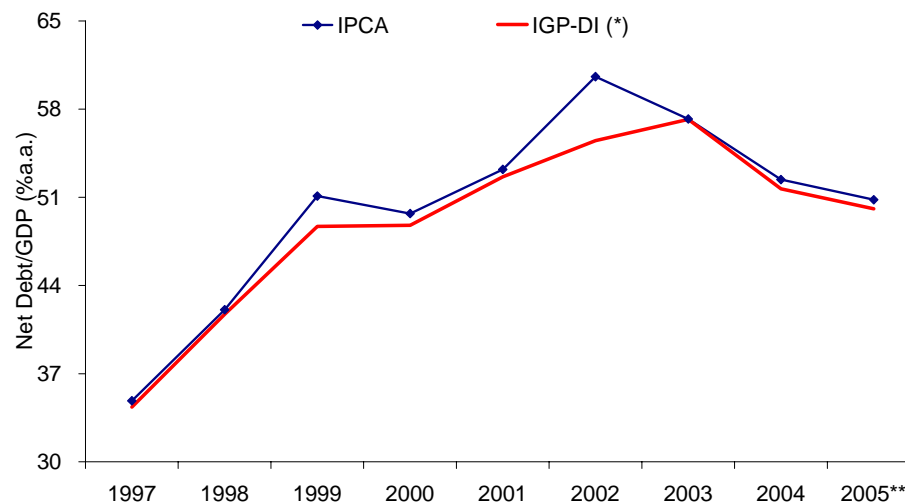
Fiscal commitment and external sector strengthening

Public Sector Primary Balance (in 12 months)



Source: Central Bank;

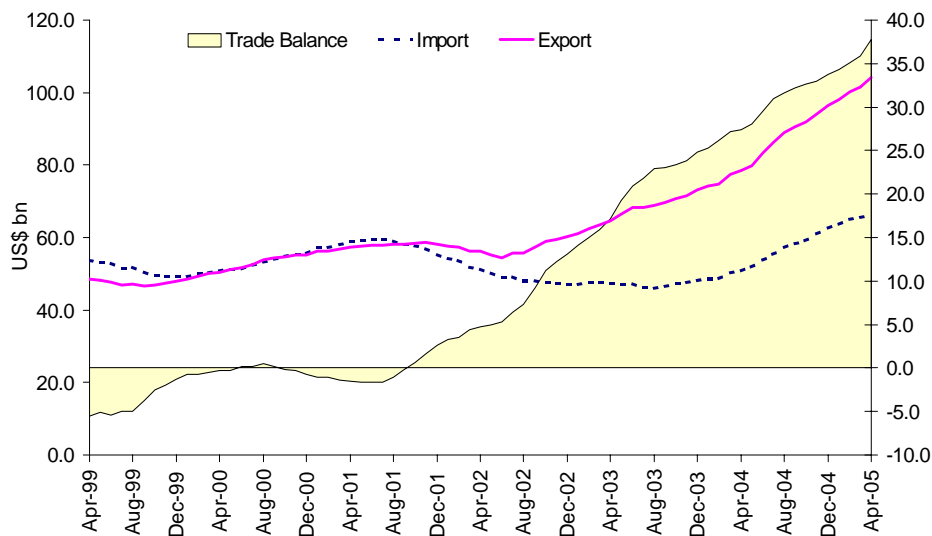
Net Public Sector Debt/GDP



Source: Central Bank;

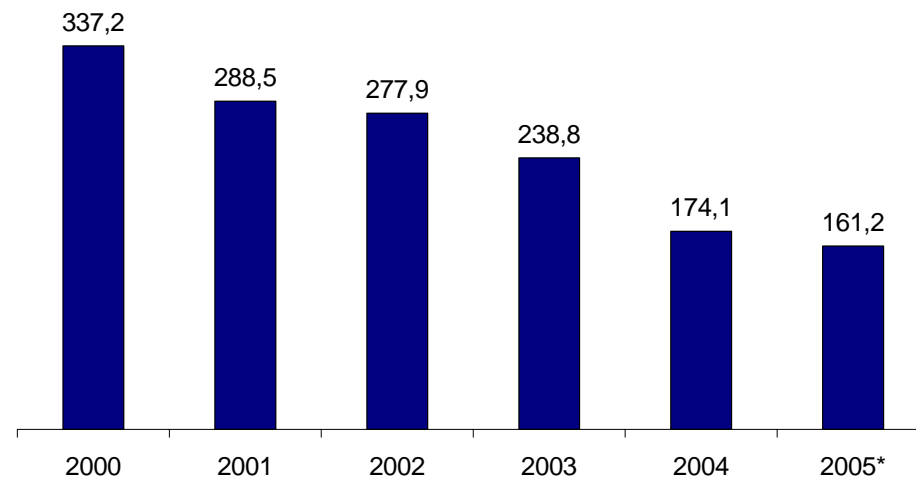
* Modified by Central Bank; ** Until April.

Trade Balance (US\$ billion) 12 months cumulated



Source: Central Bank;

External Debt/Current Account Receipts - 2004



Source: Central Bank;



Broad-based export growth

Brazilian exports by destination (as a % of total exports)

	2000	2001	2002	2003	2004	12-months percentage change ¹	Contribution (p.p) Growth
Latin America	23.4%	21.0%	16.3%	17.7%	20.4%	48.4%	6.9
of which Mercosul	14.0%	10.9%	5.5%	7.8%	9.2%	44.9%	3.1
Asia	11.5%	11.9%	14.6%	16.0%	15.1%	24.2%	4.9
of which China	2.0%	3.3%	4.2%	6.2%	5.6%	12.0%	1.7
of which Japan	4.5%	3.4%	3.5%	3.2%	2.9%	22.6%	0.8
Canada	1.0%	1.0%	1.3%	1.3%	1.2%	33.9%	0.4
USA	24.3%	24.7%	25.7%	23.1%	21.1%	31.7%	7.0
European Union	16.8%	25.5%	25.0%	24.8%	25.0%	25.0%	7.9
Others	13.0%	15.9%	17.0%	17.1%	17.1%	64.0%	5.7
Total exports (US\$bn)	55.0	58.2	60.4	73.1	96.5	104,1 ²	-
<i>% growth</i>	<i>14.7%</i>	<i>5.7%</i>	<i>3.7%</i>	<i>21.1%</i>	<i>32.0%</i>	<i>32.8% ³</i>	-

Source: MDIC/SECEX

¹This contribution reflect May 04/Apr 05 exports in terms of May 03/Apr 04 exports²Total in May 04/Apr 05³Total growth in May 04/Apr 05

Brazilian exports by type (as a % of total exports)

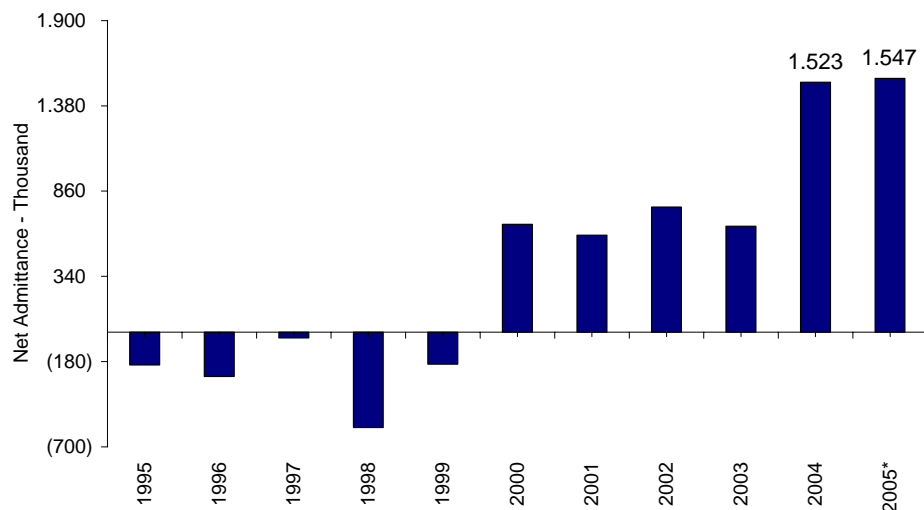
	1999	2000	2001	2002	2003	2004	Apr/04	Apr/05
Primary products	24.6%	22.8%	26.4%	28.1%	29.0%	29.6%	28.8%	30.8%
Intermediary goods	16.6%	15.4%	14.2%	14.9%	15.0%	13.9%	12.0%	13.5%
Manufactured products	56.9%	59.0%	56.5%	54.7%	54.3%	54.9%	57.8%	53.9%
Special operations	1.8%	2.7%	3.0%	2.4%	1.8%	1.6%	1.4%	1.8%
Total (US\$ mn)	48.0	55.1	58.2	60.4	73.1	96.5	6.6	9.2
<i>% growth</i>	<i>(6.1)%</i>	<i>14.7%</i>	<i>5.7%</i>	<i>3.7%</i>	<i>21.1%</i>	<i>32.0%</i>	<i>15.4%</i>	<i>39.6%</i>

Source: MDIC/SECEX



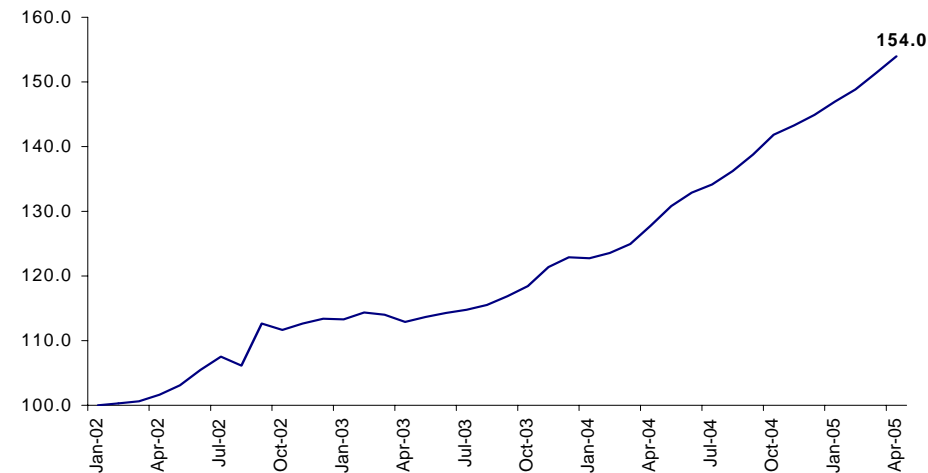
Balanced economic growth, with tamed inflation

Creation of new jobs (Net hiring)



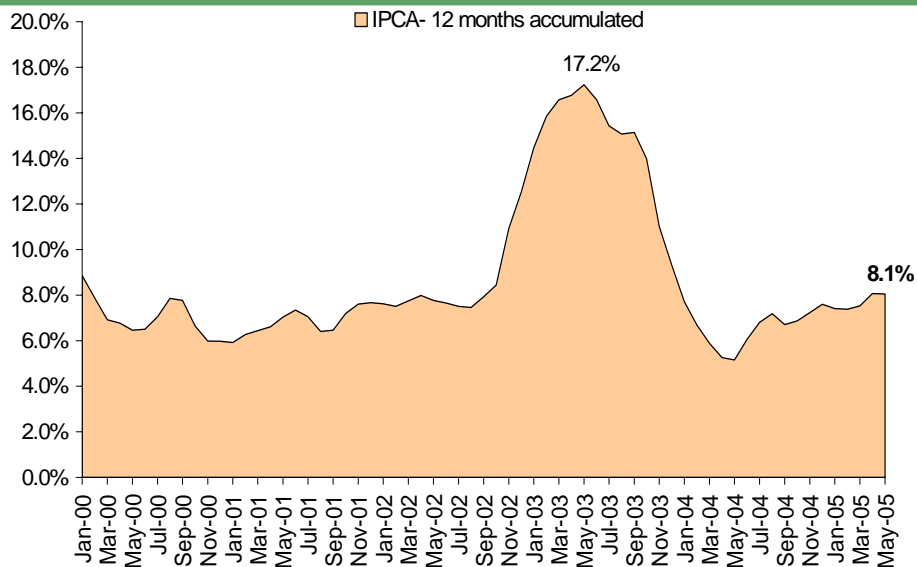
Source: Ministry of Labor - Caged -12-months accumulated
* Until April, 2005

Credit to the private sector (Jan 2002=100)



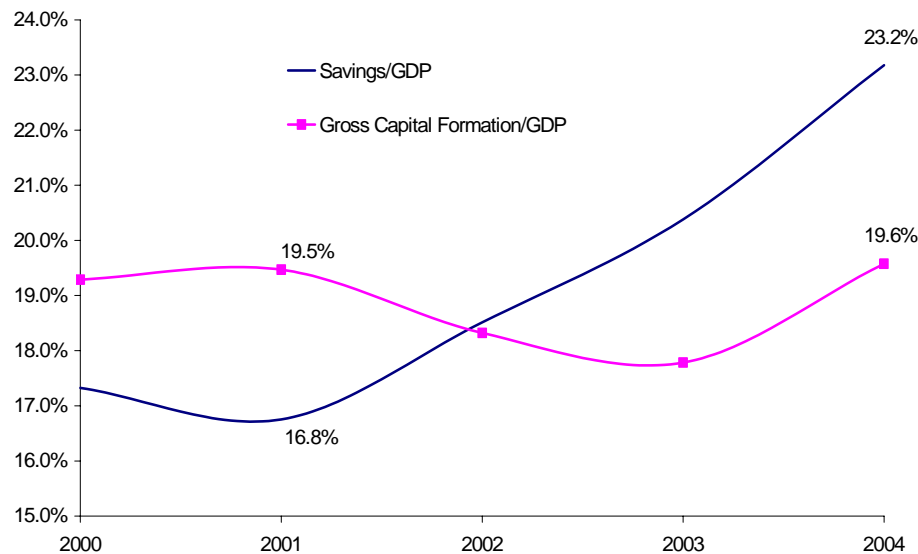
Source: IBGE
Source: Central Bank; Re-based at Jan 2002

Inflation 12 months accumulated - IPCA



Source: IBGE

Savings (as % GDP) and Gross Capital Formation (as % GDP)



Source: IPEA and IBGE

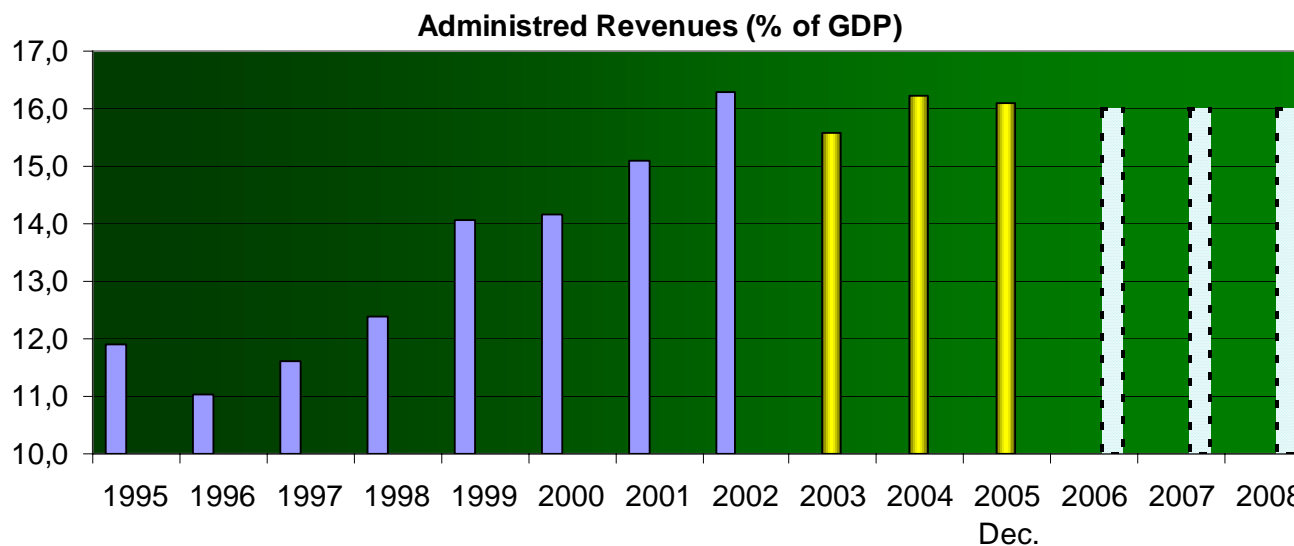


Supply Side: less taxes and lid on expenditures

The 2006 LDO provides strong guidelines for the following years, based on actual 2003-2005 experience

LDO 2006 Highlights:

- 4,25% primary target for 2006-2008, with potential allowance of R\$ 3 billion/year for IMF-pilot project investment
- Ceiling of 16% of GDP for Administrated Federal Tax Revenue (excludes Social Security contributions)
- Ceiling of 17% of GDP for current expenditures (Central Government, including Social Security)
- The 2007-2008 LDO and budget law will consider further reductions in taxes and expenditure





Supply side: an extensive score card on the reform agenda

	BRAZIL	MEXICO	TURKEY	INDIA
INFRA-STRUCTURE	<ul style="list-style-type: none"> • Telecomm: model is consolidated • Electricity: New framework consolidates early measures on secondary market for energy and private sector role • Ports: new concessions (RJ, MA, ES, SC). • Roads: resumption of concession process. • Railroads: rulings clarifying corporate structure and investment compensation • PPP • Pilot Project with IMF. 	<ul style="list-style-type: none"> • Electricity: overhauling of supervisor; • Telecomm: Reporting of quality of service. 	<ul style="list-style-type: none"> • Government is attempting to reduce cross subsidies in the energy sector (now favoring households and burdening business) • Several reforms have been started, but have not yet been completed 	<ul style="list-style-type: none"> • Electricity and gas: new rules for secondary markets; • Ports, shipping, etc.: new support mechanisms • Railroads: strengthening of intermodal operation; • agriculture: crop insurance • PPP.
BUSINESS ENVIRONMENT	<ul style="list-style-type: none"> • Bankruptcy law: • Consolidation of competition authorities and clarification of attribution of different bodies (in congress) • Gas: continuation of auctioning of oil/gas fields and consolidation of supervisory powers since the end of government monopoly in 2001; review of gas transportation regulation (in discussion) . • Judiciary Reform:, increasing the predictability of rulings and speeding up conflict resolution • Industrial policy based on the support of research and infrastructure. • Innovation law providing incentives to researchers who team up with the private sector • Stock markets: most IPOs in the high-governance new market 	<ul style="list-style-type: none"> • Bankruptcy law: focus on preserving viable firms • Oil and chemicals: discussions about liberalization of the market • Aviation: breaking up and privatization progressing, although at slower-than-anticipated pace. • Stock markets: new law protecting minority stockholders; 	<ul style="list-style-type: none"> • Competition law: harmonization with EU law 	<ul style="list-style-type: none"> • Insolvency Law: new law facilitates forces reorganization of loss-making firms; • Competition: reduction of import restrictions and simplification of process.
FISCAL AND TRANSPARENCY	<ul style="list-style-type: none"> • Substantial share of procurement through internet • Fifth year of the Fiscal Responsibility Law • Transformation of PIS/COFINS in VAT. • lower taxes on long-term savings, pension plans and life insurance • New taxation of securities backed by housing loans 	<ul style="list-style-type: none"> • E-government; • New classification of expenditures, new periodic reporting requirements • Reduction in discretion regarding sub-national transfers • new bank prudential requirements. 	<ul style="list-style-type: none"> • Decentralization of expenditure • Anti-corruption law. • Increased fiscal transparency. 	<ul style="list-style-type: none"> • Budget execution procedures law; • New rules for fiscal transparency • Taxation: improvement in the taxation of capital gains and credit
HOUSING AND SANITATION	<ul style="list-style-type: none"> • Low-income, budget-supported housing program (PSH). • New rules for mortgages, protecting buyer and banks. 	<ul style="list-style-type: none"> • Tax break for interest on housing loans. 		
FINANCIAL SECTOR/ CREDIT	<ul style="list-style-type: none"> • Legislation on loans with payroll as collateral • Regulation of loan securitization mechanism (CC) Positive Credit Report for firms (Cadastro Central Bank) 	<ul style="list-style-type: none"> • Microcredit with support of USAID; • Independence of Central Bank. 	<ul style="list-style-type: none"> • Reform of banking system after 2001 shock. 	<ul style="list-style-type: none"> • Liberalization of foreign investment
EDUCATION AND LABOR MARKETS	<ul style="list-style-type: none"> • Overhauling of tax-supported grants by private universities with a view to effectively reach poor students (e.g., those coming from public high schools), on a merit base. 	<ul style="list-style-type: none"> • New model for vocational training; • New system of skills certification. 	<ul style="list-style-type: none"> • Reduction in the taxation of temporary workers 	
SOCIAL SECURITY AND SAFETY NET	<ul style="list-style-type: none"> • Reform of public sector Social Security consolidation of income transfer mechanism (Bolsa Familia/Fome Zero) • Micro-entrepreneur program (in Congress) 	<ul style="list-style-type: none"> • Additional resources to improve curricula and general education. 	<ul style="list-style-type: none"> • Incentive to competition in the pharmaceutical sector. • Increase in the length of contribution period for social security benefits. 	<ul style="list-style-type: none"> • Strong focus on financial support of very-low-income entrepreneurs.

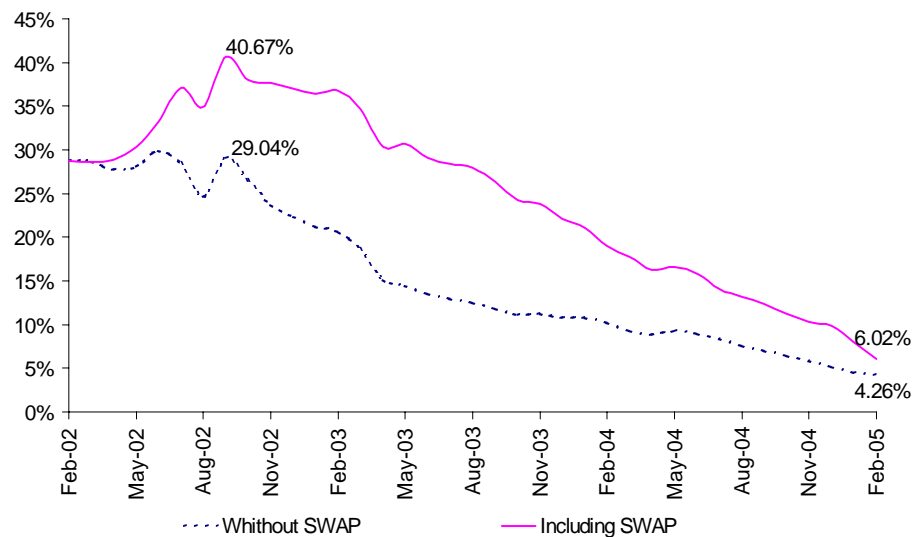


Better Public Debt Composition

Domestic Issued Maturities - 2004 and 2005

Maturity	LTN		NTN-F		LFT		NTN-C		NTN-B	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
Jul/2004	█									
Oct/2004	█									
Jan/2005	█									
Feb/2005					█					
Apr/2005	█									
Jul/2005	█									
Aug/2005					█					
Oct/2005	█				█					
Nov/2005		█								
Dec/2005							█			
Jan/2006	█				█					
Feb/2006		█								
Apr/2006		█								
May/2006		█								
Jun/2006		█			█					
Jul/2006	█									
Aug/2006		█							█	
Oct/2006		█							█	
Nov/2006		█			█					
Dec/2006		█								
Jan/2007		█			█					
Mar/2007		█								
Jun/2007		█			█					
Jul/2007		█								
Sep/2007		█			█					
Dec/2007		█								
Jan/2008		█	█				█			
Mar/2008		█								
Jun/2008		█			█					
Apr/2008		█					█			
Dec/2008		█								
Mar/2009		█			█					
May/2009		█							█	
Sep/2009		█							█	
Jan/2010		█							█	
Mar/2011		█					█			
Jan/2012		█								
May/2015		█							█	
Jul/2017		█					█		█	
Apr/2021		█					█		█	
Aug/2024		█							█	
Jan/2031		█					█		█	
May/2045		█					█		█	

Domestic Exchange Rate Debt as % of Domestic Debt



Source: Central Bank;

Domestic Debt -Stress Test over Interest and Fx-rate (R\$ billion)

Index	Domestic Debt (DPMFi)			Stress Impact		
	Share (%)			2002	2003	2004
SELIC	60.8	61.4	57.2	33.59	33.91	31.62
Fx rate	22.4	10.8	5.1	98.37	47.25	22.57
Total	83.2	72.2	62.4	131.96	81.17	54.19

Obs: Stress is represented by a 3 standard deviation shock over the average SELIC rate and over the real Fx-rate devaluation cumulated in 12 months (Jan/00 to Dec/04). Reference: DPMFi as of Dec/04 (R\$ 810.13 billion). The stress for the SELIC corresponds to a 1 year period whereas for the FX-rate it is instantaneous. source: Nacional Treasury.

"Prices may come up and down: service shall not be affected"

Steady debt service for more than 10 years

	Volume (US\$ million)	Spread	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Principal (US\$ million)	Interest (US\$ million)
Euroienc / JPY (*)	946	481																705	42
Euromarco/DEM (*)	724	410																561	51
Samurai/JPY (*)	281	320																277	76
Caravela/ESC (*)	76	226																53	12
Eurolibra/GBP (*)	154	250																188	55
Global 01/USD (*)	750	265																750	333
Euromarco/DEM	592	242																-	371
Fung/NLG (*)	210	190																233	63
Fung/FRF (*)	175	195																196	53
Fung/ATS (*)	168	190																186	50
Global 2027/USD	3.000	395																-	2.612
Eurolibra/ITL	443	348																-	332
Eurolibra/GBP	244	268																-	198
Euro/EUR	547	417																642	277
Reapertura Global 2027	500	440																-	-
Global 2008/USD	1.250	375																-	820
Euromarco/DEM	417	328																-	206
Global 2004/USD	3.000	575																3.000	1.729
Euro 2002/ EUR (*)	857	600																1.026	293
Euro 2004/ EUR	534	695																629	353
Global 2009/USD	2.000	850																-	1.587
Euro 2006/ EUR	521	685																-	533
Reapertura Euro 2006	208	682																-	-
Euro 2001/ EUR (*)	610	450																770	127
Global 2020/ USD	1.000	650																-	634
Euro 2010/ EUR	737	571																-	529
Global 2030/USD	1.000	679																-	980
Reapertura Global 2030	600	635																-	-
Samurai 2003/JPY	574	474																554	75
Euro 2005/EUR	715	417																-	524
Global 2007/USD	1.000	610																-	731
Global 2040/USD	5.157	788																-	2.553
Euro 2007/EUR	434	446																-	366
Reapertura EUR 2007	217	441																-	-
Samurai 2006/JPY	532	355																-	112
Global 2006/USD	1.500	570																-	615
Euro 2011/EUR	924	517																-	488
Global 2024/USD	2.150	773																-	775
Samurai 2007/JPY	643	412																-	140
Reapertura Global 2007	500	615																-	-
Reapertura EUR 2005	442	399																-	-
Global 2005/USD	1.000	648																-	352
Samurai 2003/JPY	1.675	358																1.847	138
Global 2012/USD	1.250	754																-	413
Global 2008N/USD	1.250	738																-	431
Euro 2009/EUR	441	646																-	221
Global 2010/USD	1.000	719																-	360
Global 2007 N/USD	1.000	783																-	169
Global 2013/USD	1.250	738																-	192
Global 2011 (Res.69)	373	726																-	188
Global 2011(Res. 57)	126	757																-	146
Reapertura Global 2011	750	664																-	139
Global 2024-b	825	764																-	-
Global 2010-N	1.500	561																-	-
Global 2034	1.500	376																-	124
Global	750	593																-	44
Global PRINCIPAL	750	632																-	66
Euro 2009/USD	921	477																-	-
Reapertura EUR 2012	311	439																-	-
Global 2019	1.000	492																-	44
Reapertura Global 2014	500	398																-	-
Euro 2015	648	398																-	-
Global 2025	1.250	431																-	-
Global 2015	1.000	352																-	-
PAYMENTS (US\$ million)																			
INTEREST			10	278	698	953	1.914	3.362	3.983	4.212	4.436	1.876							21723
PRINCIPAL				705	561	241	1.797	1.641	3.042	3.629								11616	
TOTAL				983	1.259	1.195	1.914	5.158	5.625	7.254	8.065	1.876							

FEDERAL EXTERNAL PUBLIC DEBT



External public debt

Issuance Amounts

Issues	Launch Date	Settlement Date	In US\$ million	Maturity	Yield	Spread ¹	EMBI BR at issuance
			Total				
2004							
Global 2010	10/15/03	10/22/03	1,500	7 years	9.45%	561	582
Global 2034	01/12/04	01/20/04	1,500	30 years	8.75%	376	396
Global 2009 (Floating)	06/21/04	06/28/04	750	5 years	5.93% ²	593 ³	648
Global 2014	07/07/04	07/14/04	750	10 years	10.80%	632	629
Euro 2012	09/08/04	09/24/04	913	8 years	8.75%	477 ⁴	491
Euro 2012*	09/22/04	09/30/04	306	8 years	8.17%	439 ⁴	467
2004: Issued			5,719				
2004: Program			5,500				
2005							
Global 2019	10/06/04	10/14/04	1,000	15 years	9.15%	492	445
Global 2014*	12/03/04	12/08/04	500	10 years	8.24%	398	411
Euro 2015	01/20/05	02/03/05	650	10 years	7.55%	398 ⁵	433
Global 2025	01/31/05	02/04/05	1,250	20 years	8.90%	431	417
Global 2015	02/28/05	03/07/05	1,000	10 years	7.90%	353	391
Global 2019*	05/10/05	05/17/05	500	14 years	8.83%	458	420
Global 2034*	05/25/05	06/02/05	500	29 years	8.81%	440	427
2005: Issued			5,400				
2005: Program			6,000				

Source: National Treasury

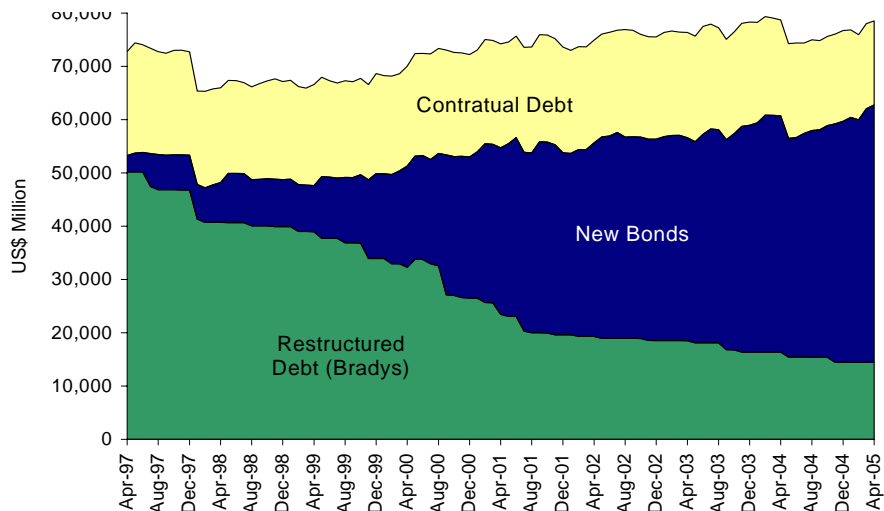
¹ In basis points (local currency), at issuance date.² Plus 3 months Libor³ Spread over Libor⁴ Spread over Deutsche Premier Bond 2012⁵ Spread over Deutsche Premier Bond 2015

* Reopening Issuance



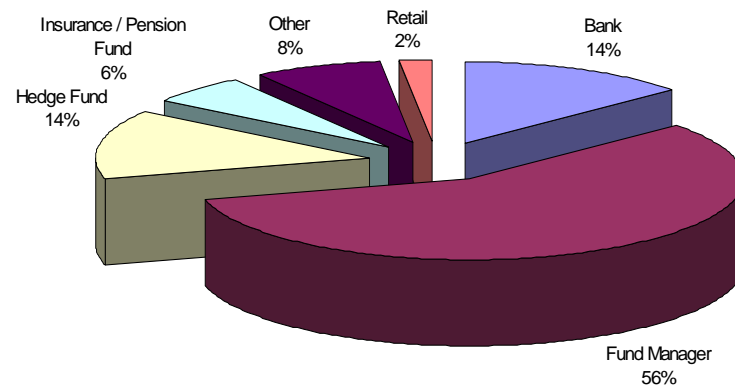
Expanding the investor base in the international market

Steady level of debt



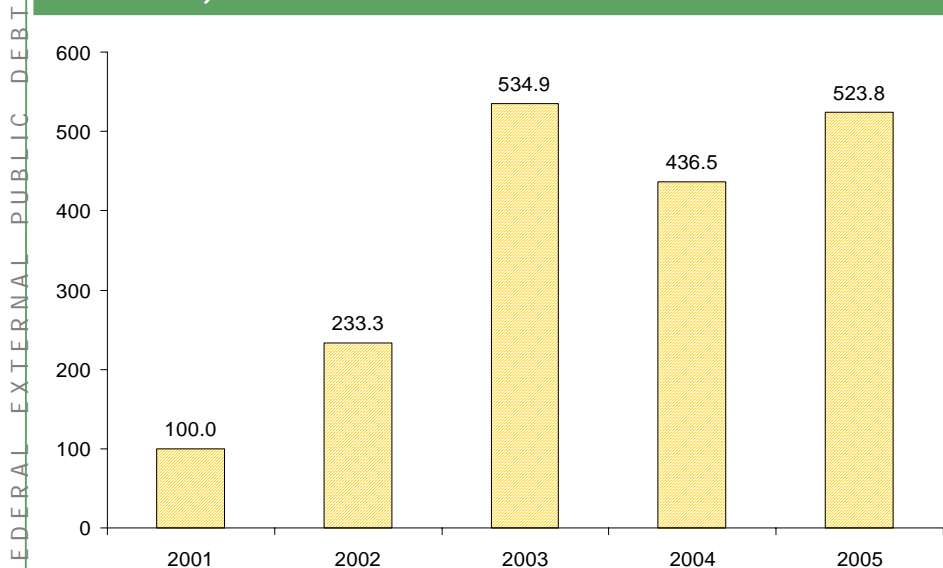
Source: National Treasury

Initial Allocation - Distribution by type of Investor 2004

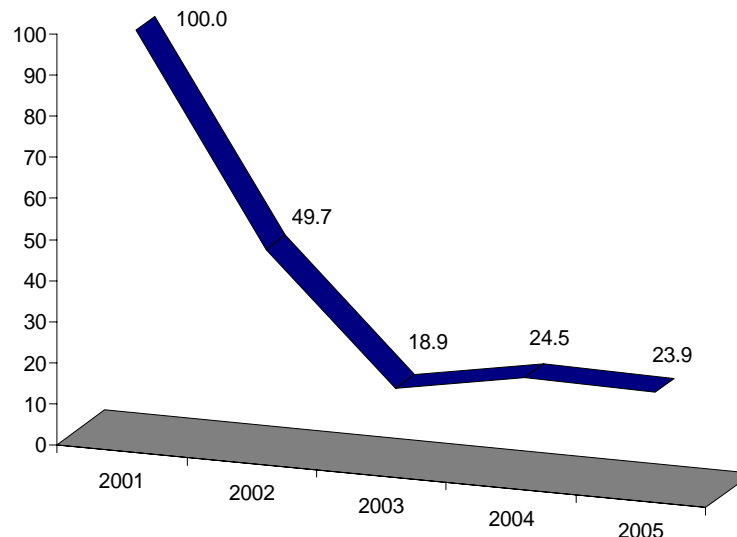


Source: National Treasury

Average Number of Investors per Issue in US\$ (allocation; 2001=100)



Average Allocation per Investor in US\$ (2001=100)



FEDERAL EXTERNAL PUBLIC DEBT

IN SUM: BRAZIL PROFITED FROM THE BENIGN ENVIRONMENT TO MOVE AHEAD WITH:

- ✓ **Macro Management: less debt, more jobs**
- ✓ **Micro/Supply-Side Reforms: lower taxes + credit, judiciary, & bankruptcy reforms**
- ✓ **Debt Management: better profile & composition + a broader investors basis**



Thank you !



The Brazil we all know... and the Brazil we are building



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