

JUNE 2005



ROAD SHOW KOREA

Joaquim Ferreira Levy
National Treasury Secretary



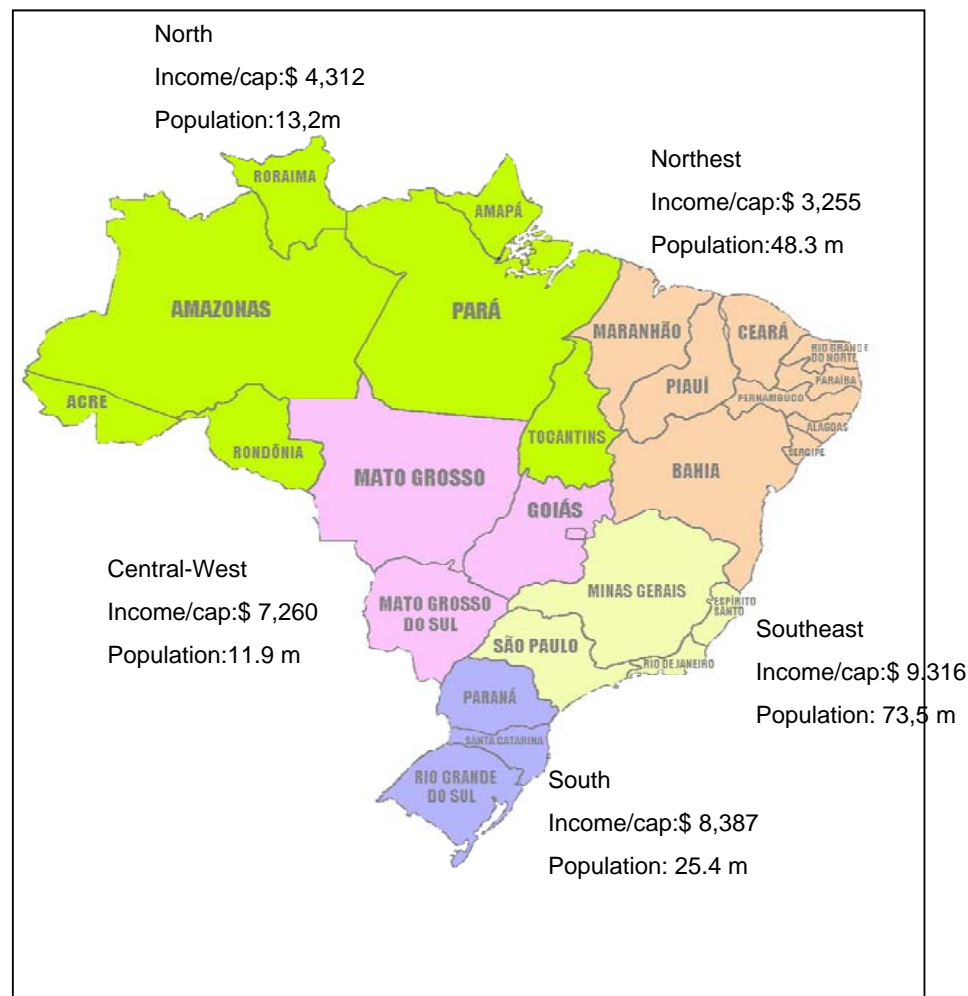
One of the Huge Countries of the Americas

Main Characteristics

Social and Economic Indicators

<i>Surface Area</i> ¹	8,514,215.3 million sq. km
<i>Population (2004)</i> ¹	181.586 million
<i>Population Density (2004)</i> ¹	21,33 persons per sq. km
<i>Life Expectancy at Birth (2003)</i> ¹	71.3 years
<i>Infant Mortality Rate (2003)</i> ¹	27.0 (per 1000 live births)
<i>Estimated Housing De.cit (2004)</i> ¹	6.6 million units
<i>GDP at current prices (2004)</i> ²	R\$ 1,769 trillion
<i>Per capita GDP (2004)</i> ²	R\$ 9,743
<i>Currency</i>	Real - R\$
<i>Price Index: IPCA (2004)</i> ¹	7.6 %

Source: 1- IBGE and 2 - IPEA



* 2001 data.
Source: IBGE and The World Bank



Contents

- Macroeconomic Overview
 - Better Perspectives for Investments
 - Financial Markets
 - Structural Reforms
 - Fiscal Responsibility Law - LRF (Law n° 101/2000)
 - Comparative Analysis

- Public Debt Management
 - Guidelines
 - Recent Trends and Measures
 - Federal External Public Debt - DPFe

Agenda

Macroeconomic Overview

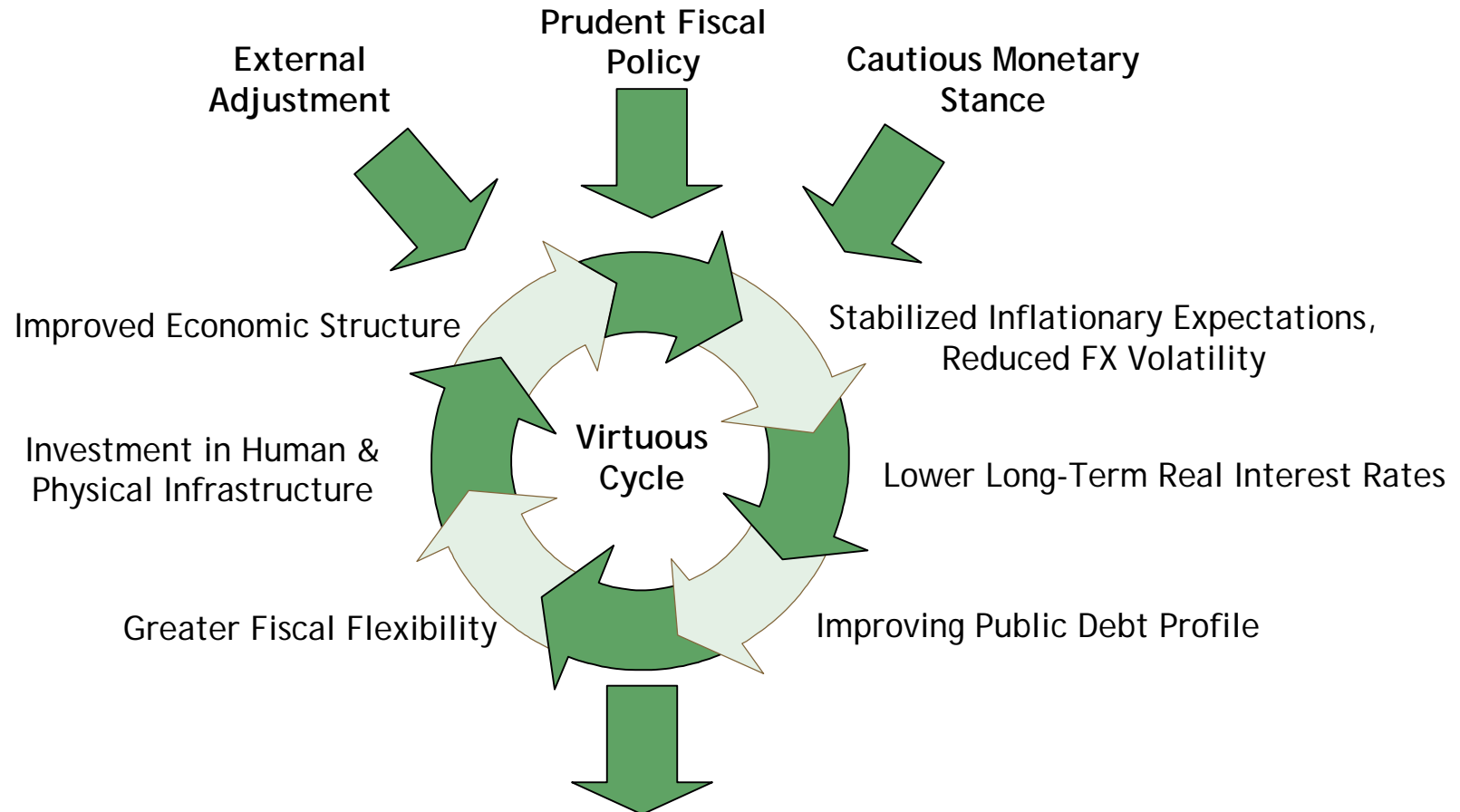
- Better Perspectives for Investments
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Public Debt Management



On the path to sustainable growth

Economic Policy Mix Provides Buffer Against External Shocks

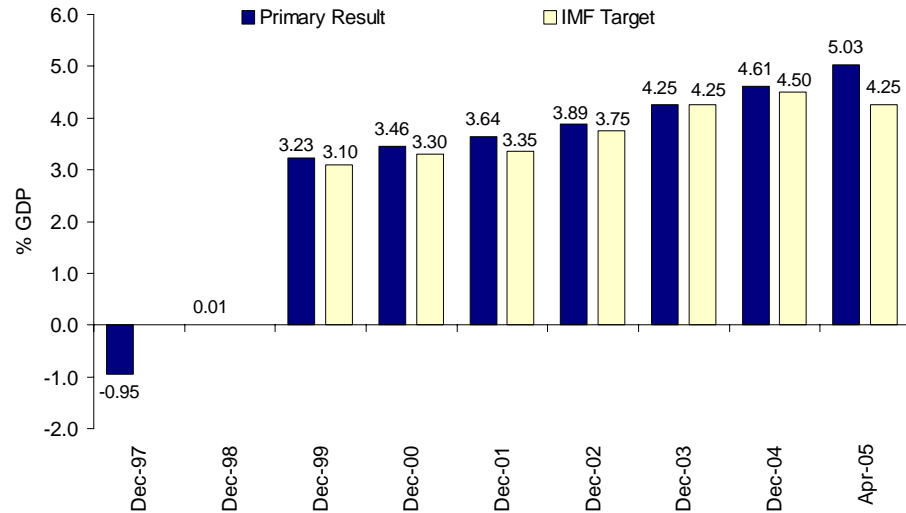


Sustainable Economic Growth & Improving Social Conditions



Fiscal Commitment: the cornerstone of the economic policy

Public Sector Primary Balance (in 12 months)

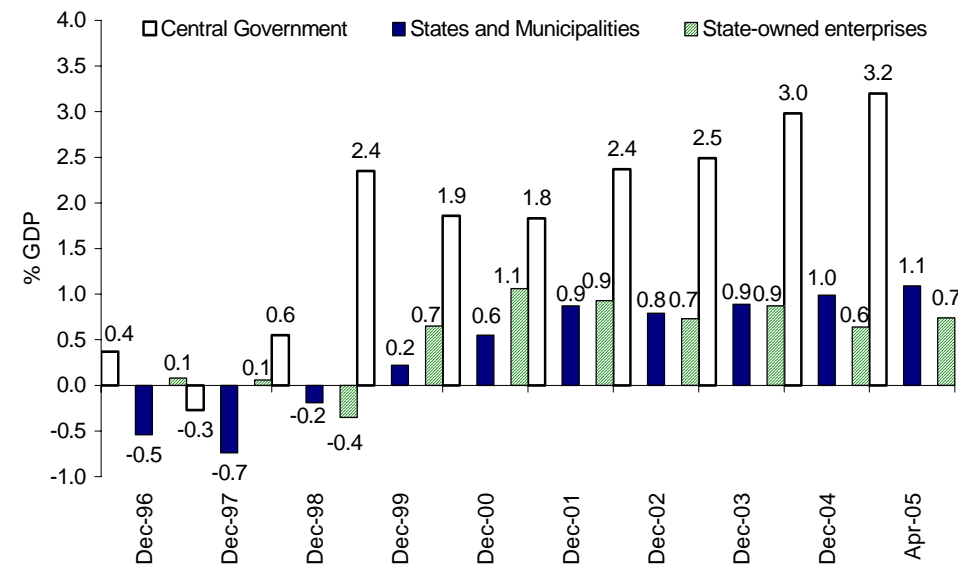


Source: Central Bank

Fiscal Responsibility Law - 2000

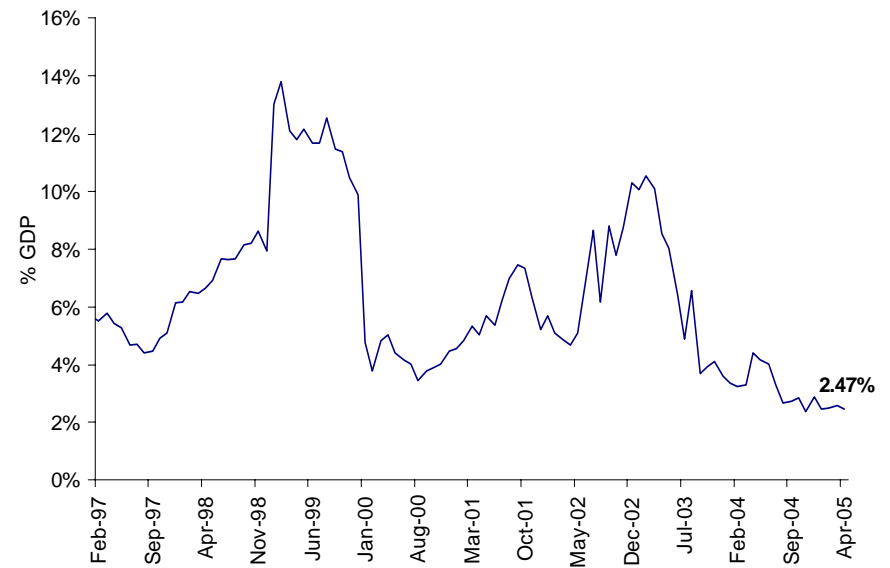
- Requires the government to set FISCAL TARGETS, and imposes limitations on tax expenditure, subsidies and the financing of current expenditure
- Establishes limits on personnel expenditures (including by government branches) and mechanisms to correct slippages for all levels of government
- Requires the publication of timely and comprehensive information on national and sub national fiscal accounts
- Establishes limits for the public debt of sub national governments and convergence paths toward limits;
- Gives a role for the Treasury in integrating national and sub national fiscal policies

Primary Results by Government Level



Source: Central Bank

Public Sector Nominal Balance % GDP (Deficit in 12 months)

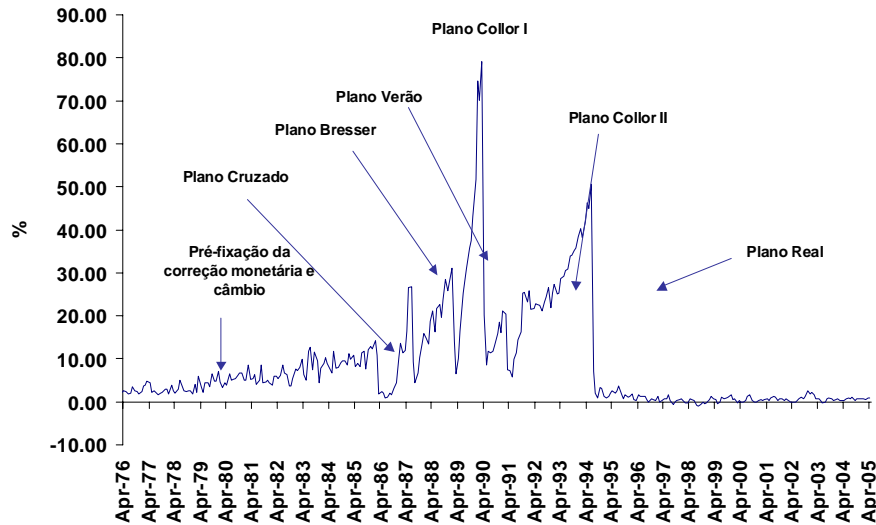


Source: Central Bank



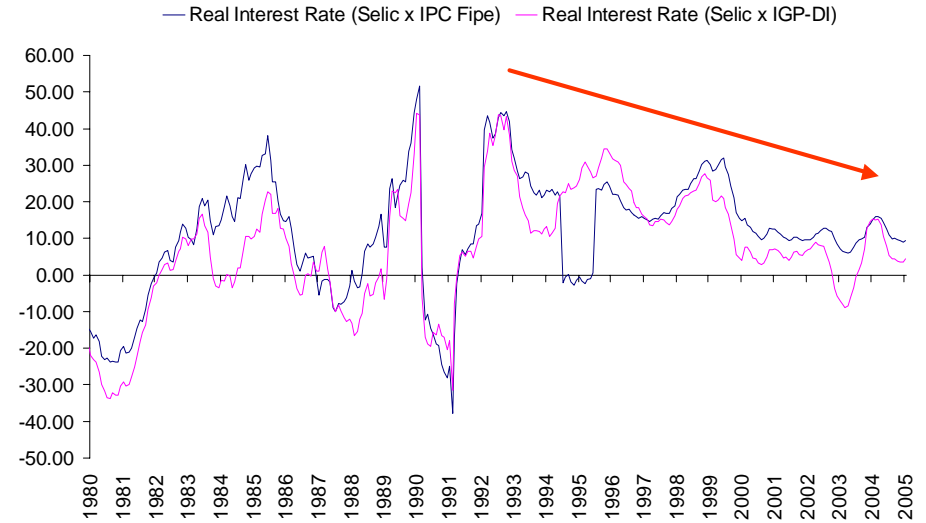
Macro Stability is at the core of economic policies

Inflation 1976/2005 - CPI* - Monthly (%)



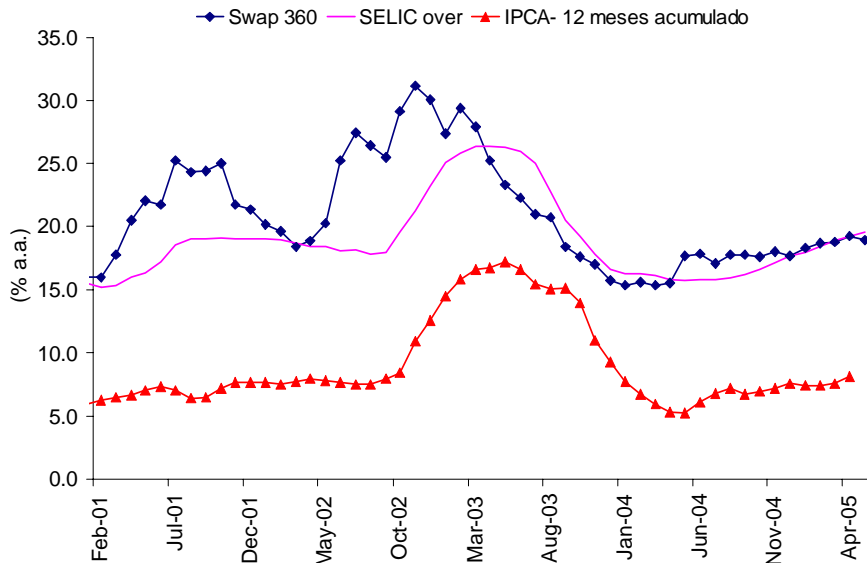
* Consumer Price Index - IPC (FIPE)

Real Ex-post Interest Rate



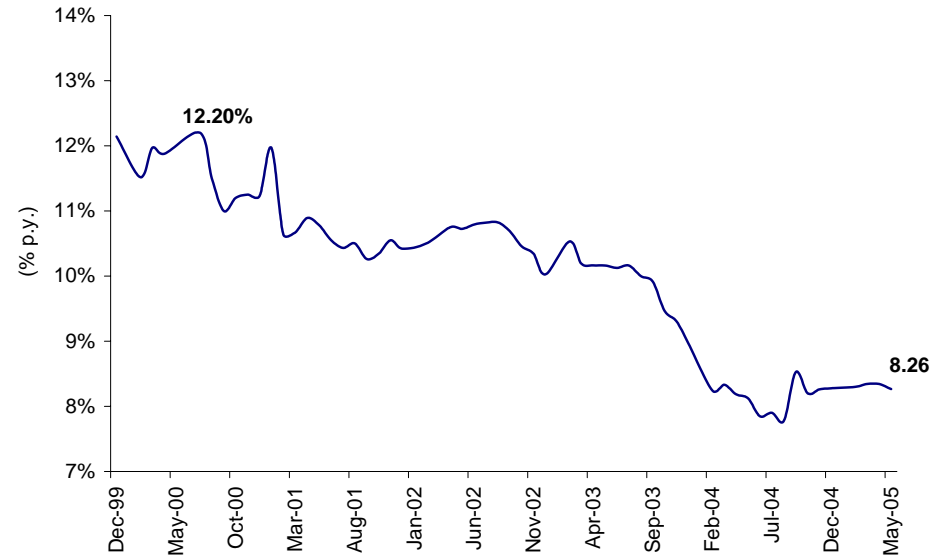
Source: IPEA

Short-Term Interest Rate



Source: National Treasury

Real Interest Rate on inflation indexed NTN-C bonds

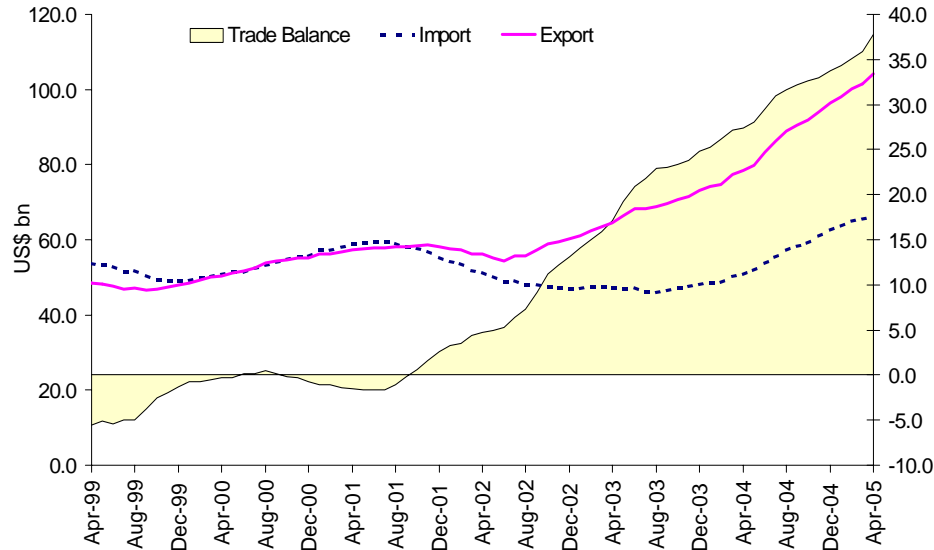


Source: National Treasury



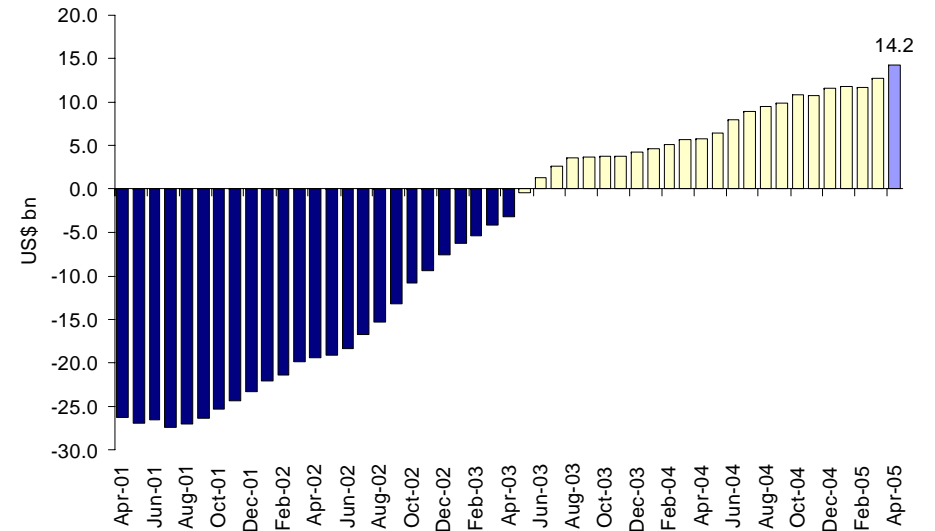
Deep adjustment of External Accounts, with robust export growth

Trade Balance (US\$ billion) 12 months cumulated



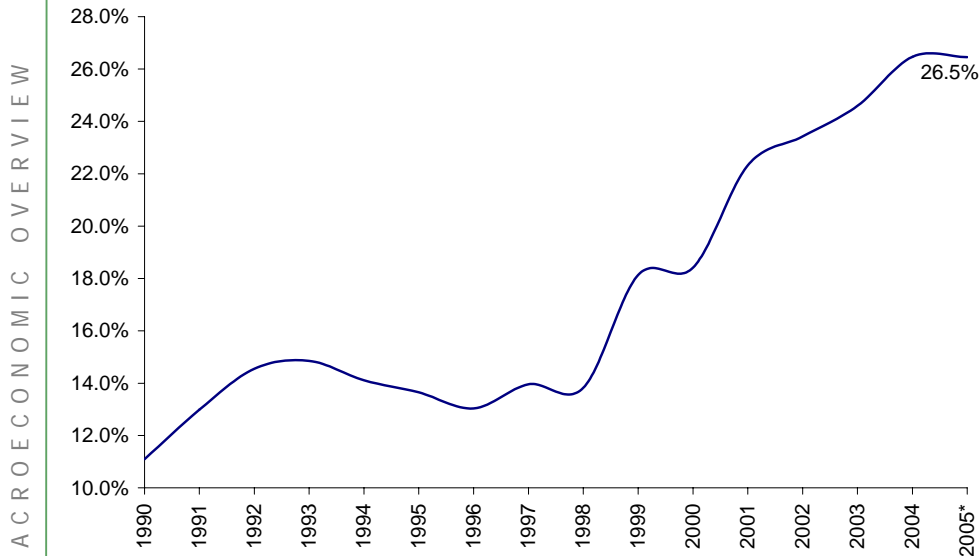
Source: Central Bank

Current Account (12 months cumulated)



Source: Central Bank

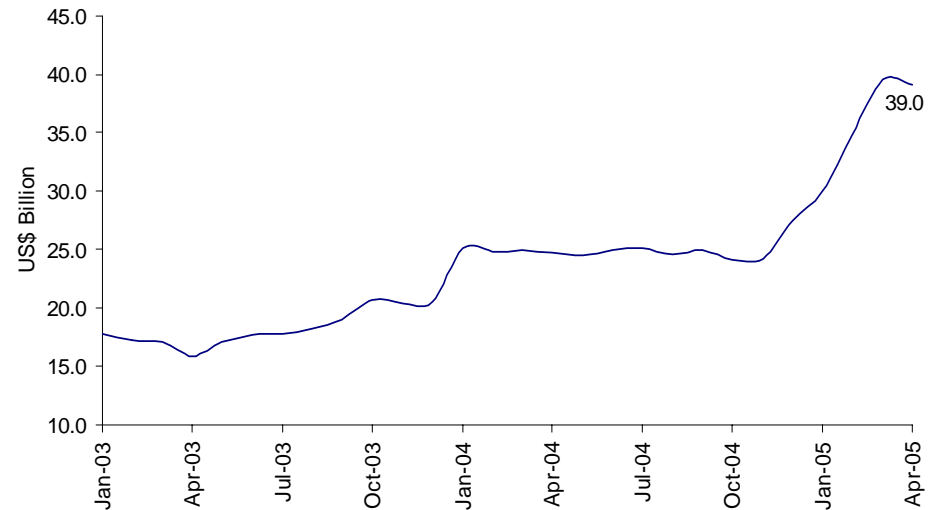
External Trade (Exports + Imports) of GDP (%)



Source: Focus - Central Bank

* 12 months cumulated until April05.

Net Reserves - Excluding IMF



Source: Central Bank



Deep adjustment of External Accounts, with robust export growth

*Brazil's export structure is solid: - Manufacturing exports account for over 50% of total exports;
- Level of geographic diversification is high*

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

	1999	2000	2001	2002	2003	2004	Apr/04	Apr/05
Latin America	22.0%	23.4%	21.0%	16.3%	17.7%	20.4%	20.6%	21.6%
of which Mercosul	14.1%	14.0%	10.9%	5.5%	7.8%	9.2%	9.3%	9.9%
Asia	11.9%	11.5%	11.9%	14.6%	16.0%	15.1%	15.2%	16.0%
of which China	1.4%	2.0%	3.3%	4.2%	6.2%	5.6%	6.7%	5.6%
of which Japan	4.6%	4.5%	3.4%	3.5%	3.2%	2.9%	2.5%	3.0%
Canada	1.1%	1.0%	1.0%	1.3%	1.3%	1.2%	0.9%	1.5%
USA	22.6%	24.3%	24.7%	25.7%	23.1%	21.1%	20.8%	19.5%
European Union	28.6%	16.8%	25.5%	25.0%	24.8%	25.0%	26.7%	24.0%
Others	13.8%	13.0%	15.9%	17.0%	17.1%	17.1%	17.3%	17.6%
Total exports (US\$bn)	48.0	55.0	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

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



Deep adjustment of External Accounts, with robust export growth

Main Export Markets - 12 months cumulated (May-04 to Apr-05)

	US\$ bn	12-months percentage change	% of total exports	Contribution (p.p) growth
1. USA	21.8	31.5%	20.9%	6.7
2. Argentina	8.2	49.4%	7.8%	3.4
3. Netherlands	5.9	29.7%	5.7%	1.7
4. China	5.5	12.0%	5.3%	0.7
5. Mexico	4.3	48.1%	4.1%	1.8
6. Germany	4.3	25.4%	4.1%	1.1
7. Italy	3.1	24.1%	3.0%	0.8
	53.0		50.9%	16.2

The 16.2 p.p represents 49.4% of the total exports growth (32.8%).

Total amount of the exports is US\$ 104.1 billion

Exports Growth Composition - 12 months cumulated (May-04 to Apr-05)

	Exports		
	Basics	Semi-manu- factured	Manu- factured
Apr 2004 (US\$ bn)	23.1	11.5	42.5
Apr 2005 (US\$ bn)	29.6	14.7	58.0
% Change	27.8%	28.2%	36.5%
Price % Change	8.9%	10.8%	20.2%
Volume % Change	17.41%	15.73%	13.58%

Source: MDIC/SECEX



Improved debt dynamics

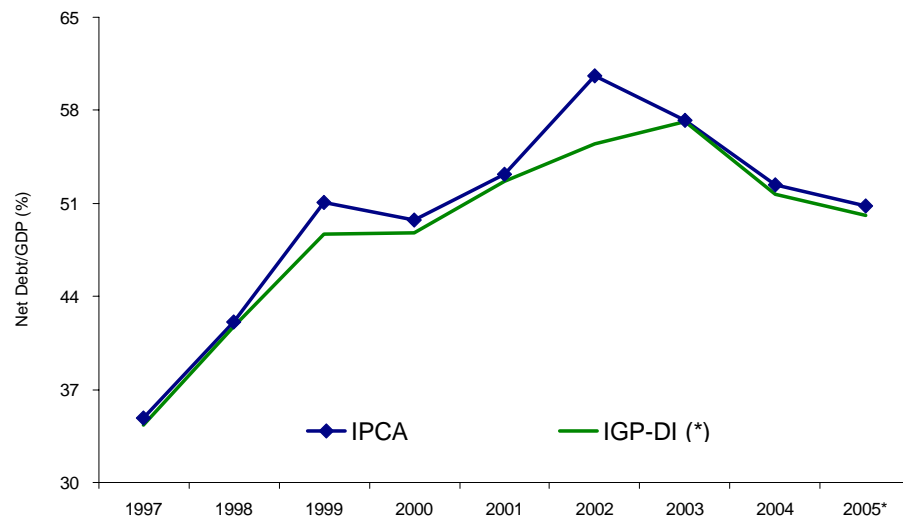
	2002	2003	2004	2005
Net Debt (R\$ billion)	881.1	913.1	957.0	956.7
GDP (R\$ billion) ¹	1,346.0	1,556.2	1,766.6	1,834.1
Net Debt/Nominal GDP	65.5%	58.7%	54.2%	52.2%
Net Debt/GDP valued by IPCA	60.6%	57.2%	52.4%	50.8%
Net Debt/GDP valued by IGP	55.5%	57.2%	51.7%	50.1%

- Sharp reduction in FX-linked paper
- Greater share of fixed-rate instruments
- Lower vulnerability to external shocks

¹ GDP estimated

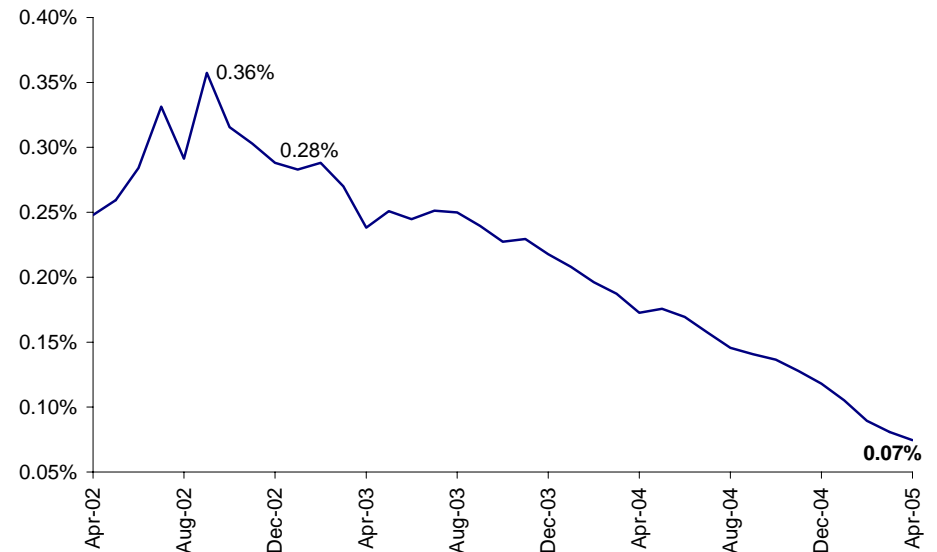
* Nominal GDP valued by IGP: BACEN Methodology

Net Public Sector Debt/GDP



*Data of Central Bank - IGP-DI 'modified'

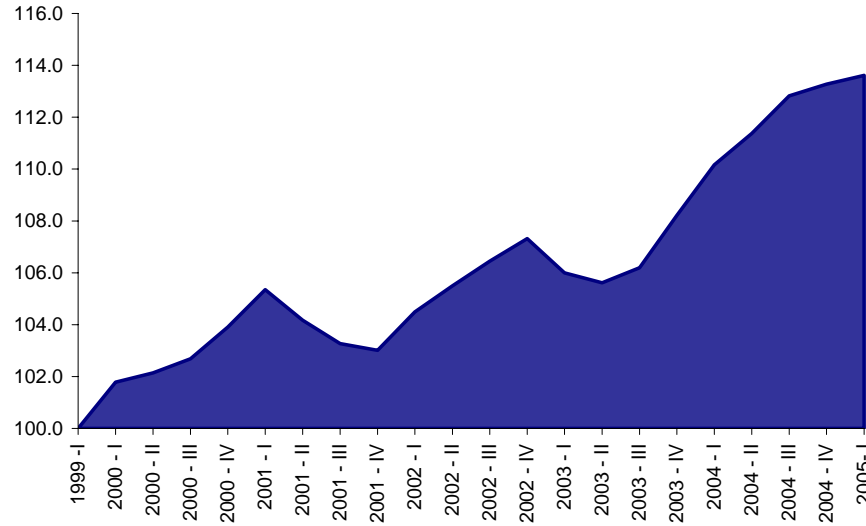
Impact of 1% FX devaluation on Net Public Sector Debt/GDP





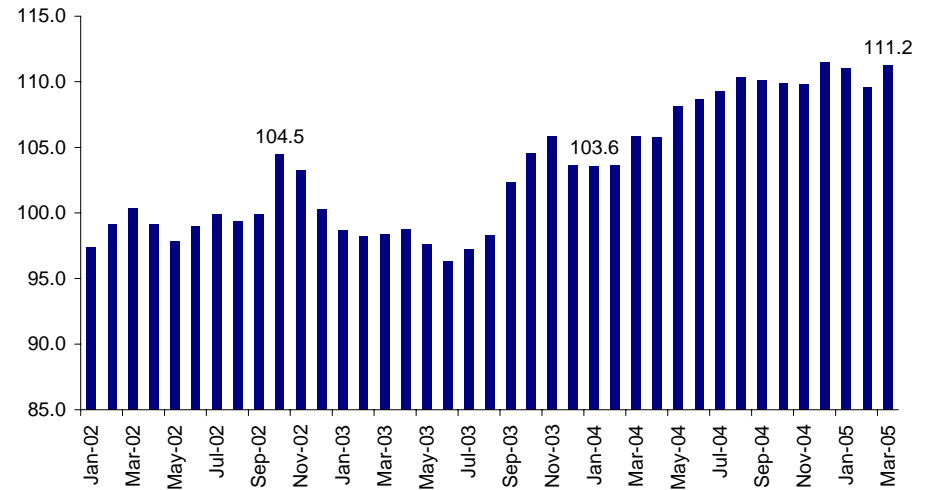
The economic recovery is taking hold

Real GDP Growth (1999 IVQ = 100)



Source: IBGE

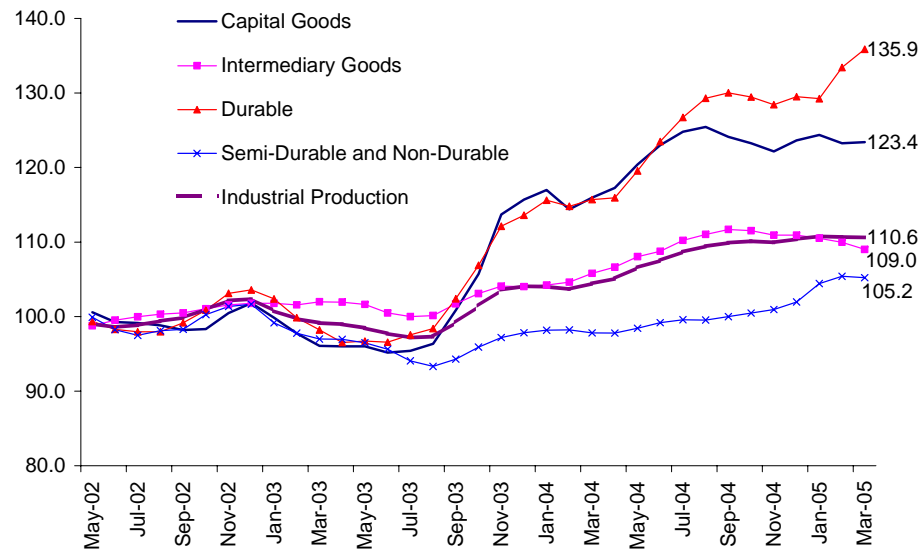
Industrial production Index - monthly



Source: IBGE

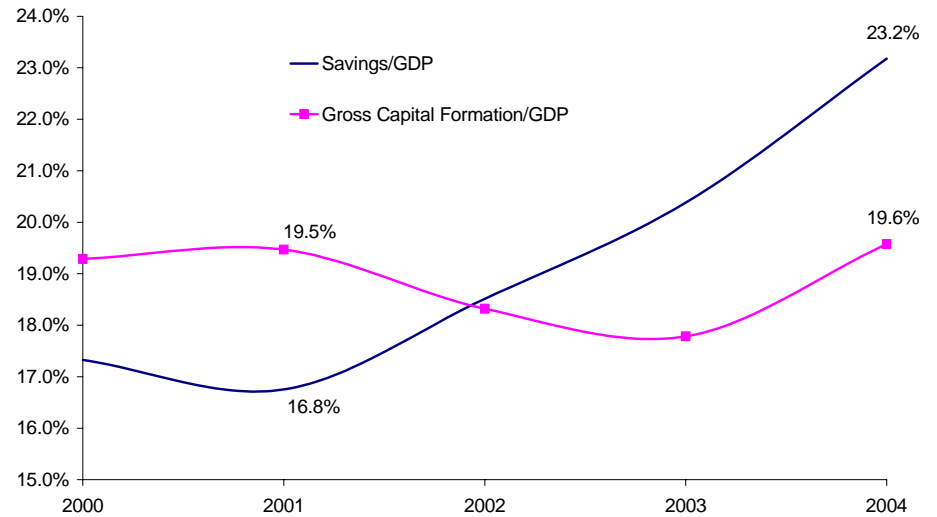
Industrial Production by Category (Quarterly Moving Average)

MACROECONOMIC OVERVIEW



Source: IBGE
Note: Average 2002=100

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

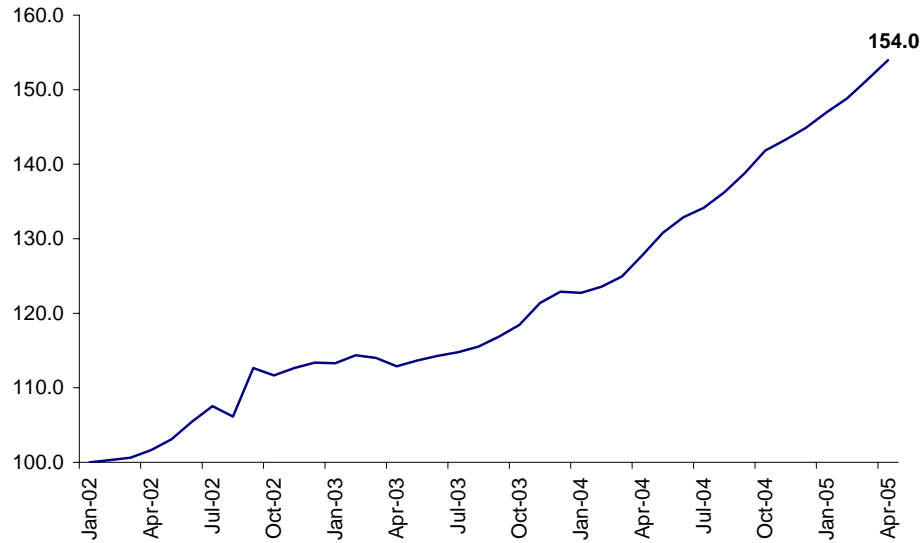


Source: IPEA and IBGE



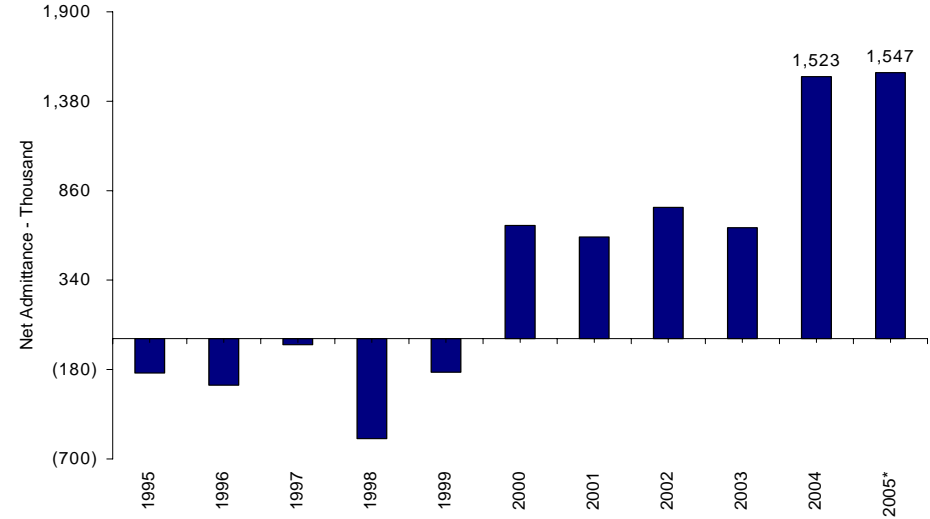
The economic recovery is taking hold

Credit to the private sector (Jan 2002=100)



Source: Central Bank; Re-based at Jan 2002

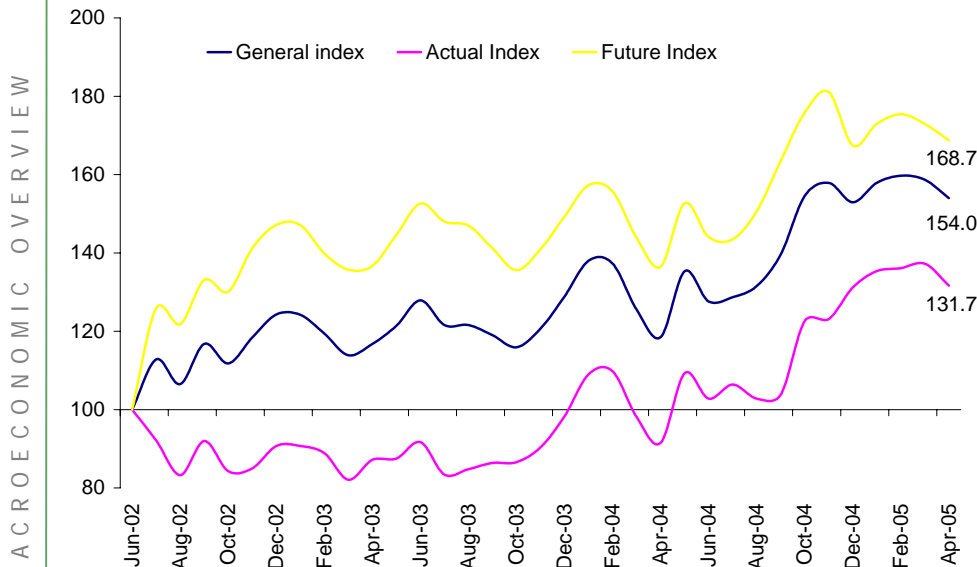
Creation of new jobs (Net hiring)



Source: Ministry of Labor - Caged -12-months accumulated

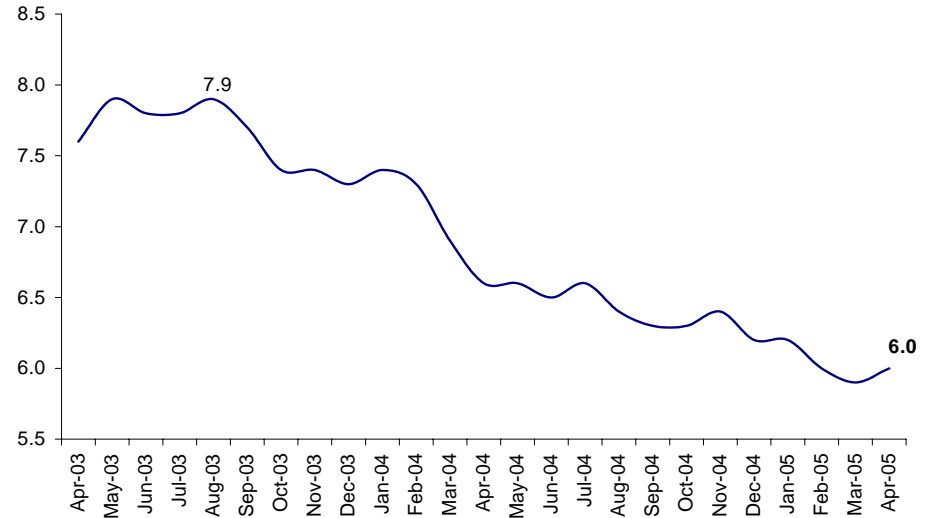
* Until April, 2005

Consumer confidence



Source: Fecomércio; Re-based at June 2002

Past due consumer loans, % of total



Source: Central Bank

Note: The share of consumer credit that is at least 90 days past due, as a share of total consumer credit; includes overdraft loans

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Public Debt Management



2004-2005 Infra-structure Agenda

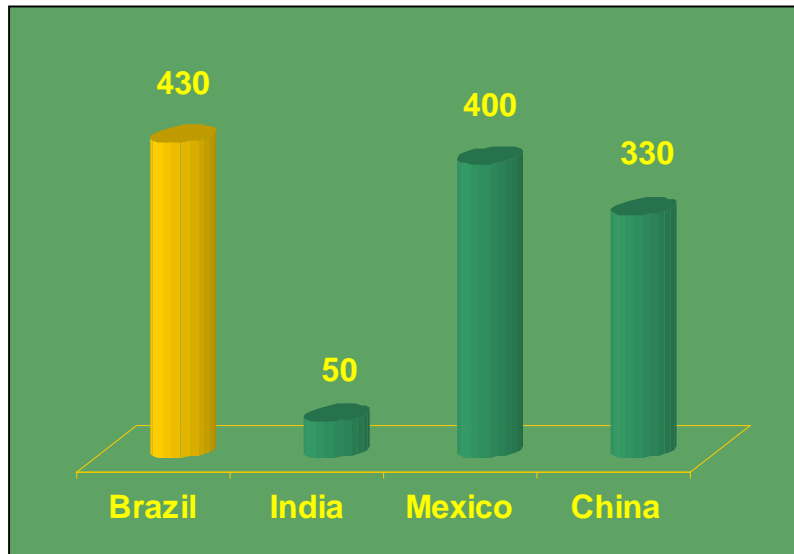
Investment Initiatives			
Area	Type of measure	Status	
		Approved /issued	Work in progress
Gas and Oil			Incipient discussion of regulation of the gas sector and alternatives for production, trade and use of nature gas, including by industry.
Sanitation			R\$ 2,9 billion contracted with sanitation companies + discussion of the Framework Law for the sector, and new options for the private sector. Draft law under discussion.
Housing		✓	PSH - Program for Low Income Houses. Approved. Law #10.998.
Ports		✓	Funds to address immediate needs in ports and adjustment of regulation to facilitate the hiring of dredges; unification of procedures and offices of Federal Agencies in ports; other measures in 11 ports.
State Roads	Law	✓	Sharing of CIDE with states, directed to roads (R\$ 2 billion / year).
Secondary Federal Roads			Increased commitments and payments for roads maintenance (+ R\$ 1 billion).
Major Federal Roads			Restart the process to concede 7 major roads from BH to RS.
Railroads			Establishment of a blueprint for the sector, with sharing of responsibility for investment between private operators and the government increase of alternatives to port access.
Shipbuilding Overhauling Act	Law	✓	New framework for shipbuilding finance, with market-driven mechanisms.
Irrigation			Focus on completing key projects, before starting others.



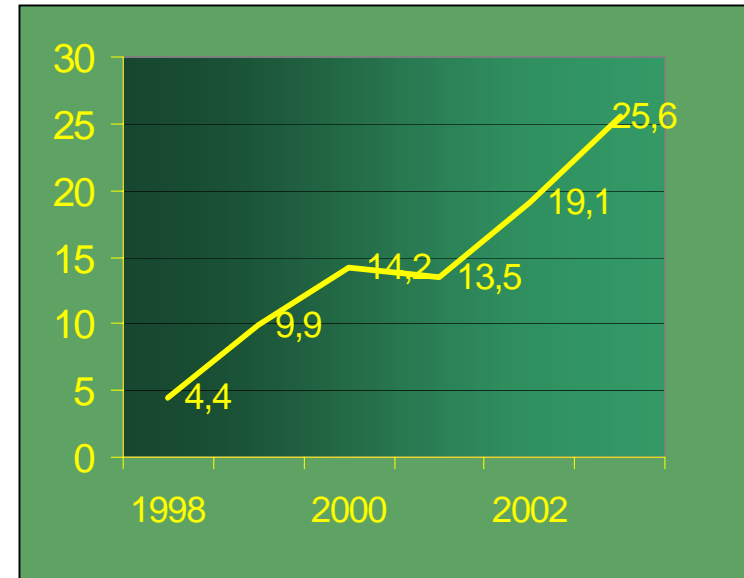
Policy framework that creates room for assets playing out their strengths

Good telecommunications infra and internet, and strong export base for cars, cell phones and more

Phone lines*/1,000 people

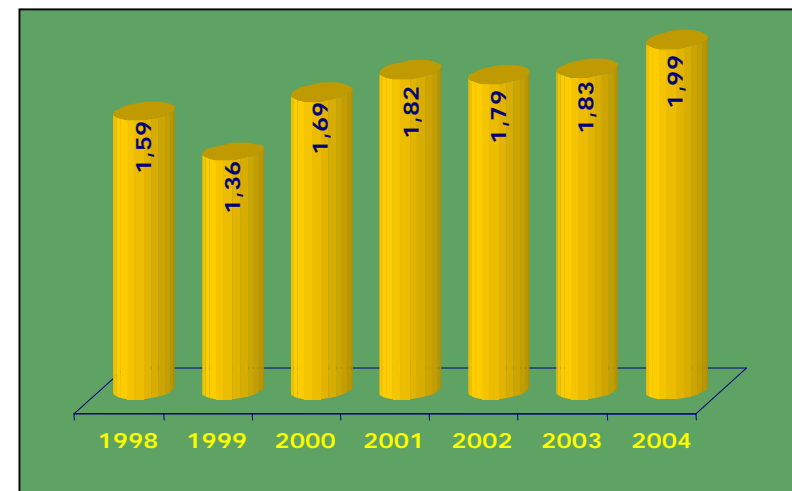


Cell Phone Production (million)



* Includes fixed and mobile phones

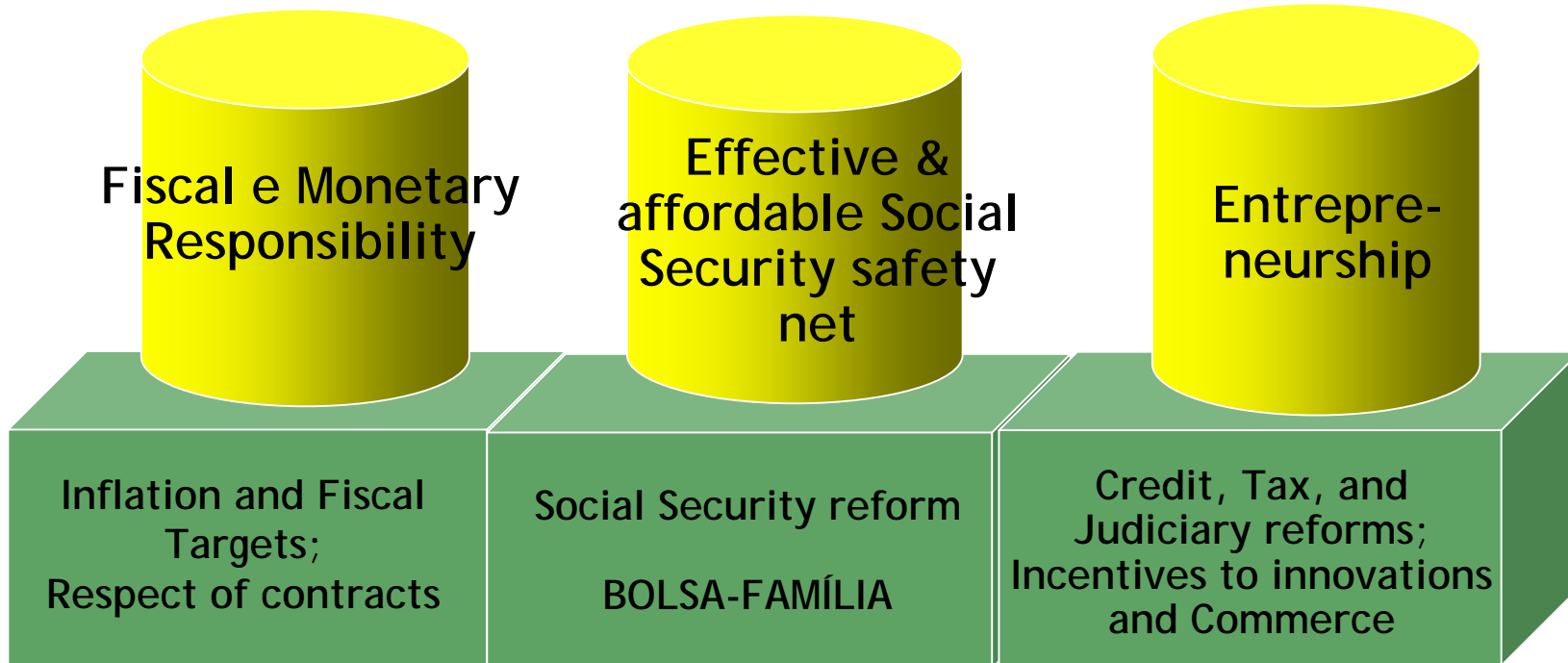
Auto production (million)





Clear Policy Goals

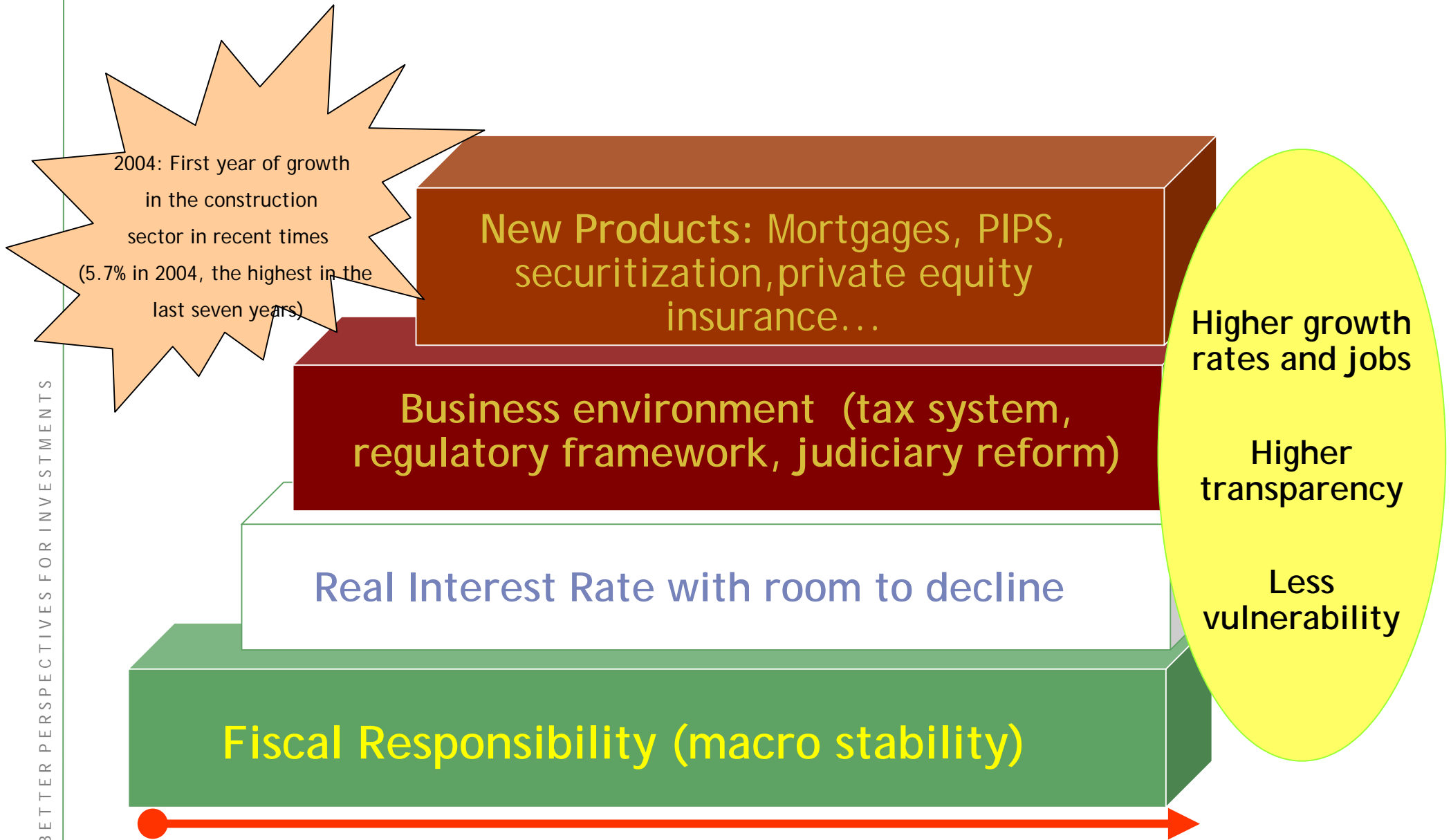
Pillars of Development





Micro reforms to fully reap the benefits of macroeconomic policies

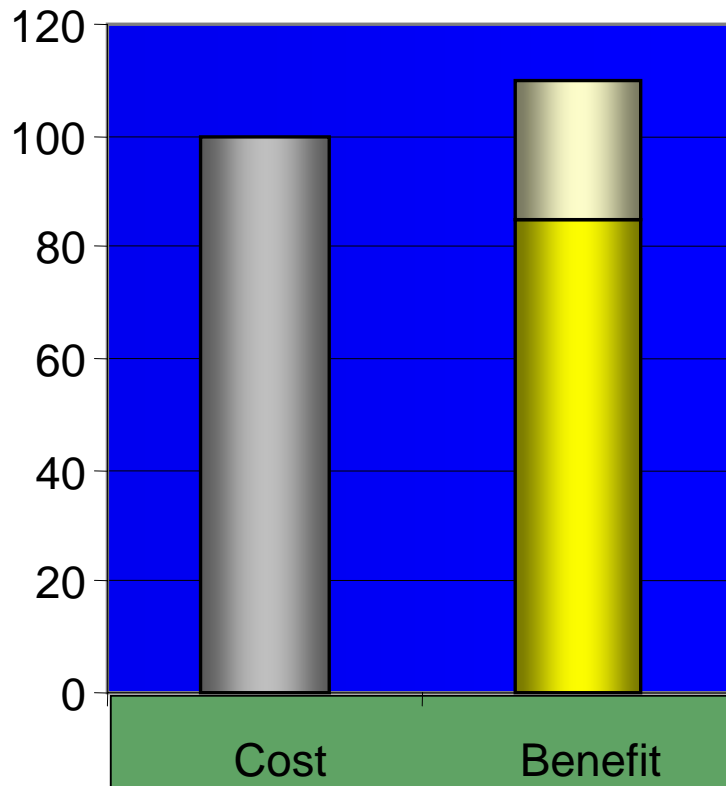
Example of the reform of the housing & construction market





Where reforms, fiscal responsibility and investments meet

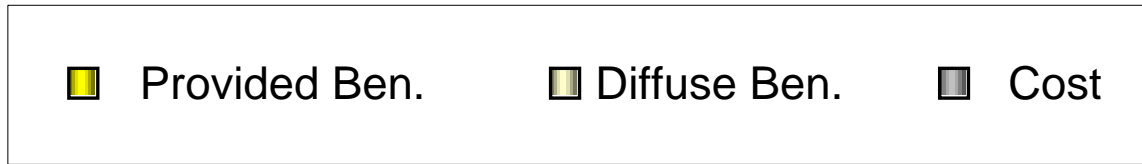
Explaining PPP: how to bring the private sector to the game, with fiscal responsibility



} fiscal guaranties

} regulatory guaranties

- ✓ Transparency
- ✓ Affordability
- ✓ Selectivity
- ✓ Consistent Accounts



→ new opportunities for investment in roads, ports, sanitation

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Agenda

Developing Local Market

- What Brazilian Capital Markets have to offer
- Government Bonds Markets
- BEST - Brazil: Excellence in Securities Transactions



What Brazilian Capital Markets have to offer

- Brazil has the broadest, most sophisticated and diversified financial market anywhere in Latin America which provides:
 - A modern and efficient payment system;
 - The largest stock exchange in Latin America;
 - One of the largest futures and commodities exchanges in the world;
 - One of the safest depository, clearing and settlement infrastructures in the world;
 - A robust and sound banking system;
 - A huge and developed public bonds market.



What Brazilian Capital Markets have to offer

■ Unrestricted access for foreign investors

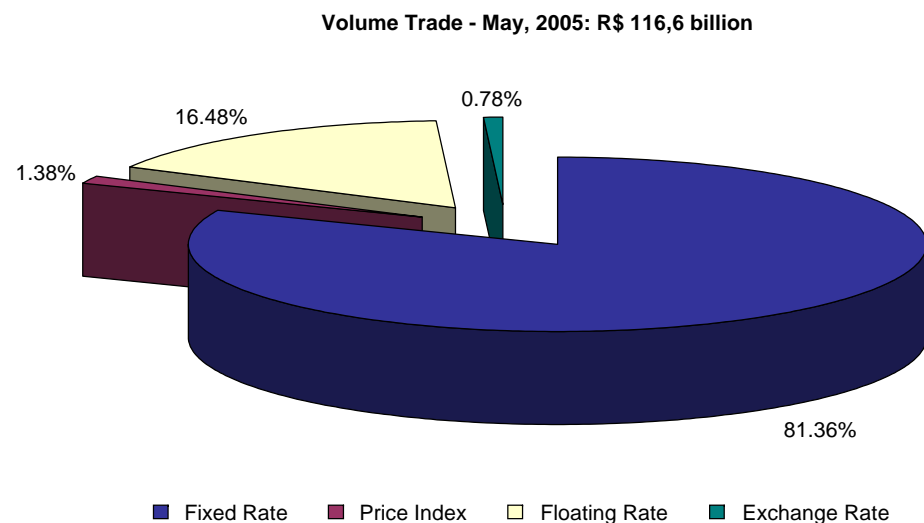
- **Resolution 2689** issued by the National Monetary Council - CMN, eliminated all restrictions and cap limits for the different instruments
- To be granted access to the local Brazilian Market, foreign investors have to simply obtain a trading code with the Brazilian Securities Commission - CVM, which gives the investor immediate local trading capabilities



Government Bonds Market

- Large and well developed market for domestic public bonds
 - Treasury Securities
 - Fixed rate bills and notes;
 - Floating rate, US Dollar linked and inflation-linked notes.

Trading in the Secondary Market



Main Features of Current Public Federal Debt Fixed-Income Instruments

Bonds	Type	Issuer	Coupon	Amortization	Days Count	Average Yield ¹	Average Stock Tenor ¹
LFT	Floating Rate (Selic)	Treasury	Zero	Bullet	Business 252	19.65%	18.09
LTN	Fixed Rate	Treasury	Zero	Bullet	Business 252	17.20%	6.94
NTN-F	Fixed Rate	Treasury	Semiannual (10%)	Bullet	Business 252	17.29%	30.28
NTN-C	Inflation-linked (IGP-M)	Treasury	Semiannual (6%)	Bullet	Business 252	22.49%	67.42
NTN-B	Inflation-linked (IPCA)	Treasury	Semiannual (6%)	Bullet	Business 252	20.02%	104.69
NTN-D	US Dollar linked	Treasury	Semiannual (12%)	Bullet	30/360	-41.78%	18.30

¹ National Treasury Result - April, 2005

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2004 Structural Reform Checklist

Status of Key Reforms				
Reform/measure	Type of measure	Approved/issued	Status	
			Work in progress	
Social Security Reform	EMC #41 Constit. Amendment	2003	✓	The deficit of this scheme amounts of 3% of GDP: The reform will help reduce it in the short, medium and long-term (by taxing high pension funds and creating a complementary pre-funded scheme in addition to change the number of years of contributions and closing loopholes.
Transformation of COFINS in a VAT	Draft Law 474/01	ongoing	✓	This tax raises more than 5% of GDP and loopholes were closed regarding local regulation discrepancies, harmonizing tax schedule and inter-state trade distortions.
Elimination of PIS/Cofins on Financial Receipts	Decree #5,164	2004	✓	
REPORTO	Law # 11,033	2004	✓	Creates incentives to ports modernization and aplification.
Real Estate Sector Reform Law	Law # 10,931	2004	✓	
Loans guaranteed by Payroll	Law # 10,820	2003	✓	
Securitization of Bank Credits (<i>Cédulas de Créditos Bancários</i>)	Law # 10,931	2004	✓	
Investment Account Law	Law #10.892	2004	✓	



2004 Structural Reform Checklist

Status of Key Reforms

Reform/measure	Type of measure	Year	Status	
			Approved/issued	Work in progress
Bankruptcy Law	Law # 11,101	2005	✓	
Tax incentives for long-term investment	Law #11,033 and 11,053	2004	✓	
Private-Public Partnership Law	Law # 11.079	2004	✓	
Framework to subject the financial system to the Anti-trust Authority	Draft Law			Approved in the Financial and Tax Commission, is under consideration in the Constitution and Justice Commission
Regulatory Agencies Law	Draft Law # 3,337	2004		Under discussion in the Lower House. Requested as a priority. Expected to be voted by the end of Mar-05
Judicial Reform	Draft Law	2004	✓	Approved in 12/08/2004. The " Súmula Vinculante" (will speed up judicial agility) and external control approval. Fourteen further measures are to be voted this year, aiming at improving the pace of judicial decisions.
Industrial Development Agency Act	Draft Law #	2004	✓	
Research and Development Incentives	Law # 10,973 and #11,077	2004	✓	
Technological Innovation Law	Draft Law #	2004	✓	

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Fiscal Responsibility Law - LRF (Law n° 101/2000)

The Cornerstone for Sound Public Finances

Overview

Among the set of rules and principles set forth in the Fiscal Responsibility Law, some of them must be emphasized:

- personnel expenses limits: the law provides limits for this kind of expense in relation to the current net revenue for the three Branches and for each governmental level (Federal, State, Federal District, and Municipalities);
- public debt limits: they will be determined by the Federal Senate upon a proposal from the President;
- definition of annual fiscal goals: for the three following fiscal years;
- compensation mechanisms for permanent expenses: the official may not create a continuing expense (for more than two years) without indicating a source of revenue or reducing another expense; and
- mechanism to control the public finances in election years: the Law prohibits credit operations from being contracted through advance of approved budgeted funds ("ARO") in the last year of term of office, and also does not allow increase of personnel expenses during the 180 days prior to the end of the office.

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Comparative perspective

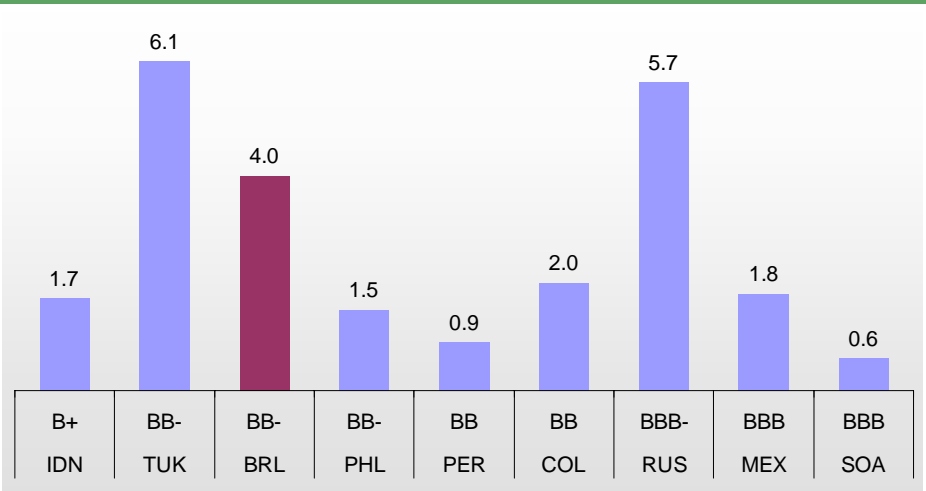
Selected Countries in Comparative Analysis

		S&P	MOODY'S	FITCH
IDN	Indonesia	B+	B2	BB-
TUK	Turkey	BB-	B1	BB-
BRL	Brazil	BB-	B1	BB-
PHL	Philippines	BB-	B1	BB
PER	Peru	BB	Ba3	BB
COL	Colombia	BB	Ba2	BB
IND	India	BB+	Baa3	BB+
RUS	Russia	BBB-	Baa3	BBB-
MEX	Mexico	BBB	Baa1	BBB-
SOA	South Africa	BBB	Baa1	BBB
CHN	China	BBB+	A2	A-



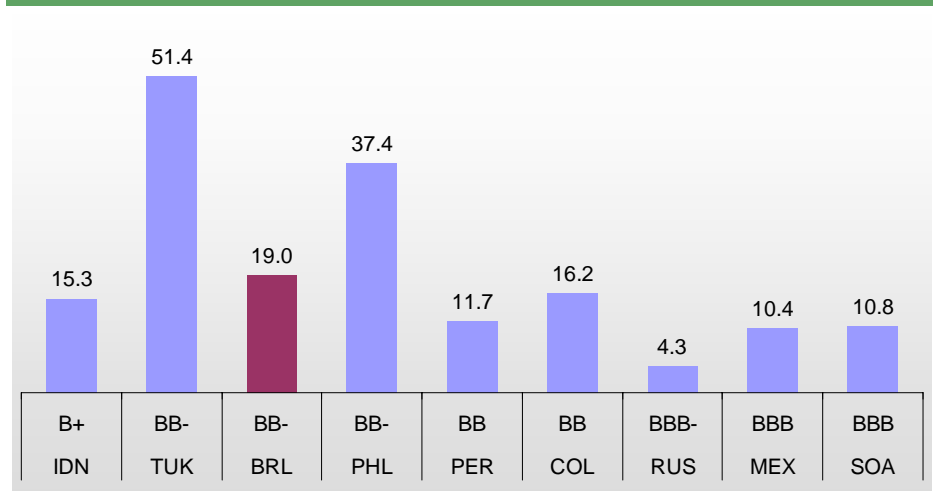
Comparative debt burden and fiscal position

General Government Primary Surplus 2004 (% of GDP)



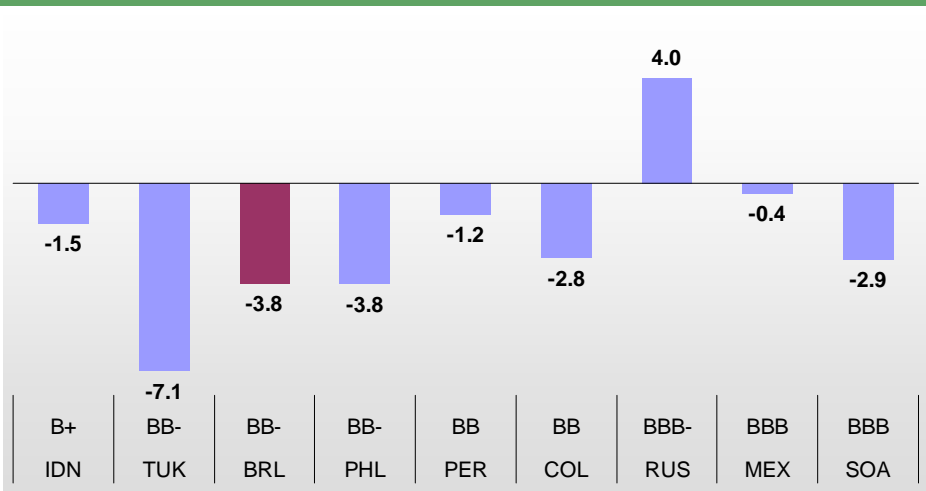
Source: Moody's, Central Bank

General Government Interest Payments 2004 (% of Revenues)



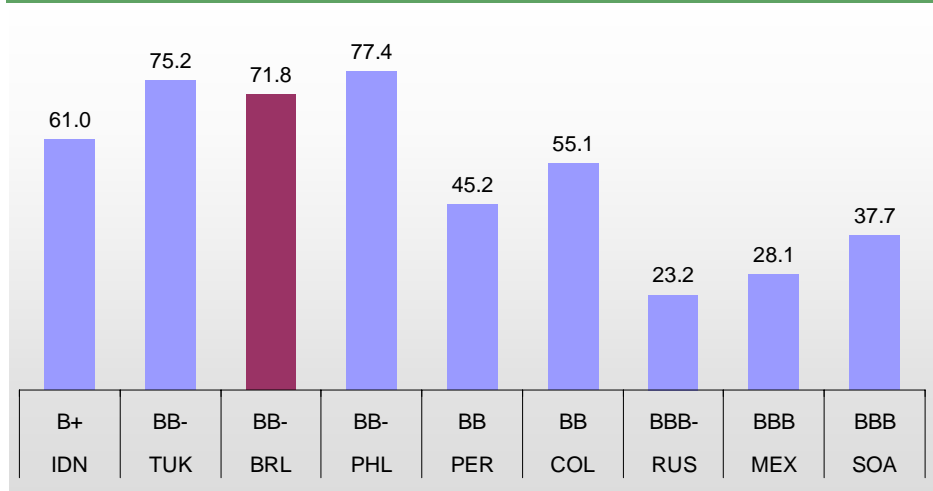
Source: Moody's

General Government Nominal Balance 2004 (% GDP)



Source: Moody's, Central Bank

General Government Gross Debt 2004 (% GDP)

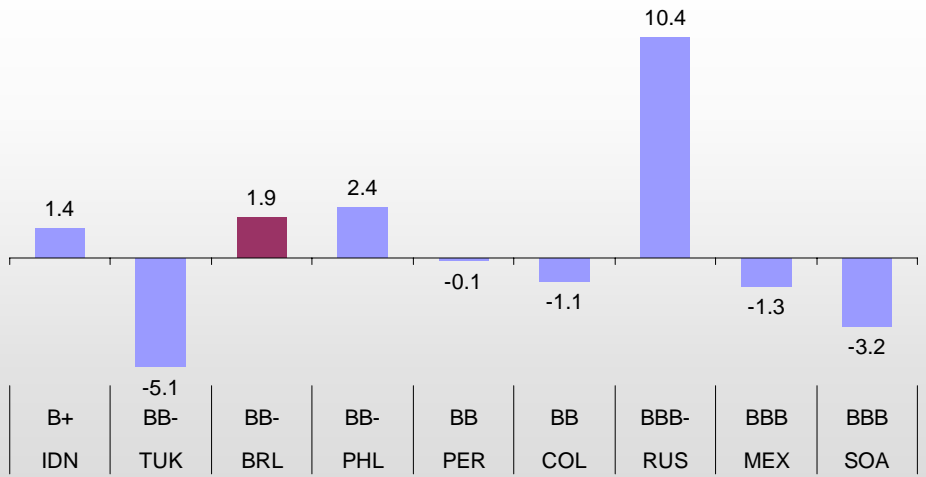


Source: Moody's, Central Bank



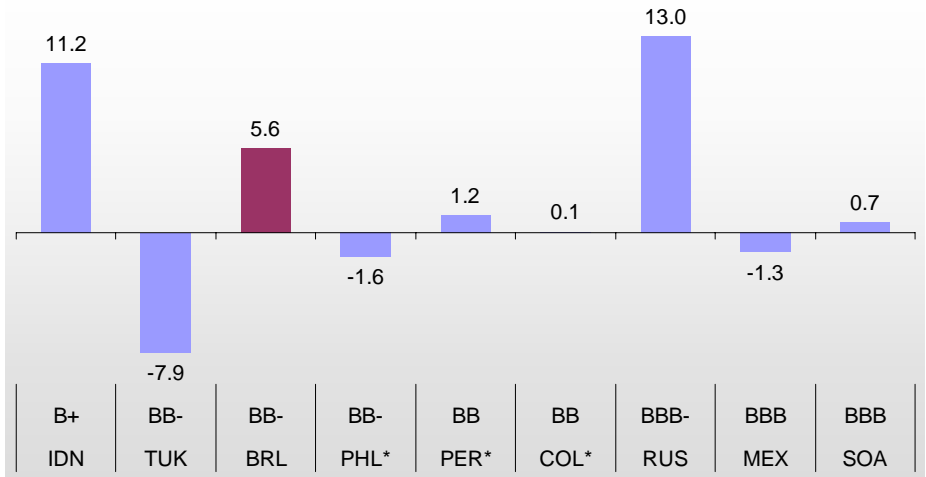
Brazil in comparative perspective (cont'd)

Current Account Balance 2004 (as % of GDP)



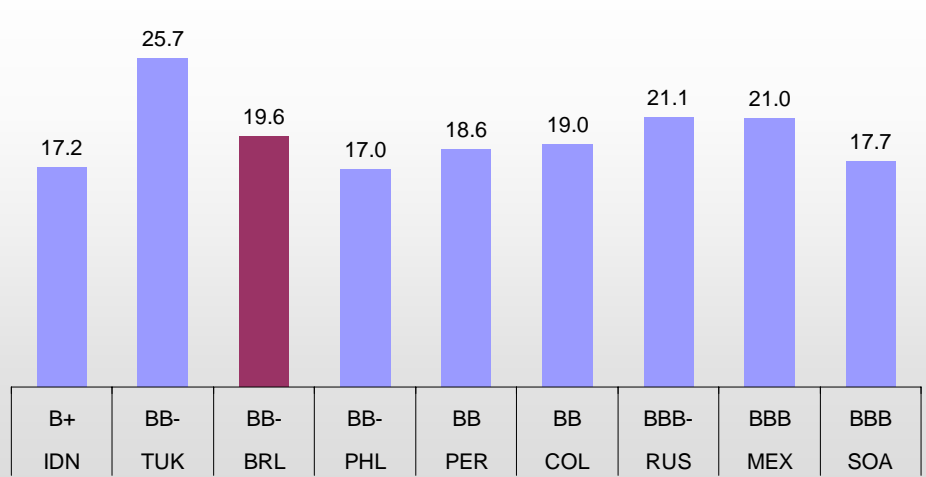
Source: Moody's, Central Bank

Trade Balance 2004 (as % of GDP)



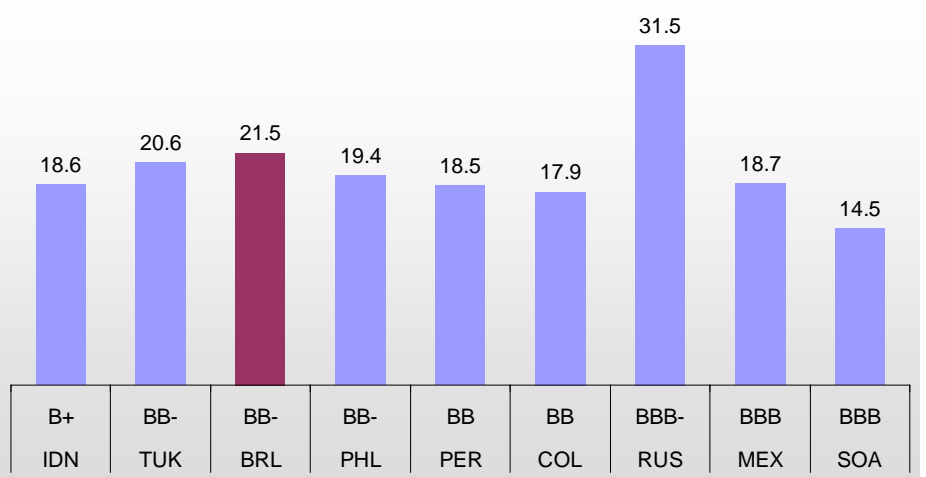
Source: Central Bank, IIF
*IIF 2003

Gross Investment 2004 (as % of GDP)



Source: Moody's, IBGE

Savings 2004 (as % of GDP)

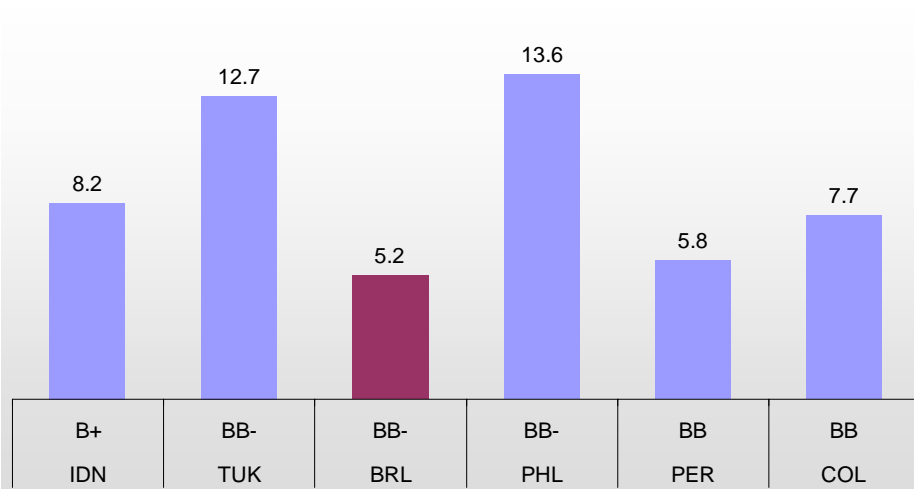


Source: Moody's, IBGE
Note: Savins were computed as the sum of CA Balance and Gross Investment

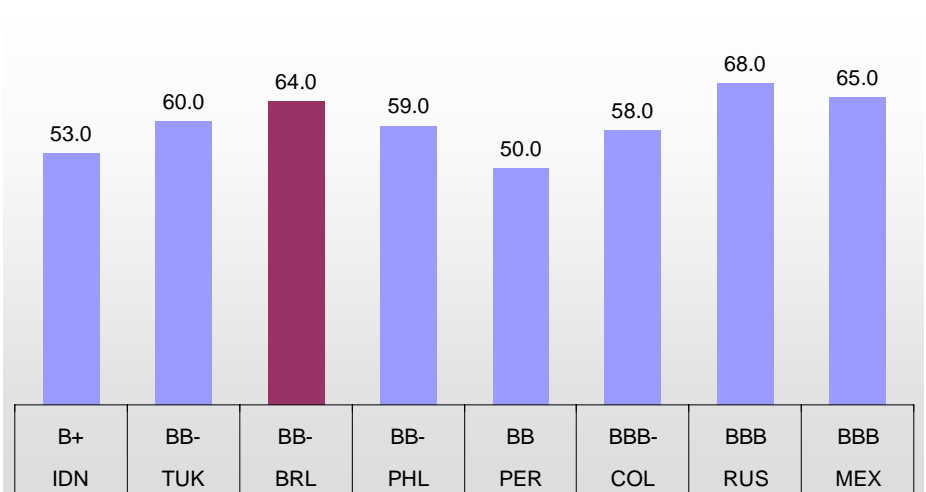


Brazil in comparative perspective (cont'd)

Banking Risks: Non performing loans as % total loans

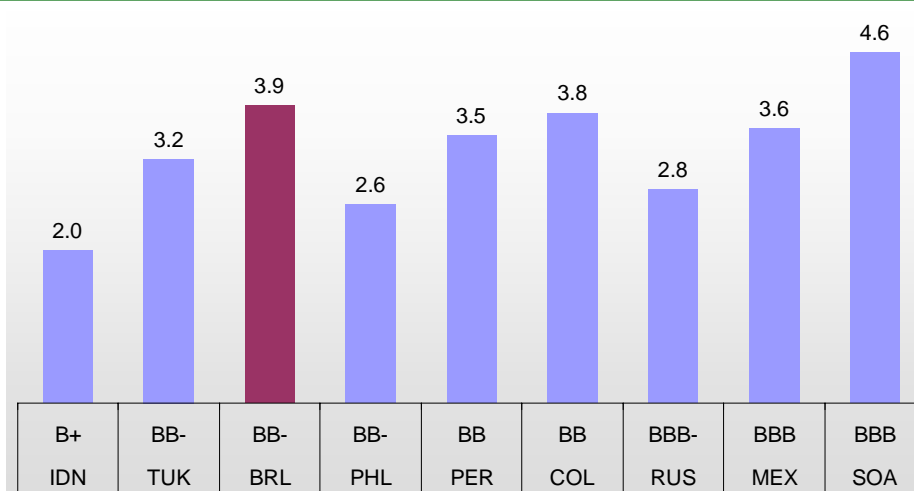


Eurasia Stability Index

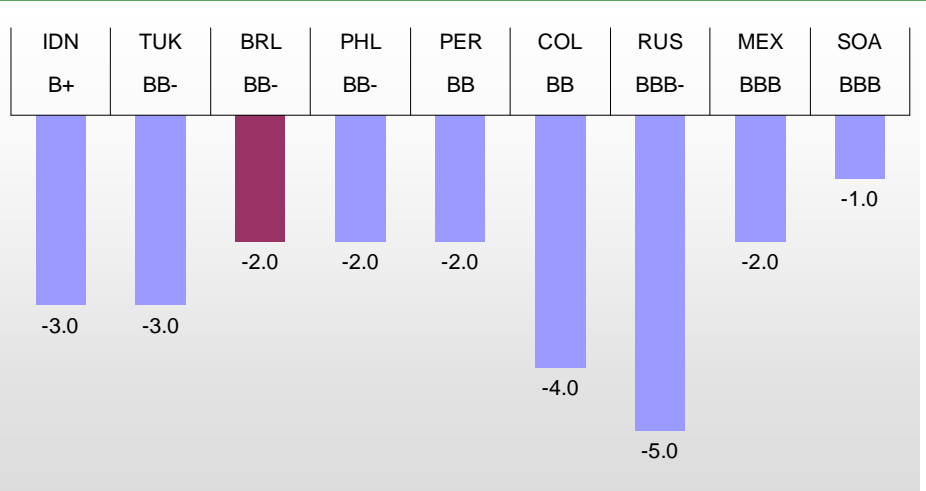


Source: Deutsche Bank

Business Practices



Freedom House Political Rights Index



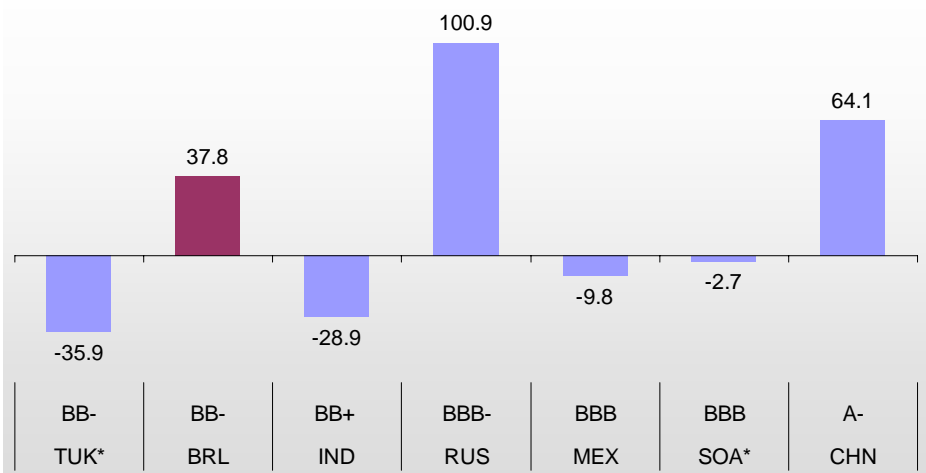
Source: Transparency International

Source: Transparency International



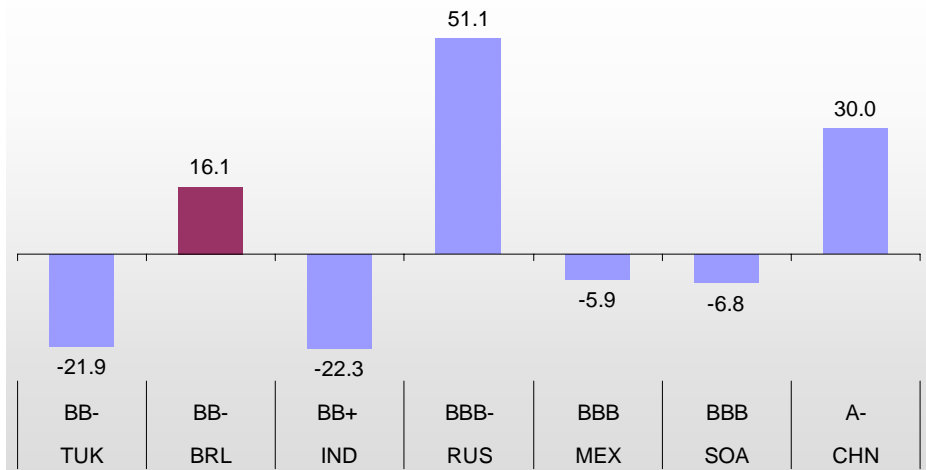
Brazil in comparative perspective (cont'd)

Trade Balance (USD Billion - 12 months cumulated until April05)



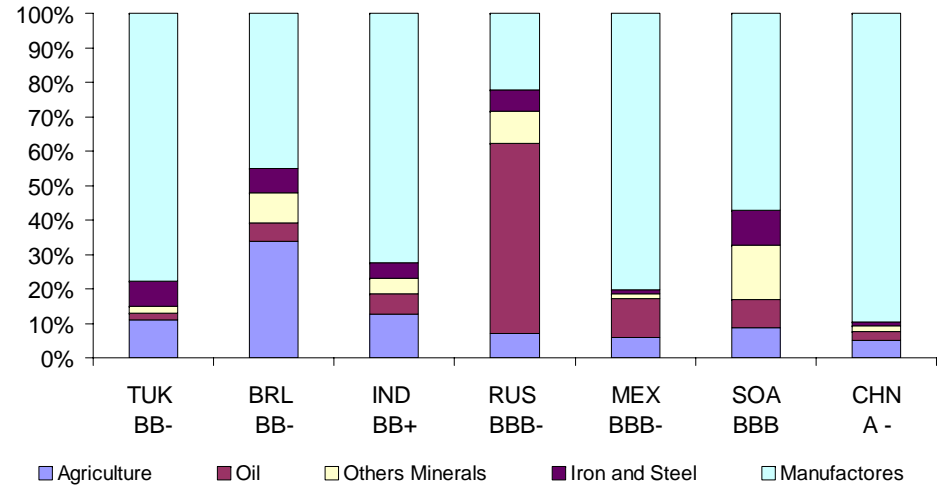
* Until March.
Source: The Economist.

Trade Balance (as % of External Debt - 2004)



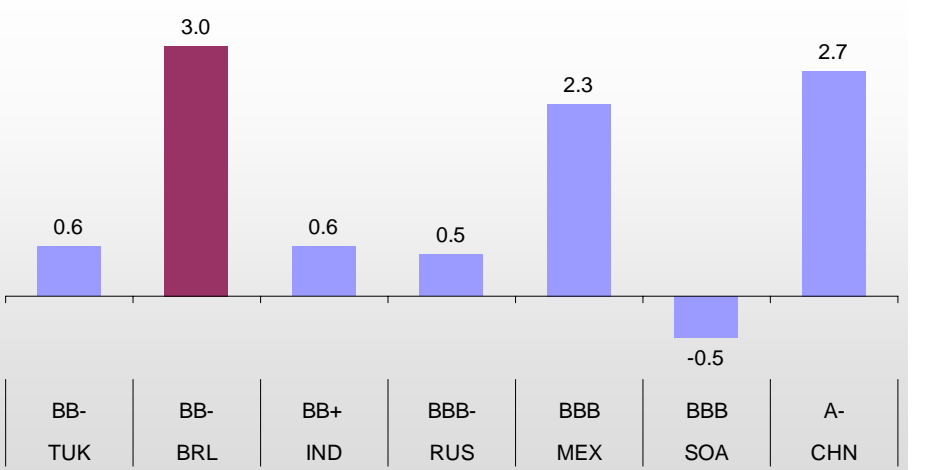
Source: The Economist and Moody's.

Exports Portfolio - 2003, % of total Export



Source: IMF and OECD

Net Foreign Direct Investment 2004 (as % of GDP)

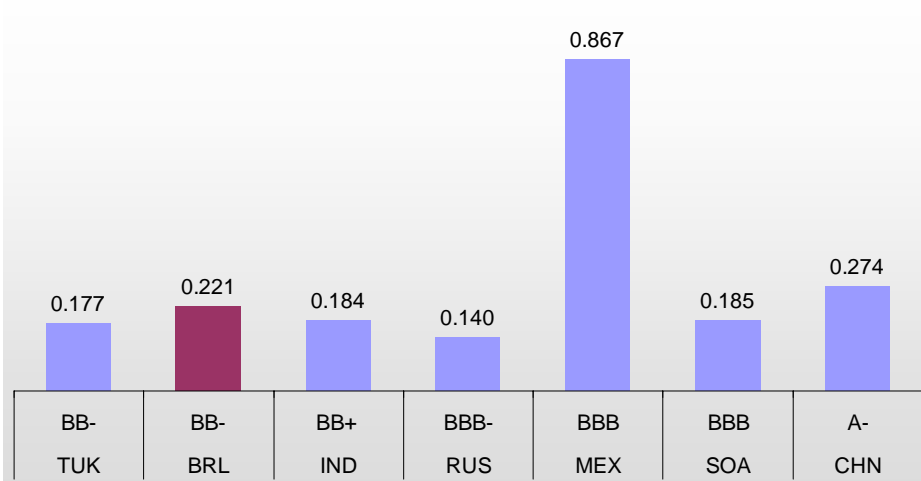


Source: Moody's



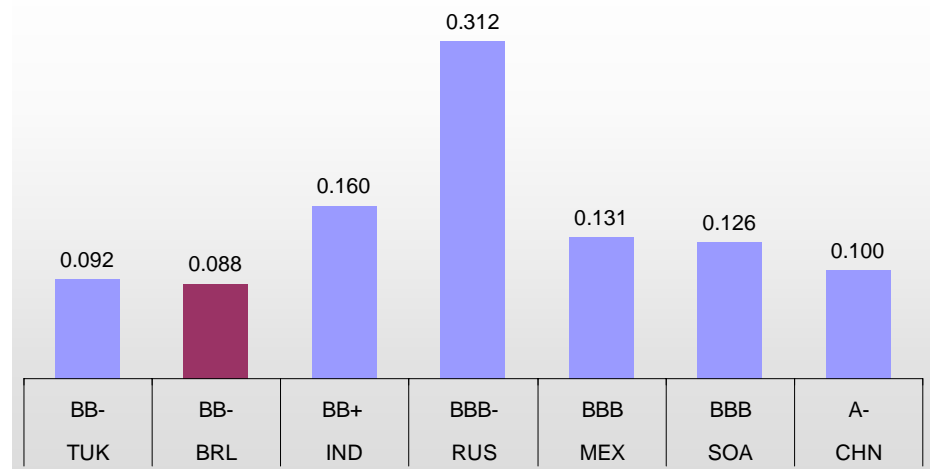
Brazil in comparative perspective (cont'd)

Herfindahl-Hirschmann Exports Concentration Index - Destination



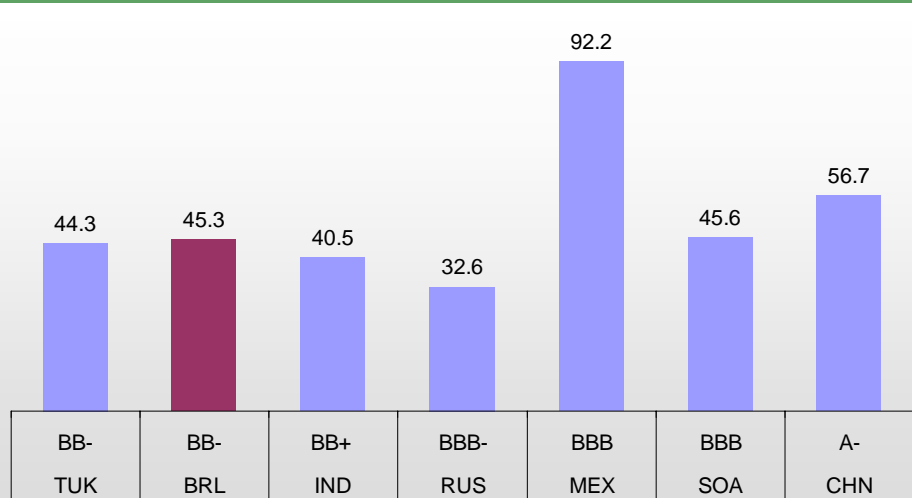
Source: UNCTAD

Herfindahl-Hirschmann Exports Concentration Index - Products



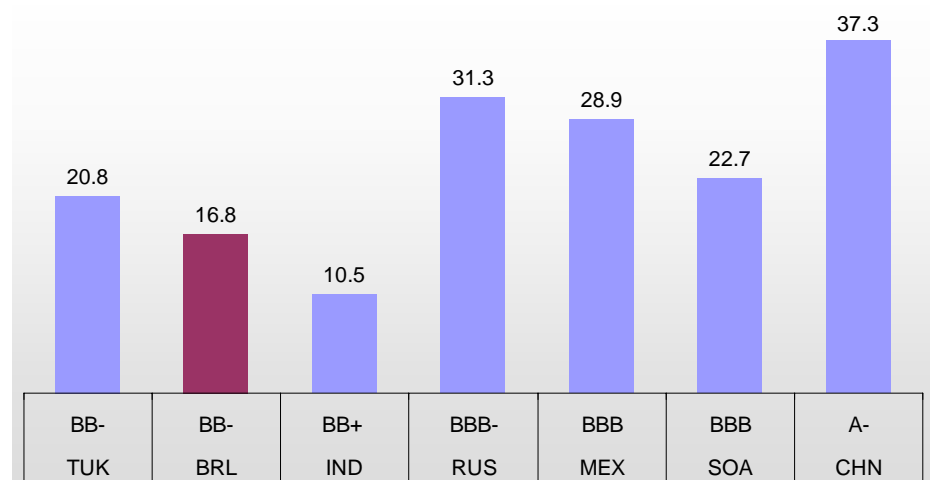
Source: UNCTAD

Exports to Top 5 Trade Partners (as % of total exports) - 2003



Source: IMF

Exports (as % of GDP - 2004)

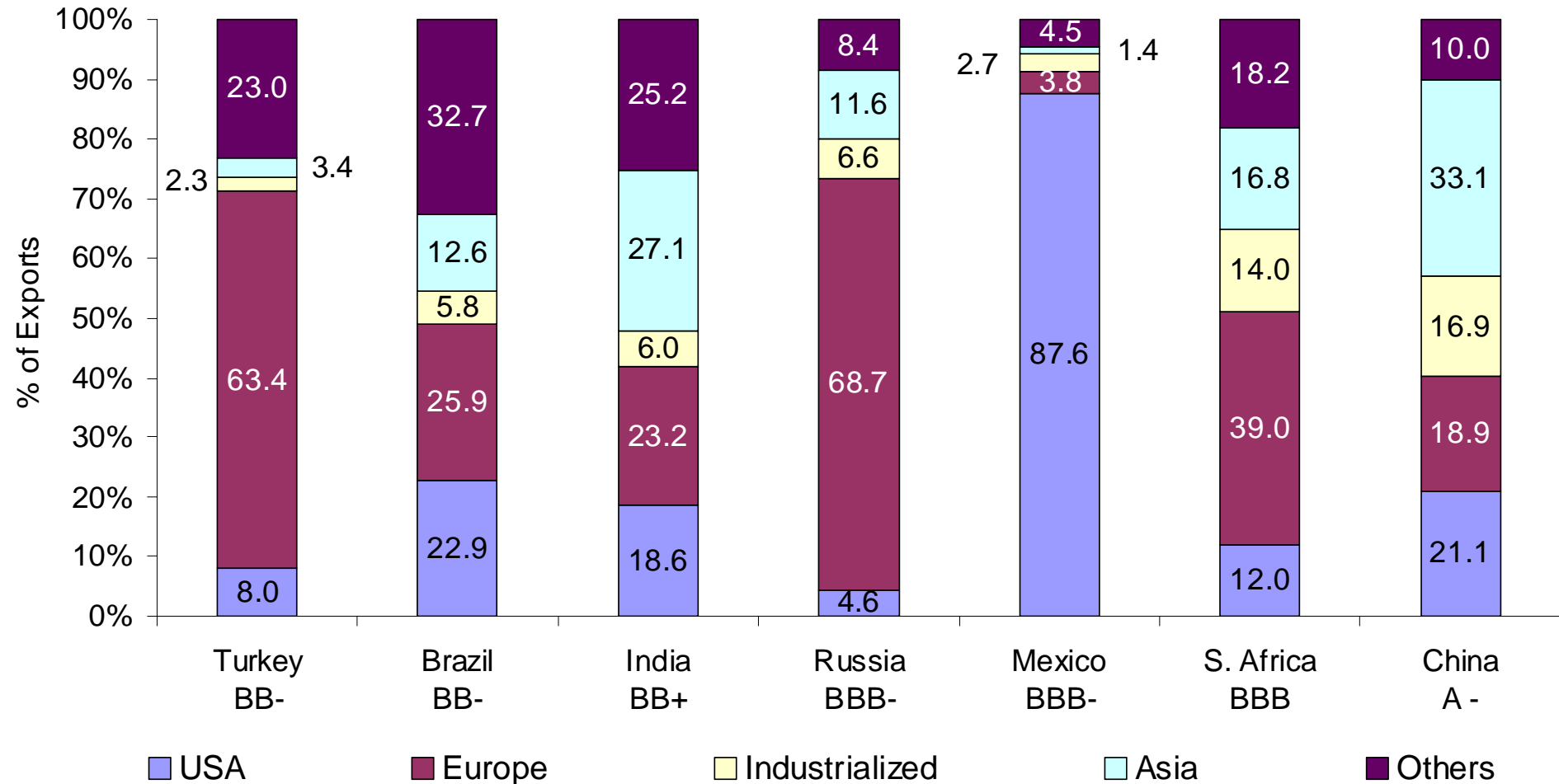


Source: HSBC.



Brazil in comparative perspective (cont'd)

Selected Countries Exports Concentrations - % of Exports - 2003



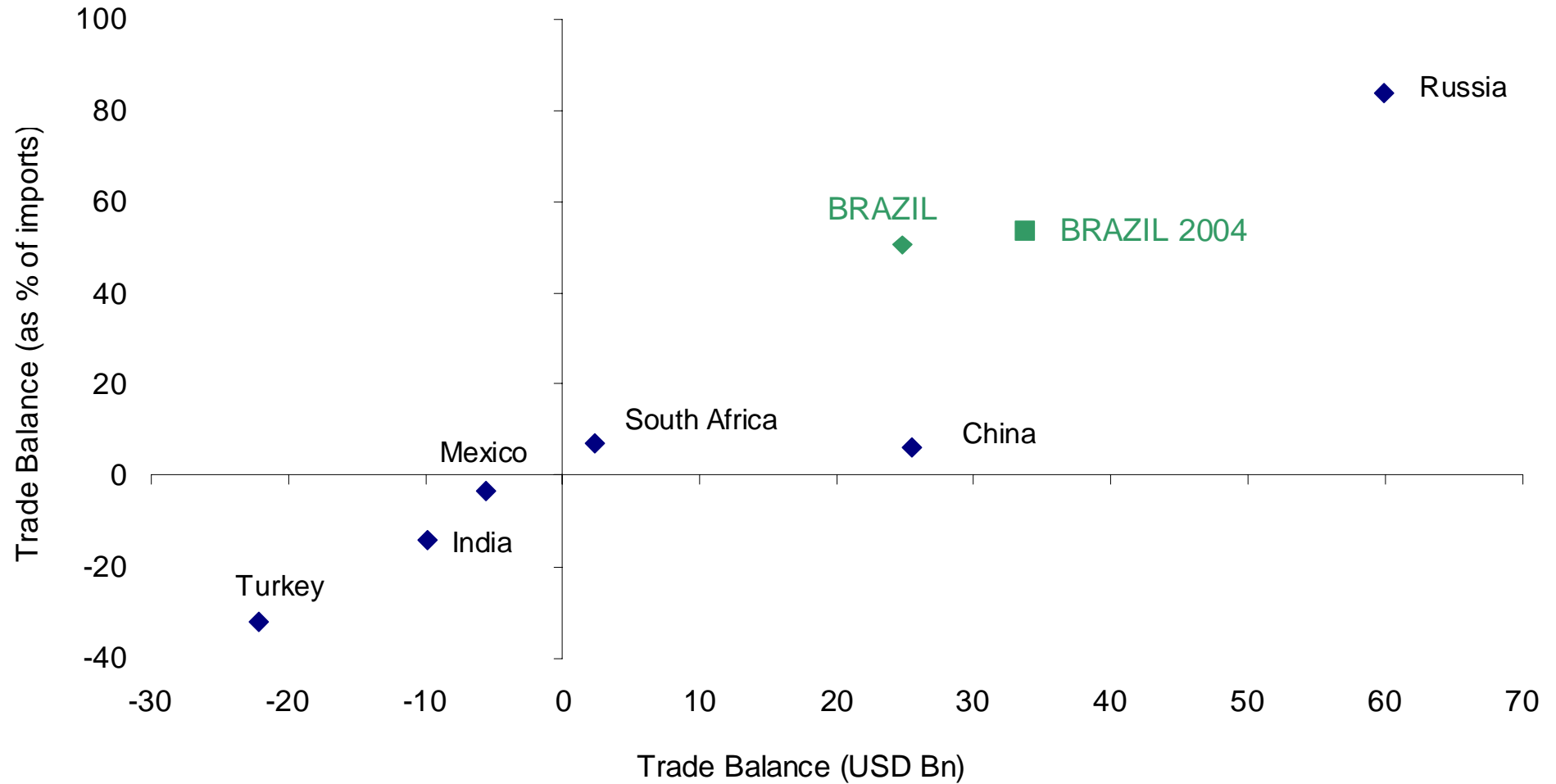
COMPARATIVE ANALYSIS

Source: IMF
* Japan is among the industrialized countries



Brazil in comparative perspective (cont'd)

Selected Countries Trade "Effort" - 2003

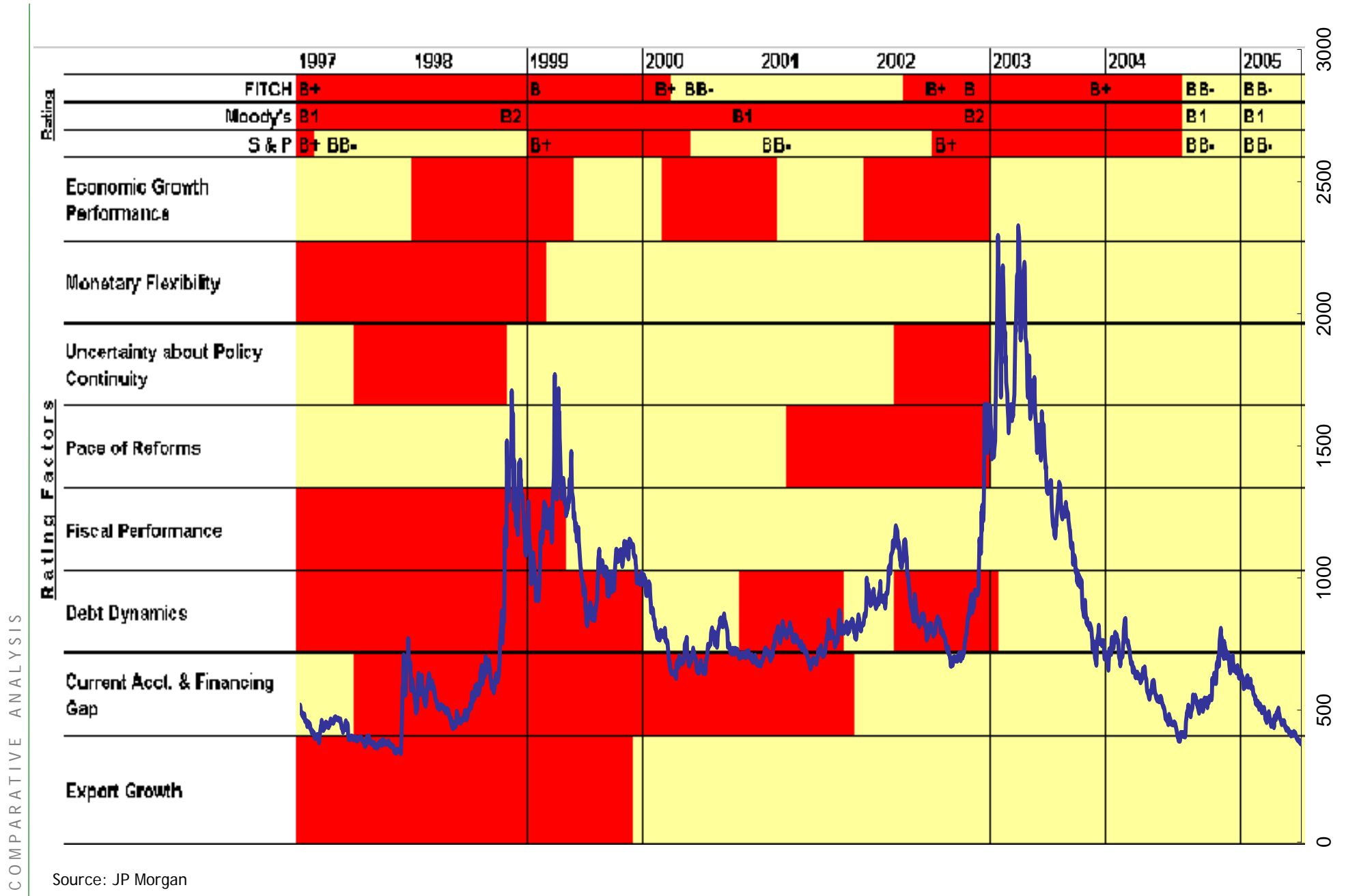


COMPARATIVE ANALYSIS

Source: IMF and OECD



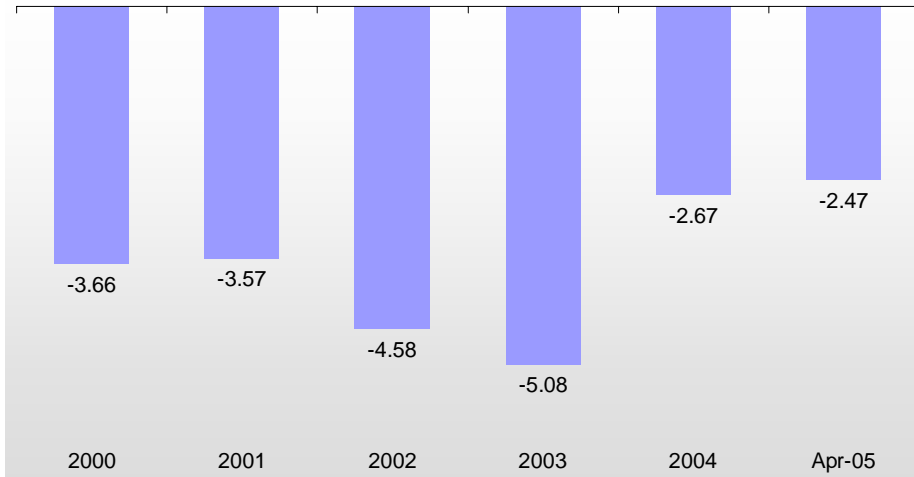
Ratings: Market Developments Vs Fundamentals





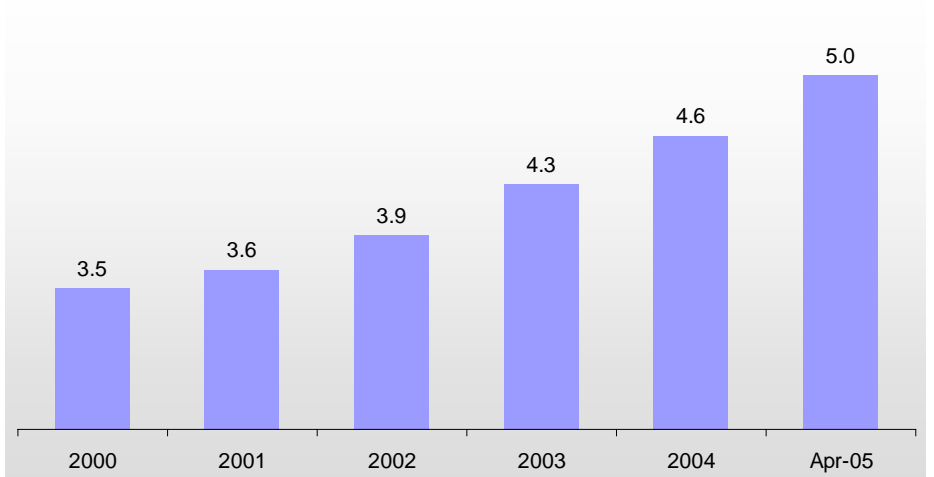
Overview of Selected Indicators - Brazil

Brazil Public Sector Nominal Balance (%GDP)



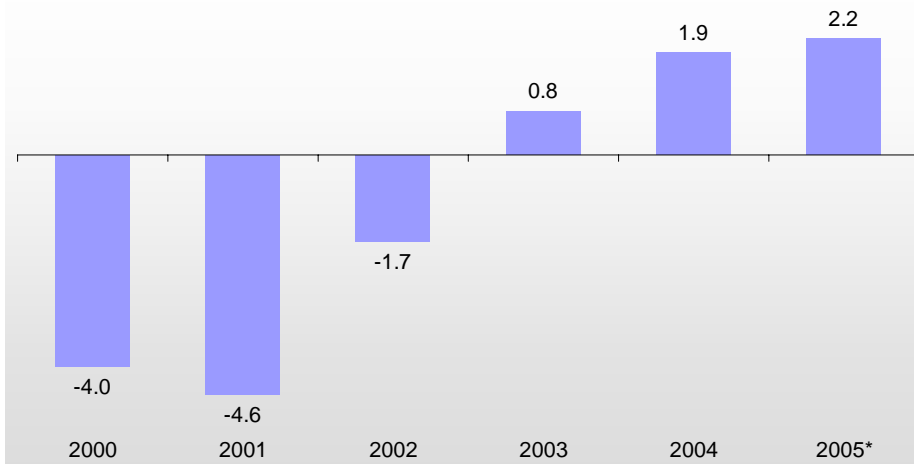
Source: Central Bank

Brazil Public Sector Primary Balance (%GDP)



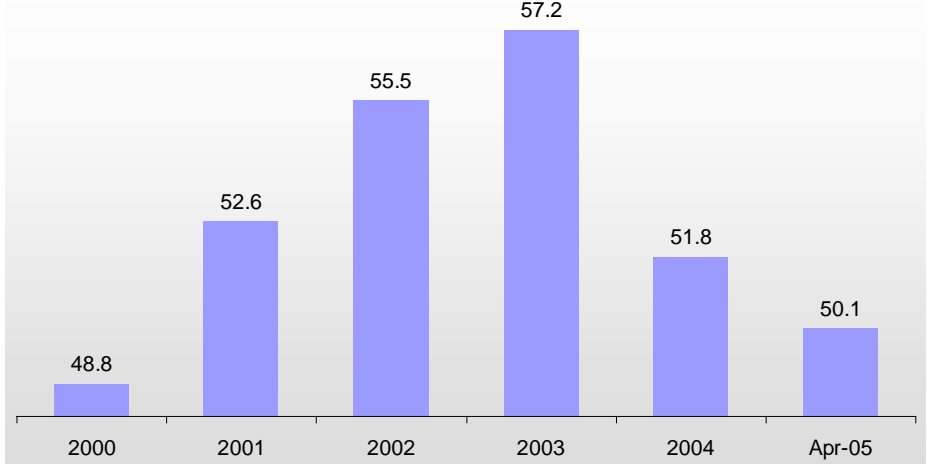
Source: Central Bank

Brazil Current Account Balance (% GDP)



Source: Central Bank
* 12 months cumulated until April05.12

Brazil Net Public Sector Debt (%GDP)

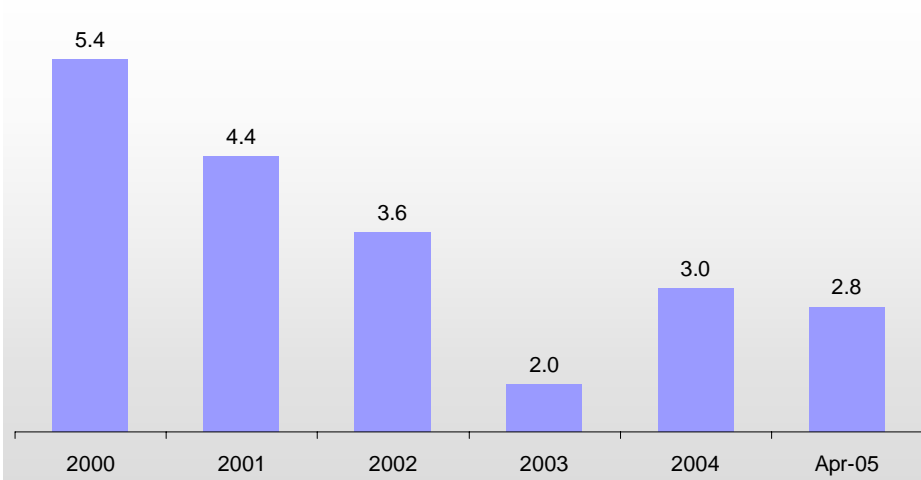


Source: Central Bank



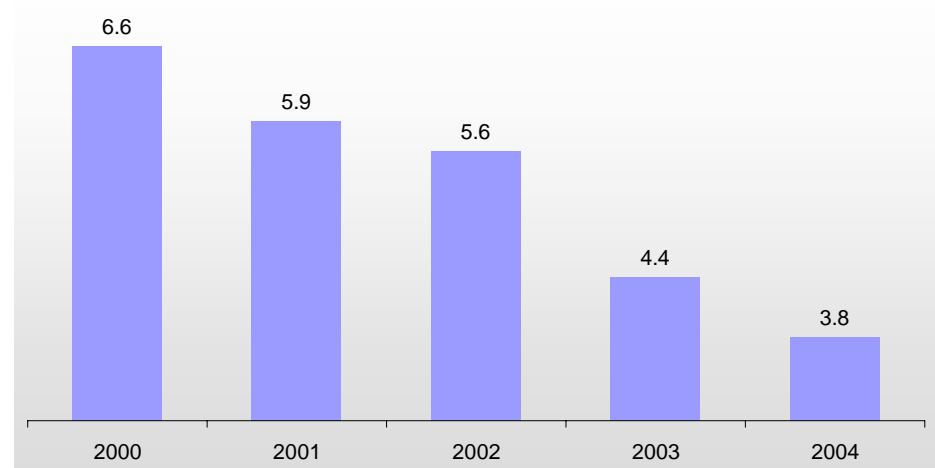
Overview of Selected Indicators - Brazil

Brazil FDI (% of GDP)



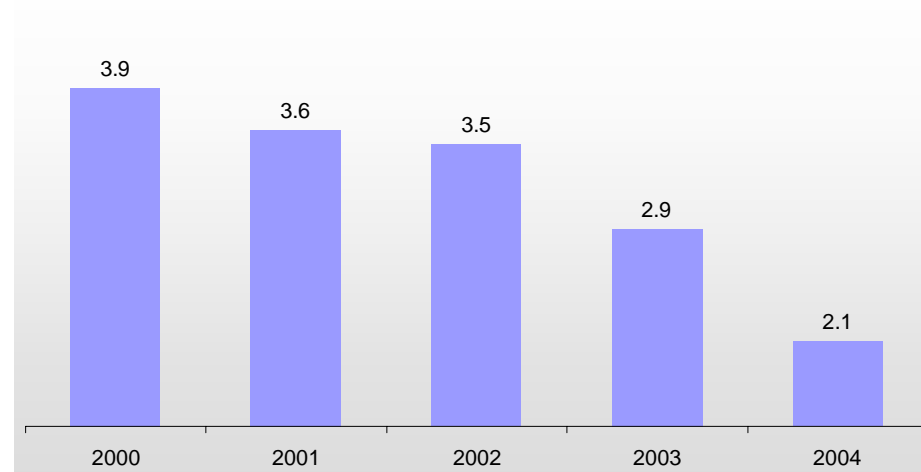
Source: Central Bank

Brazil Total Gross External Debt/ FX reserves



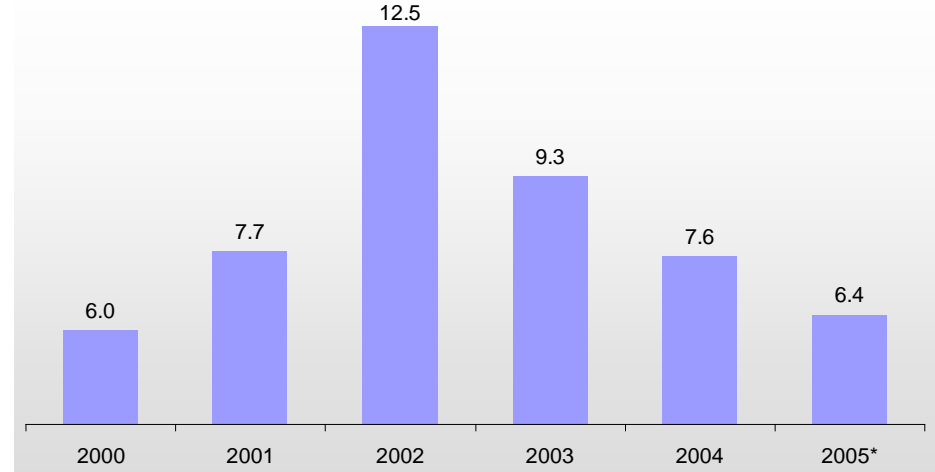
Source: Central Bank

Brazil Total Gross External Debt/ Exports



Source: Central Bank

Brazil Inflation (CPI Index)



Source: Central Bank
* Market Expectation. (Focus Report)

Agenda

Macroeconomic Overview

Public Debt Management

- Guidelines
- Recent Trends and Measures
- Federal External Public Debt - DPFe



Guidelines

The general guidelines for public debt management, vis-à-vis market conditions, are as follows:

- Lengthening of the average maturity of the public debt, primarily by raising the average maturity of securities issued in public offerings;
- Reduction of the portion of public debt due in 12 months;
- Gradual replacement of floating-rate securities—as well as securities linked to exchange rate variations—with fixed-rate and price-indexed securities; and
- Fostering of the development of the term structure of interest rates for federal public securities.

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Improvements in Debt Management Practices

■ Creation of Benchmarks:

■ Fixed-rate securities

- Maturities defined in a way to coincide with dates of maturity of contracts in the futures market;
- Creation of a medium term yield curve of fixed-rate (issuance of NTN-F, 5 years).

■ Floating - Rate Securities

- Longer maturities concentrated in different months from those established for fixed-rate securities.

■ Public Debt Cash Reserves

- The Treasury increased its cash reserves, enhancing the reliability on the government's capacity of the debt payment.

■ Repurchases:

■ Fixed-rate securities

- Repurchase of short term securities for the reduction of refinancing risk.

■ Price Indexed

- Repurchase of long term securities for the reduction of transaction costs and increased liquidity;
- Repurchase of NTN-B coupons in order to increase NTN-B market liquidity.

■ Exchanges:

■ Exchange of short term for long term LFT;

■ Exchange of floating-rate and other indexed securities for inflation-linked instruments (NTN-B e NTN-C).



Improvements in Debt Management Practices

■ New Dealers System (National Treasury and Central Bank)

- Primary Dealers group:
 - Primary issuances and money market operations, maximum of 12 institutions;
- Specialists Dealers group:
 - Secondary market operations, maximum of 10 institutions.

■ New System Goals

- To increase liquidity in the secondary market;
- To increase competition in the public bond market;
- To reduce public debt financial costs and to improve its profile; and
- To increase data availability to the National Treasury and the Central Bank.

■ Creation of new fixed-income indexes - they will be a comparative reference for the income of investment funds;

Index	Return	Maturity
IRF-M*	LTN ¹ e NTN-F ²	All
IMA-B	IPCA ³	All
IMA-B5	IPCA	= to 5 years
IMA-B5+	IPCA	> than 5 years
IMA-C	IGP-M ⁴	All
IMA-C5	IGP-M	= to 5 years
IMA-C5+	IGP-M	> than 5 years
IMA-S	SELIC ⁵	All
COMPOUND (IMA)	Average of the fixed-rate indexes family, including the existing IRM-F (composed by LTN and NTN-F)	All

1) Short-term fixed-rate bonds

2) Long-term fixed-rate bonds

3) Consumer Price Index

4) General Price Index

5) Overnight rate

* Issuance in 2000



Improvements in Debt Management Practices

- **Creation of *Asset Clearing*** - developed by the BM&F (Merchandise and Futures Exchange), as a complement to Sisbex (electronic system of negotiation and record), the new instrument provides a series of benefits for the fixed-income market, in particular the possibility of negotiating federal public bonds, and it is aimed at strengthening the secondary market, in addition to reducing the operational risks involved;
- **Creation of the CETIP Negotiation Platform** - allows for carrying out several operations on-line, including the negotiation of fixed-income bonds (public and private) and a modality of term operations in auctions of National Treasury Bonds.
- **The Investment Account**, effective since of October 2004, was elaborated after a pooled work among the National Treasury, the Central Bank and the Federal Revenue Secretariat. It exempts from the CPMF (a tax on financial transactions) the transfer of funds across financial investments: (i) provide similar treatment to investment funds and other investments; (ii) enhance competition in the investment funds industry; (iii) increase liquidity in the secondary market; and (iv) help in the diversification of the investors base.



Improvements in Debt Management Practices

Further Actions

- **Tax incentives to hold longer term securities -**
The initiative gives different tax treatment to short, middle and long-term investments, providing incentives to the latest one, for both fixed and variable income investments. This measure, effective as of January 1st 2005, aims to strengthen the capital market and to stimulate long-term savings, besides contributing the National Treasury debt management.
- **Creates new pre-funded pension schemes and life insurance instruments that will benefit from lower income taxes (MP 209/2004)-** As of January First, 2005, the income tax paid when realizing the gains from a new type of open pension fund and from a life insurance policy with survivor payments will be decreased 5 p.p each two years, starting in 35% for the first two years and reaching rates as low as 10% after 10 years.

Maturity	Income Tax
Up to 180 days	22.5%
From 181 to 360 days	20.0%
From 361 to 720 days	17.5%
Above 720 days	15.0%

Maturity of the resources accumulation	Income Tax
Less or equal 2 years	35%
Between 2 and 4 years	30%
Between 4 and 6 years	25%
Between 6 and 8 years	20%
Between 8 and 10 years	15%
Above 10 years	10%



Broadening the Investors Base is important to achieve several priorities in debt management

ADVANCES IN PUBLIC DEBT MANAGEMENT

Most important priorities

Reduce US\$ indexation:
Eliminate abrupt and disproportionate impact on debt dynamics

Extend maturity profile:
Reduce perception of rollover risk & unpredictable borrowing costs

Reduce indexation to interest rates:
Lower volatility of debt servicing costs

Increase duration:
Diminish front-loaded debt servicing

Other priorities

Sustain well-balanced currency composition:
Maintain manageable & stable external amortization profile

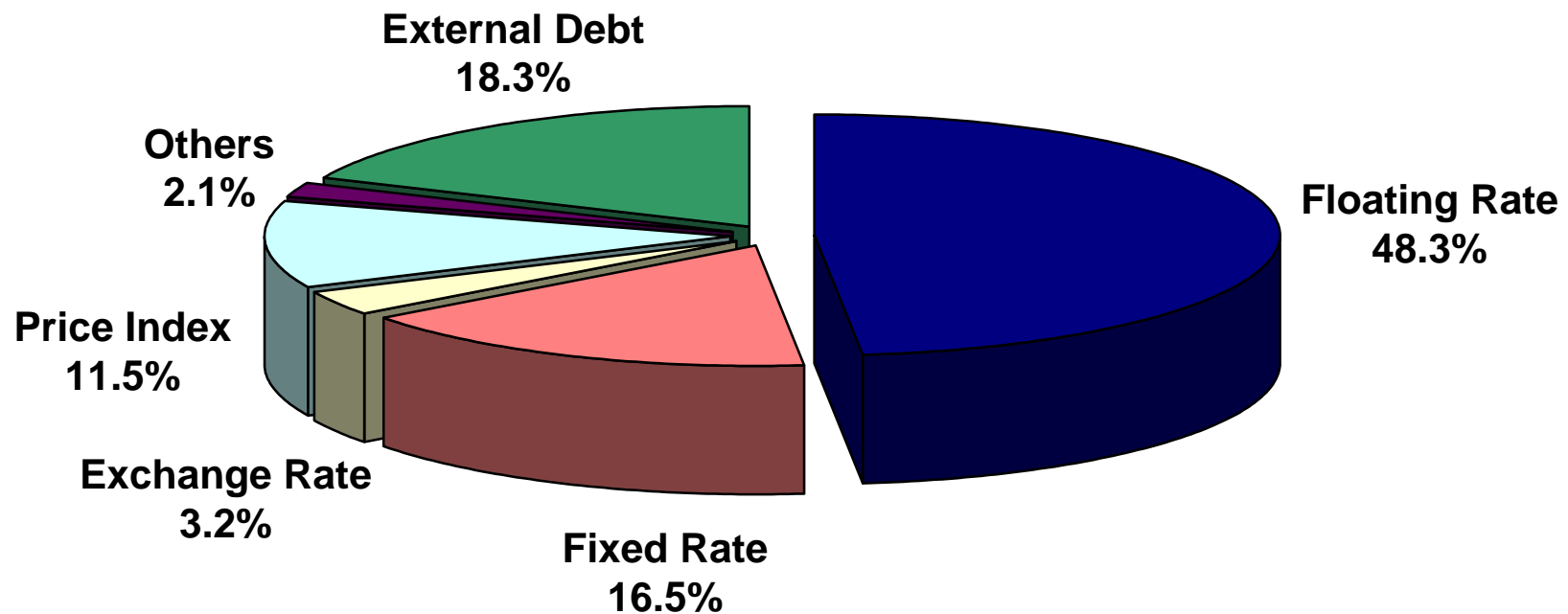
Cost is a consideration



Broadening the Investor Base

Measures for the Domestic and International Markets

- 81.7% of the public debt is in the domestic market;
- Policies to broaden the investor bases cover both the domestic and international markets;
- All are underpinned by a commitment to transparency and respect for the investors, with a view to develop long-term relationship and reduce transaction costs.

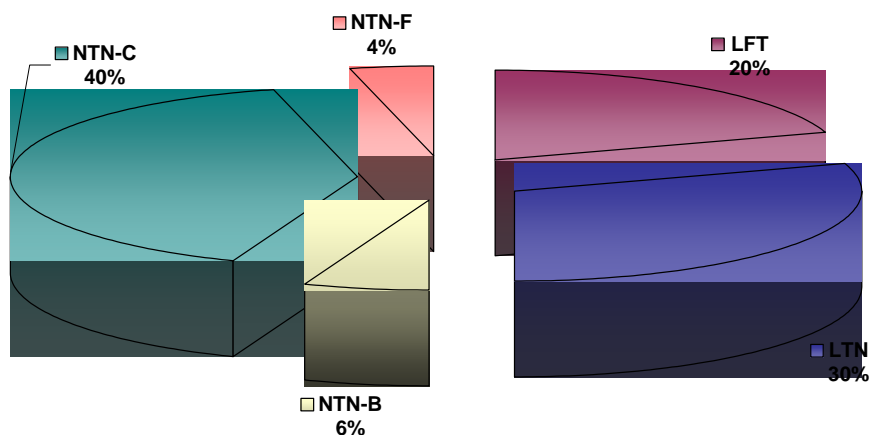




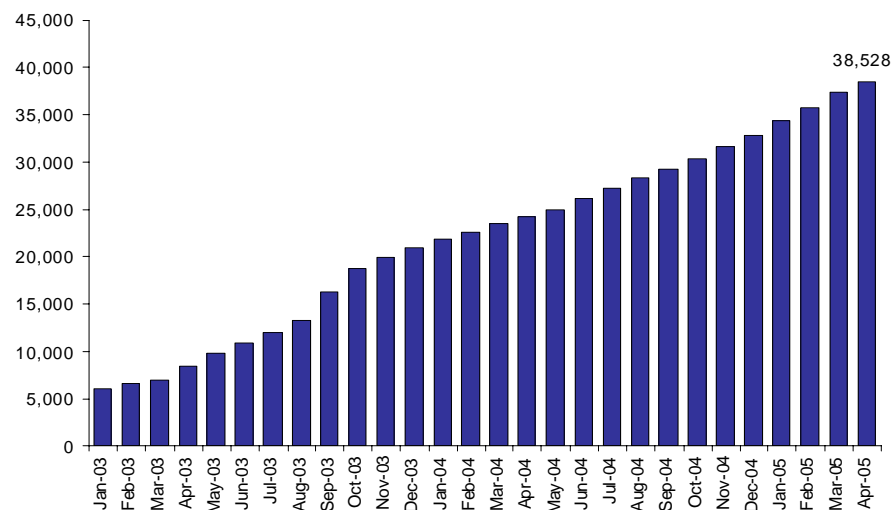
Increasing the retail market for the public debt

- **Tesouro Direto** - the Government's online debt sale program, is geared to broaden the debt holder base by retail sales aiming at small investors. So far, 38,528 investors have bought more than US\$ 384,2 million in public bonds, without any major commercial advertisement of the program.
- The average maturity of the Treasury Direct portfolio was 67.2 months in 2004, about 40 months longer than the average maturity of the Bonded Domestic Debt (DPMFi), which stood at 28.1 months (considering the effect of coupon payments).

Treasury Direct Stock Composition



Expanding investor base - Treasury Direct



Source: National Treasury



Expanding the investor base

- Annual Borrowing Plan (since 2001) and Annual Report on the Debt Management (since 2004);
- Dialog with investors: road shows, meetings in Brasilia, teleconferences, e-mail list with the analysis of new legislation, developments on the public debt, etc;
- Development of own cross-country analysis with a focus on quantitative fundamentals;
- Dialog with Rating Agencies;
- Easy-to-understand, although diversified products: continuing to develop the yield curve, judicious reopening;



Annual Borrowing Plan - Results and Projections - Borrowing Plan 2005

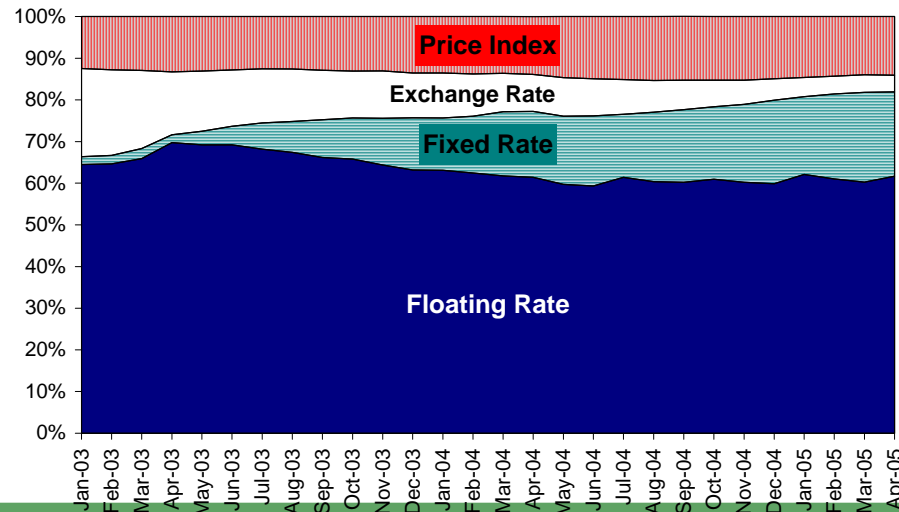
Federal Domestic Debt Indicators				
Indicators	2004	Apr-05	2005	
			Minimum	Maximum
Stock of DPMFi held by the public (R\$ billion)	810.3	873.8	940.0	1,000.0
Average maturity of DPMFi (months)	28.1	27.9	28.0	34.0
% Maturing in 12 months	46.1	42.9	40.0	45.0
Share of DPMFi (%)				
Fixed rate	20.1	20.3	20.0	30.0
Floating rate	57.1	59.2	47.0	57.0
Exchange rate	5.2	4.0	3.0	5.0
Price Index	14.9	14.1	15.0	20.0
Others	2.7	2.5	2.0	4.0
Federal Debt Indicators*				
Indicators	2004	Apr-05	2005	
			Minimum	Maximum
Stock of DPF held by the public (R\$ billion)	1,013.9	1,070.1	1,160.0	1,240.0
Average maturity - Federal Outstanding Debt (months)	35.3	35.0	36.0	41.0
% Maturing in 12 months	39.3	39.5	34.0	40.0
Share of DPF (%)				
Fixed rate	16.1	16.5	16.0	25.0
Floating rate	45.7	48.3	39.0	47.0
Exchange rate	24.2	21.6	18.0	23.0
Price Index	11.9	11.5	12.0	16.0
Others	2.2	2.1	1.0	3.0

* It includes the external debt under the responsibility of National Treasury

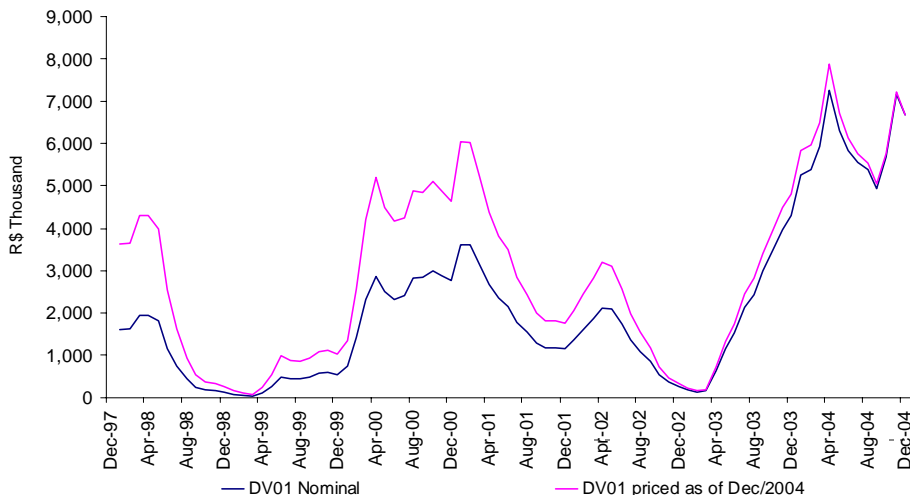


Improving Public Debt Structure

Domestic Debt Profile

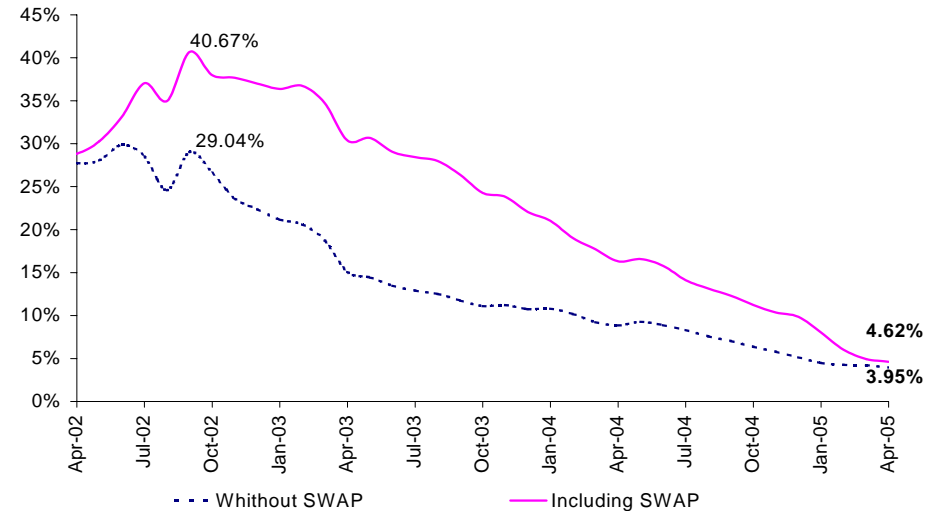


Impact of a 1 b.p. yield variation over the market value of the fixed-rate debt*



* The impact is measured in absolute terms

Domestic Exchange Rate Debt as % of Domestic Debt



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.



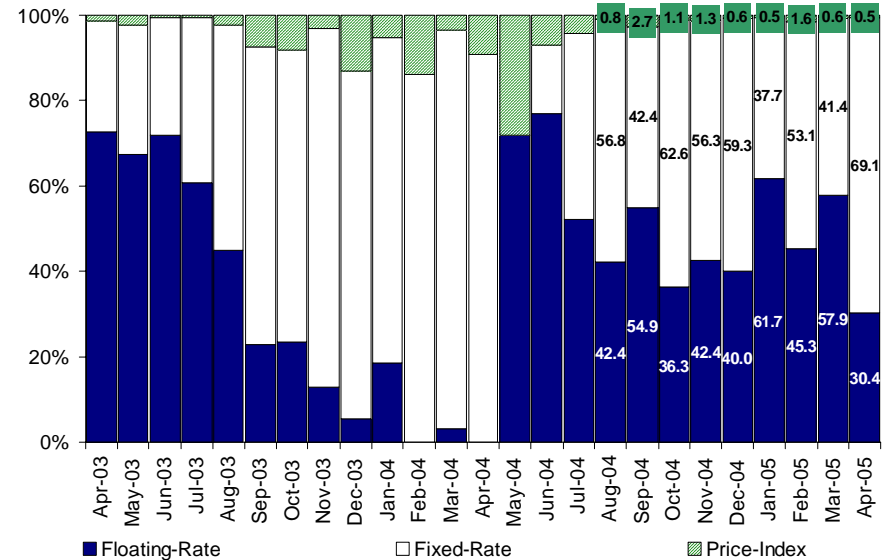
Improving Public Debt Structure

Issued Maturities - 2004 and 2005

Maturity	LIN		NIN-F		LFI		NIN-C		NIN-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								█	█	

LTN	Fixed Rate Bills
NTN-F	Fixed Rate Notes
LFT	Floating Rate (Selic)
NTN-C	Inflation-linked (IGP-M)
NTN-B	Inflation-linked (IPCA)

Composition of Public Debt Issuances



RECENT TRENDS AND MEASURES

Agenda

Macroeconomic Overview

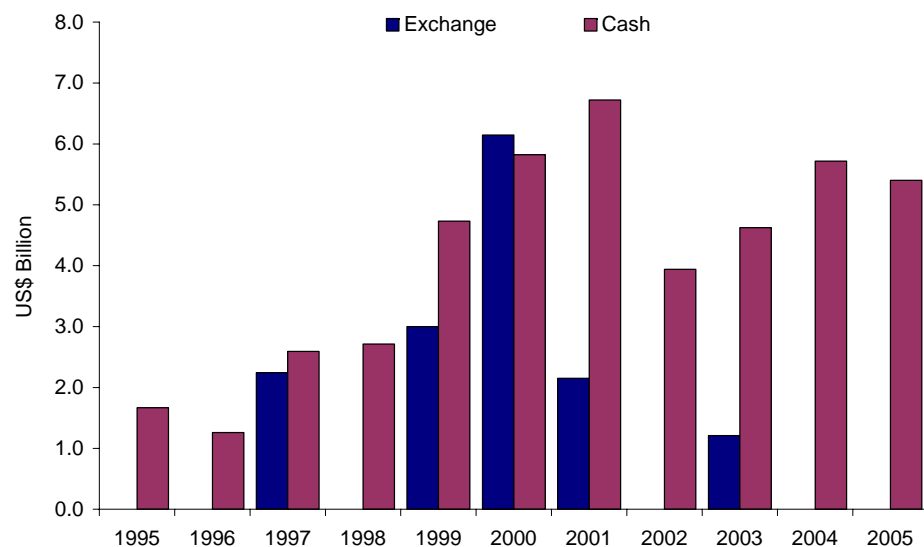
Public Debt Management

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Brazil's return to the external market

Issuance of External Public Debt



Source: National Treasury

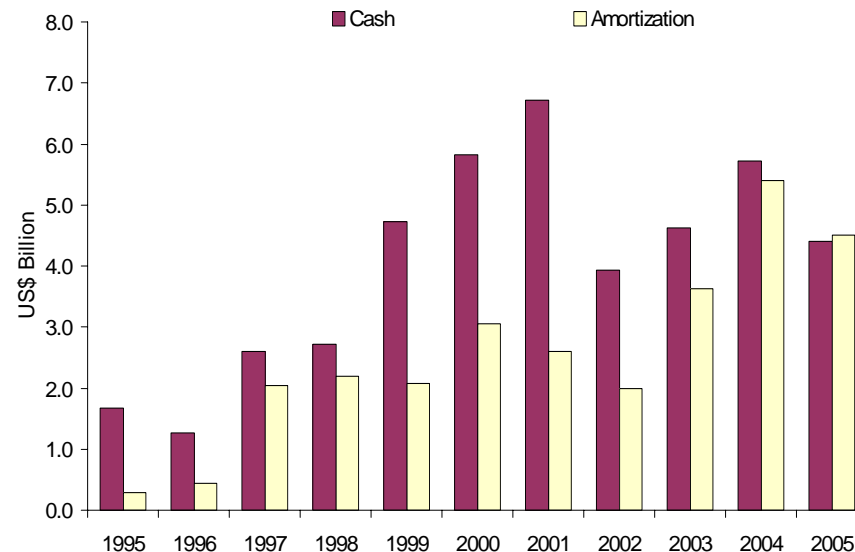
✓ The total Issuance since 1995 is US\$ 59.9 billion.

✓ From this total, US\$ 45.2 billion was received in cash terms and US\$ 14.7 billion in exchange for other securities;

✓ From the securities received, it can be highlighted:

- Discount Bond (about 36%);
- Par Bond (about 18%);
- DC Bond (about 13%);
- C-Bond (about 12%).

Exchange and Amortization of External Public Debt



Source: National Treasury

Steady debt service for more than 10 years

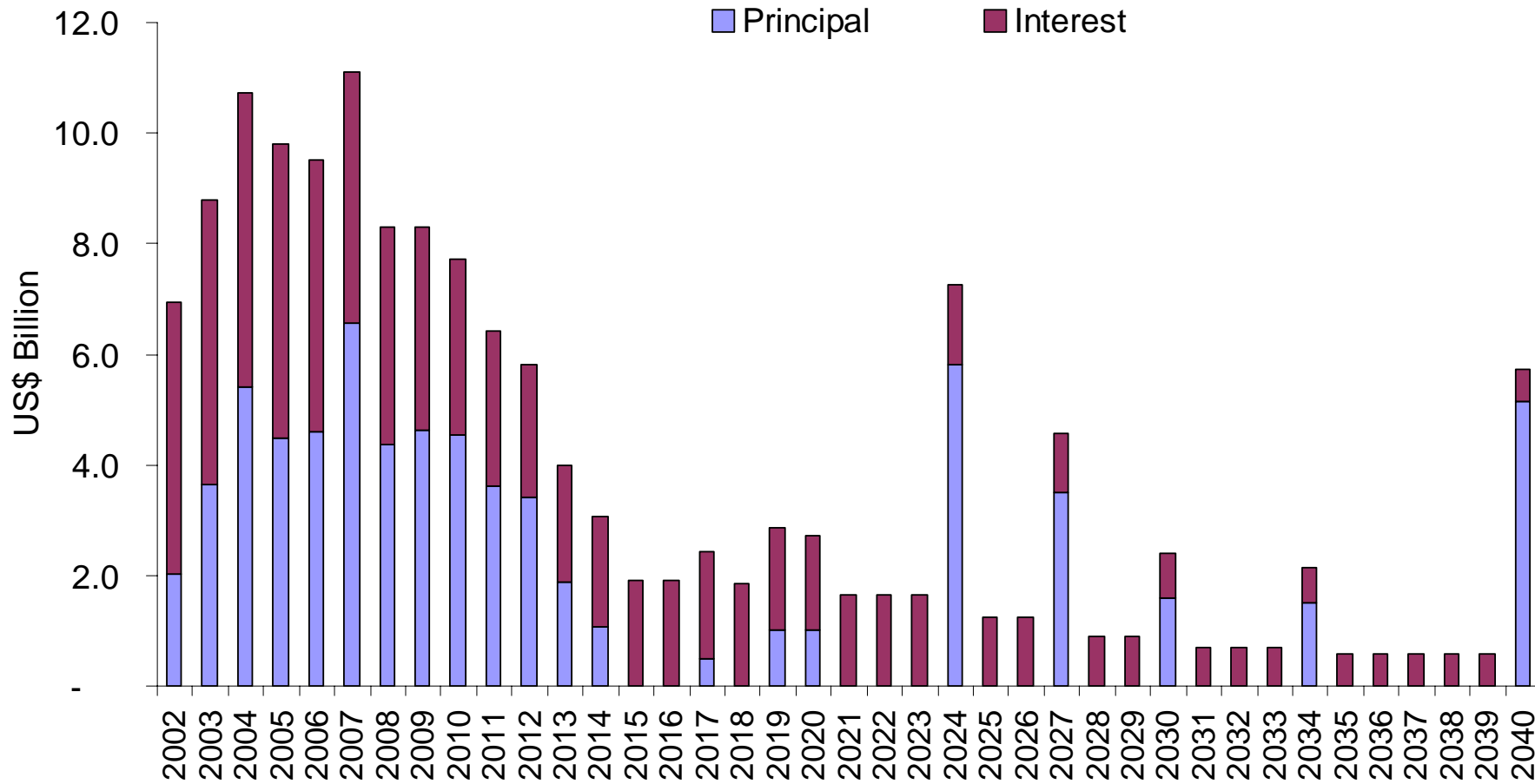
FEDERAL EXTERNAL PUBLIC DEBT

	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)
Euroiene / 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
Eurolira/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 te	750	593																-	44
Global PRINCIPAL	750	632																-	66
Global INTEREST	921	477																-	-
Euro 2005/EUR	311	439																-	-
Reapertura EUR 2012	1.000	492																-	44
Global 2019	500	398																-	-
Reapertura Global 2014	648	398																-	-
Euro 2015	1.250	431																-	-
Global 2025	1.000	352																-	-
Global 2015																		-	-
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								



External market

External Public Securities Debt Profile (New Bonds and Bradys)



FEDERAL EXTERNAL PUBLIC DEBT

Source: National Treasury



External Public Debt

2004 and 2005 Issuance Program

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
Total for 2004			5,719				
Bond Issuance (Planned)			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
Total 2005			5,400				
Bond Issuance (Planned)			6,000				

Source: National Treasury

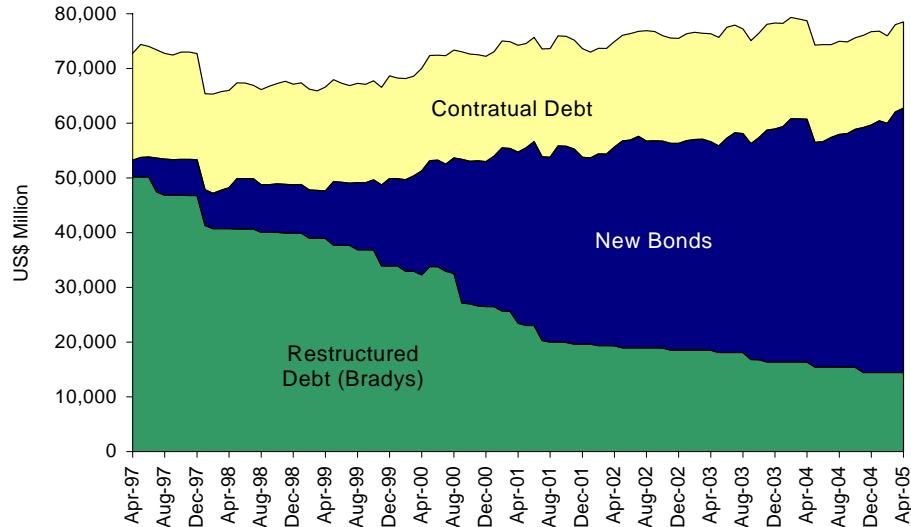
¹ In basis points (local currency), at issuance date.² Plus 3 months Libor³ Spread over Libor⁴ Spread over Deutsche Premier Bond 2012⁵ Spread over Deutsche Premier Bond 2015

* Reopening Issuance



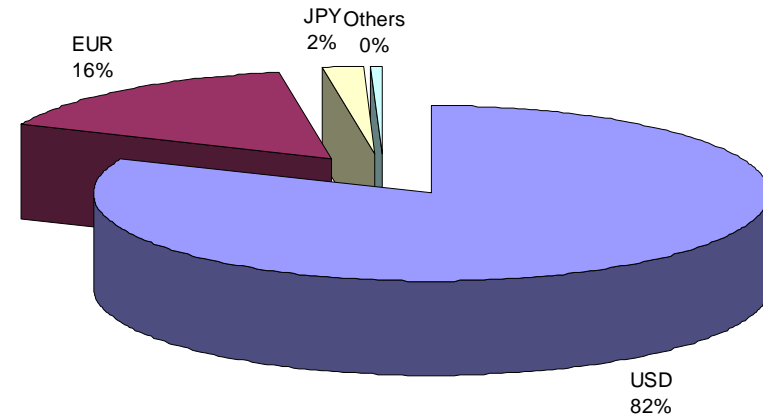
External Public Debt

A steady level of public external debt



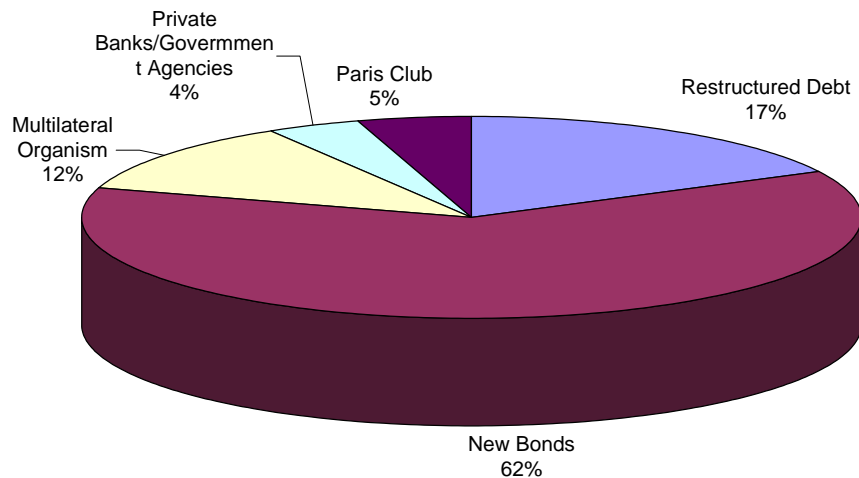
Source: National Treasury

External Debt Composition by currency - Apr/05



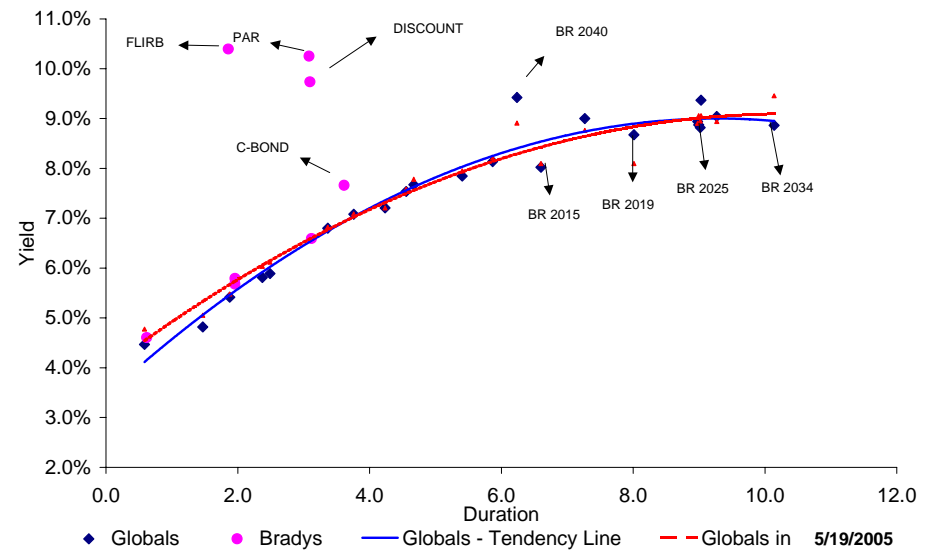
Source: National Treasury

External Debt Composition by Type - Apr/05



Source: National Treasury

Globals and Bradys Curve

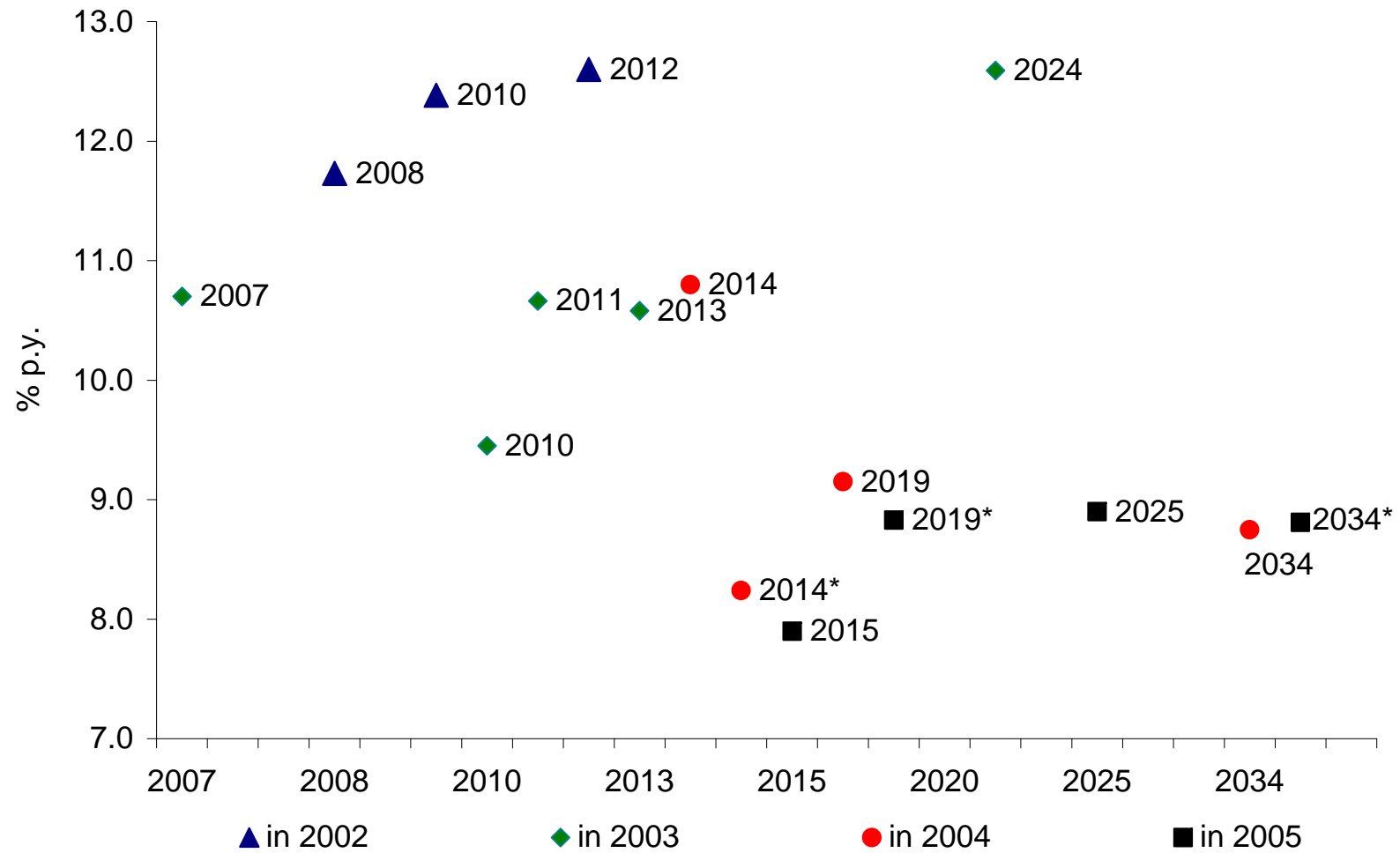


Source: National Treasury



External Public Debt

External Issuance Yields in US\$ (% p.y.)

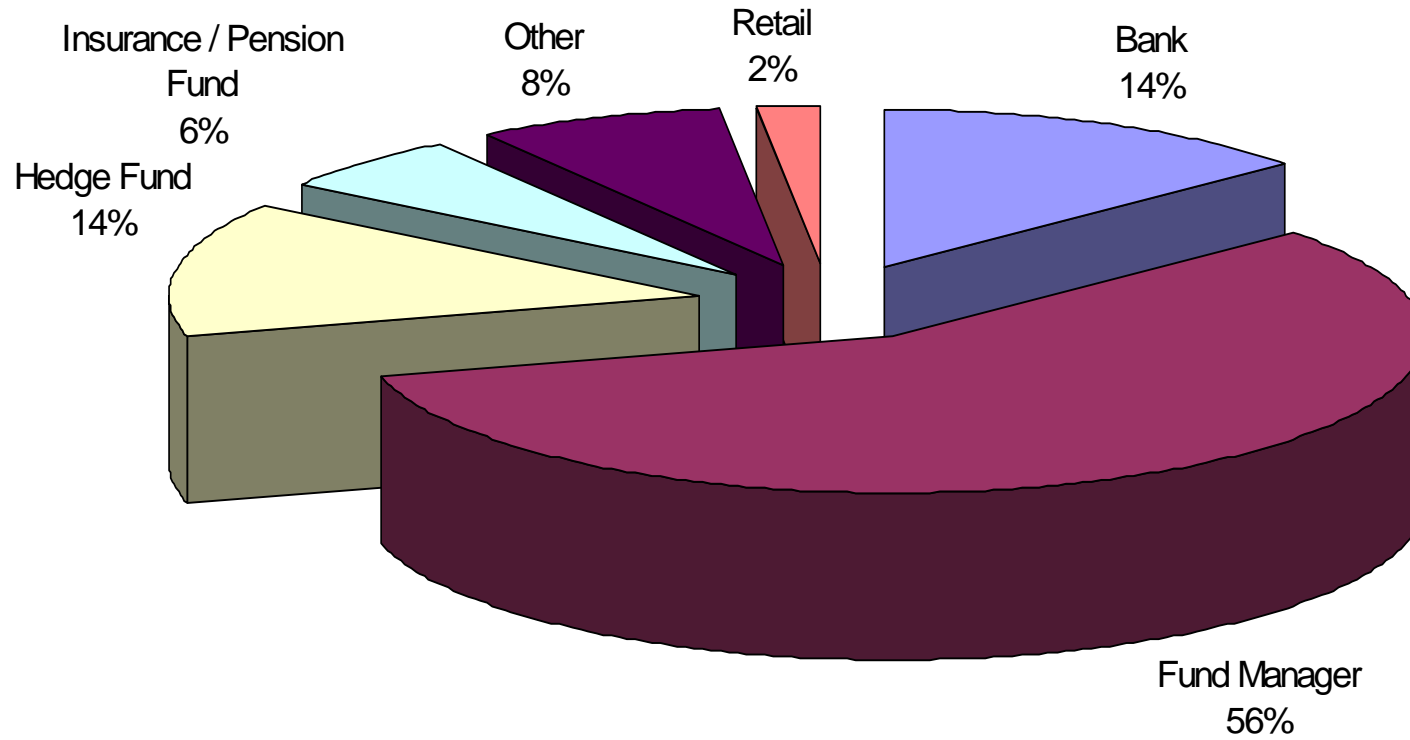


* refers to the security reopening



External Public Debt

Initial Allocation - Distribution by type of Investor 2004



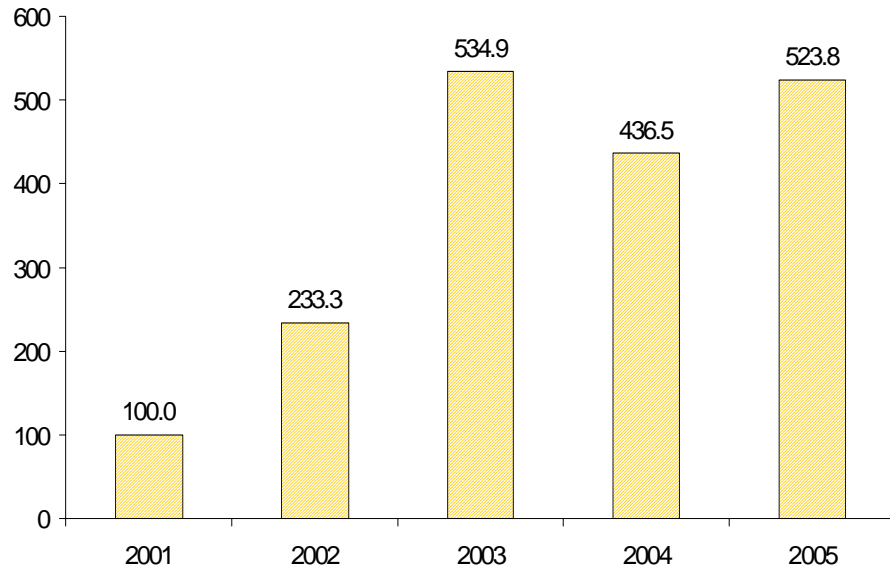
FEDERAL EXTERNAL PUBLIC DEBT

Source: National Treasury



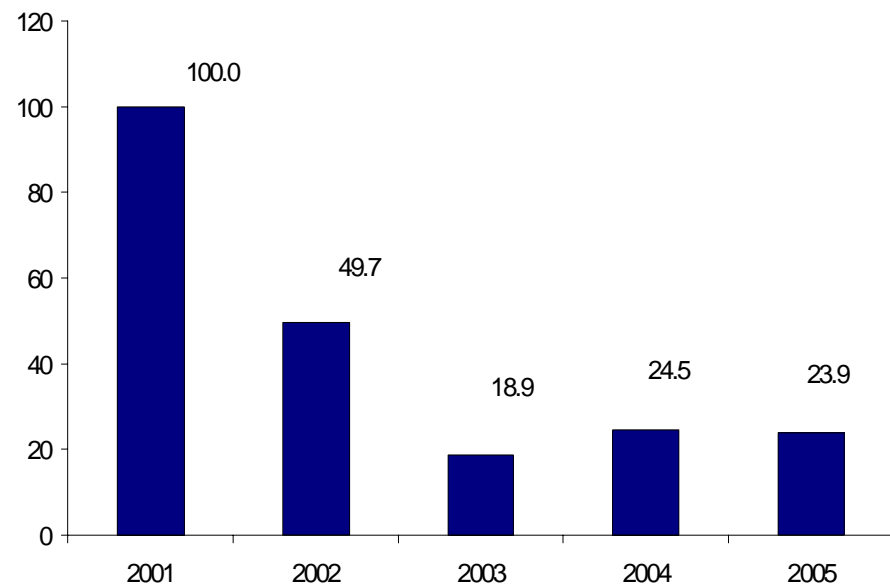
Expanding the investor base in the international market

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



■ Figures in the Euro Market are broadly similar, with the average allocation falling by a factor of three since 2000

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





Thank you !



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



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ANNEX



Fiscal Responsibility Law - LRF (Law n° 101/2000)

The Public Debt

The Fiscal Responsibility Law defines concepts and rules to be observed by all Federal Governmental entities as to public debt, security debt, credit operations, and guarantees.

The limits to the debt amount (inventory) was established based on the consolidated debt of the Federal Government, States, Federal District, and Municipalities, which includes the debt of the direct administration, autarchies, foundations, and dependent state companies - always in relation to the Current Net Revenue ("RCL").

What are the established conditions for State and Municipalities to contract Credit Operations?

- The Consolidated Net Debt to Current Net Revenue (RCL) ratio is :
 - States : 2 times the RCL.
 - Municipalities : 1,2 times the RCL.
- Boundaries Adjustment Path:
 - 15 years, pacing 1/15 per year
- Accordingly to the Fiscal Responsibility Law, the "Golden Rule" must always be observed. Said Rule stipulates the following: contracting of credit operations in each fiscal year is limited to the amount of the capital expense.
- In practice, it means that the loans will only be destined to expenses related to investments



Fiscal Responsibility Law - LRF (Law n° 101/2000)

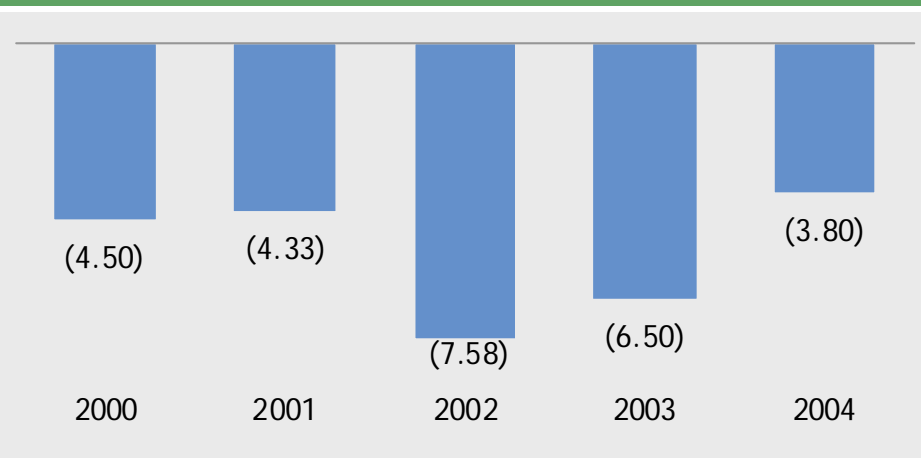
Prohibitions

- Financial funding through advance of tax or contribution funds, whose taxable event has not occurred yet;
- Advance receipt of amounts from companies in which the Public Power directly or indirectly holds the majority of the voting capital stock, except profits and dividends;
- The direct assumption of obligation, acknowledgment of indebtedness, or related operation with supplier of goods, merchandise, or services, upon the issuance, acceptance, or guarantee of securities or credit. This prohibition does not apply to dependent state companies;
- The assumption of obligation, without budgetary authorization, with suppliers for subsequent payment of goods and services;
- Any type of granting of new credit or financing from the Federal Government, States, Federal District, and Municipalities among themselves, even if for refinancing or debt extension, except credit operations with state financial institution, not destined to finance the current expenses or refinance debts not contracted with the institution that granted the credit.



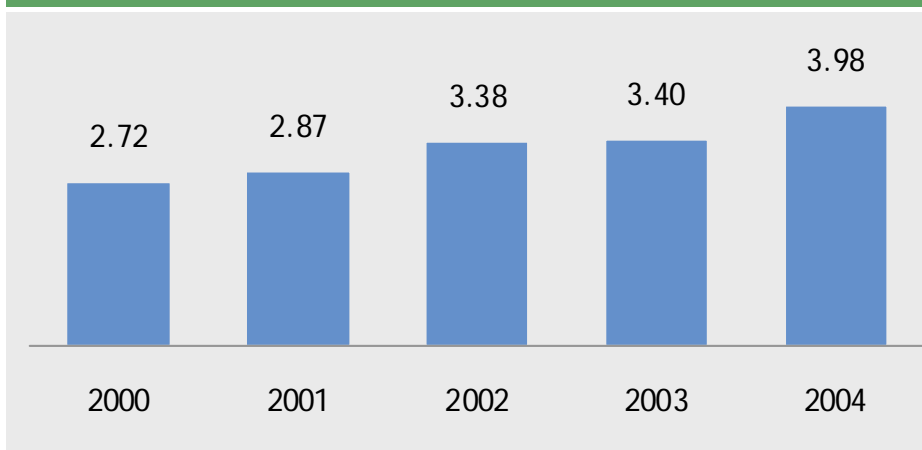
Overview of Selected Indicators - Brazil

Brazil General Government Nominal Balance (%GDP)



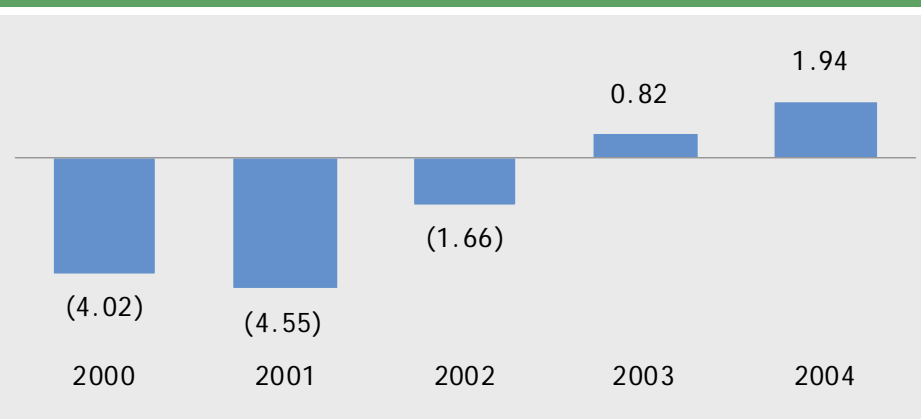
Source: Central Bank

Brazil General Gov't Primary Fiscal Balance (%GDP)



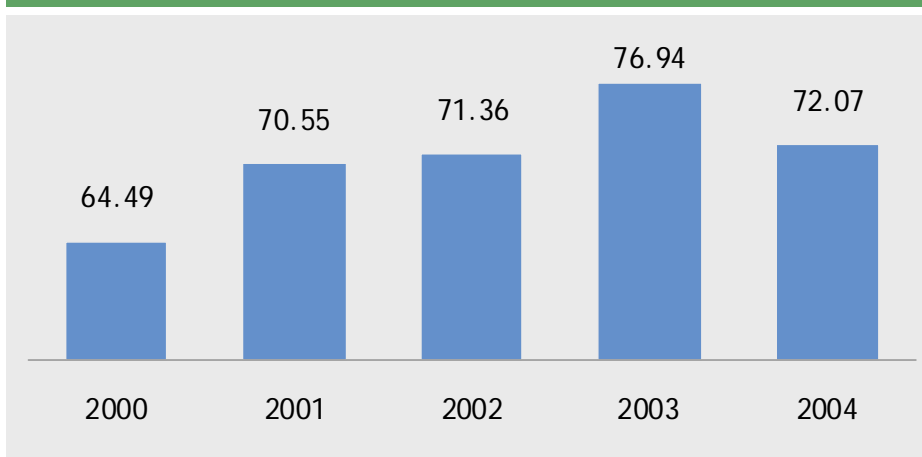
Source: Central Bank

Brazil Current Account Balance (% GDP)



Source: Central Bank

Brazil General Government Gross Debt (%GDP)



Source: Central Bank

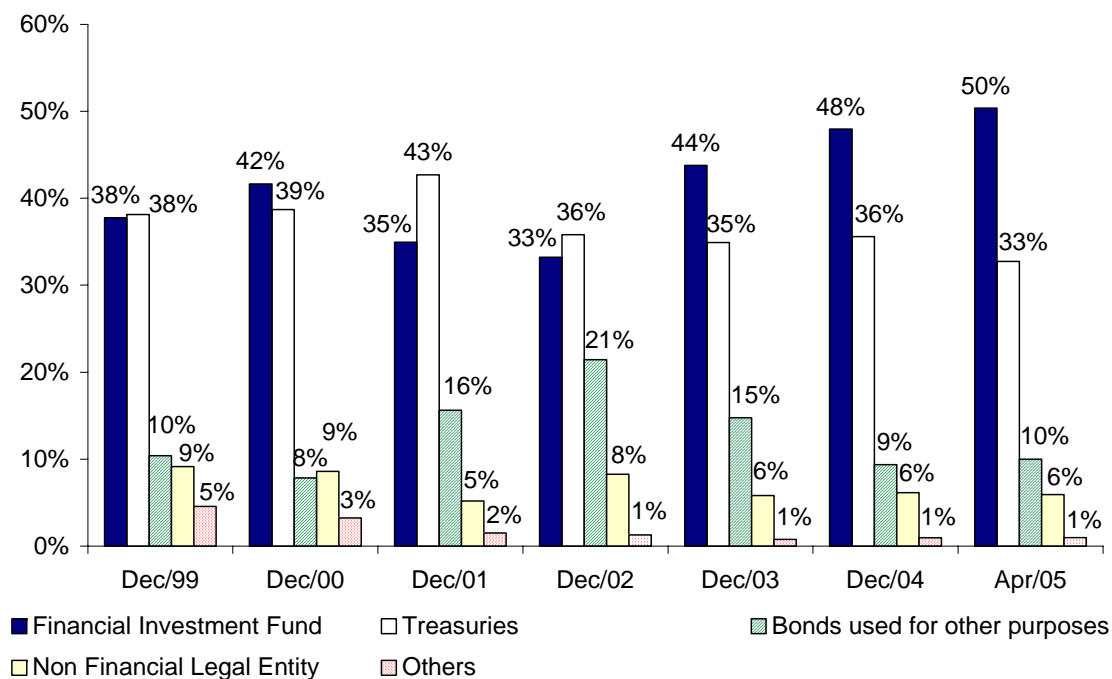


Broadening the Investor Base

Main Benefit: Mitigates Debt Management Risk

- Structural Improvements in the debt profile must be accompanied by the development of the debt market, which reduces the risk of abrupt changes of the National Treasury refinancing conditions during periods of market volatility;
- Past legislation fostered the concentration of public debt in the hands of mutual funds and banks (proprietary portfolio). In particular, tax advantages led pension funds and other final investors to channel their resources through mutual funds.

Domestic public debt holders



Source: Central Bank and National Treasury
 * Securities used as guarantees in swap operation, reserve requirements, among others



Improving Public Debt Structure - 2004 Main Results

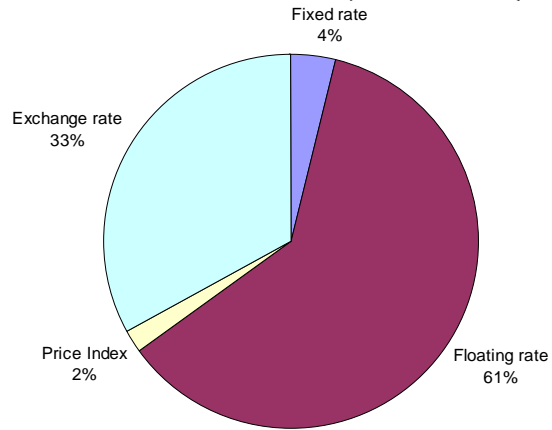
- Increase in the **fixed rate and inflation-linked** share in the Domestic Debt (DPMFi);
- Decrease in the **floating rate and Fx-linked** share in the Domestic Debt (DPMFi);
- **Federal Public Debt (DPF) Stock** - grew less than the projected values, from R\$965.8 billion in the end of 2003, to R\$1,013.9 in the end of 2004 (5% nominal variation).
- **Domestic Public Debt in bonds (DPMFi) Stock** - it also grew less than the projected values from R\$ 731.4 billion, in the beginning of 2004, to R\$ 810.3 billion in December (10.8% nominal variation);
- **Federal External Debt (DPFe) Stock** - decreased, moving from R\$ 234.4 billion in December 2003, to R\$ 203.6 billion in December 2004 (-13,1% nominal variation).
- **Debt Average maturity** - it was below the range projected in the Annual Borrowing Plan (PAF);
- **% due in 12 months** - did not reach the Annual Borrowing Plan projected range;



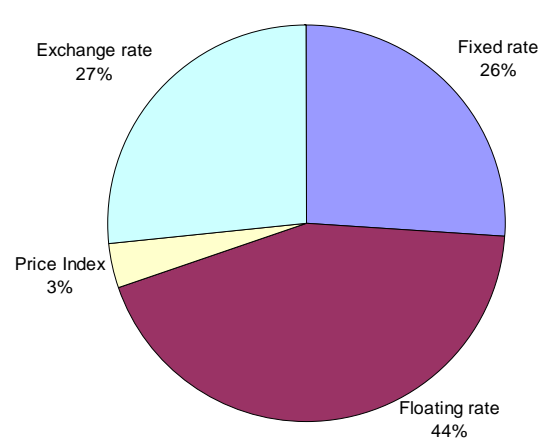
Improving Public Debt Structure

Federal Public Debt - Increased Share of Fixed-Rate Debt Reduces Refinancing Risk

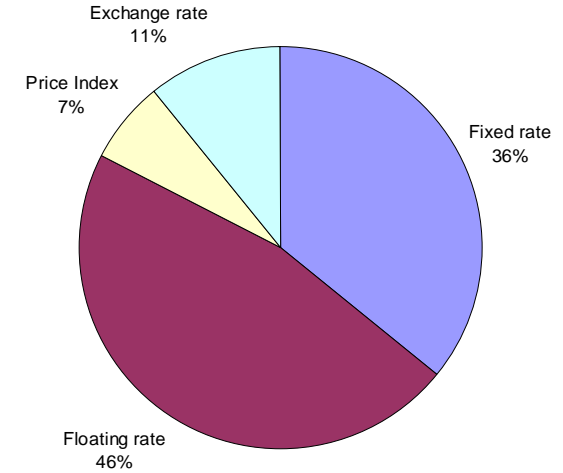
Maturities in 2003 (in Dec/02)



Maturities in 2004 (in Dec/03)

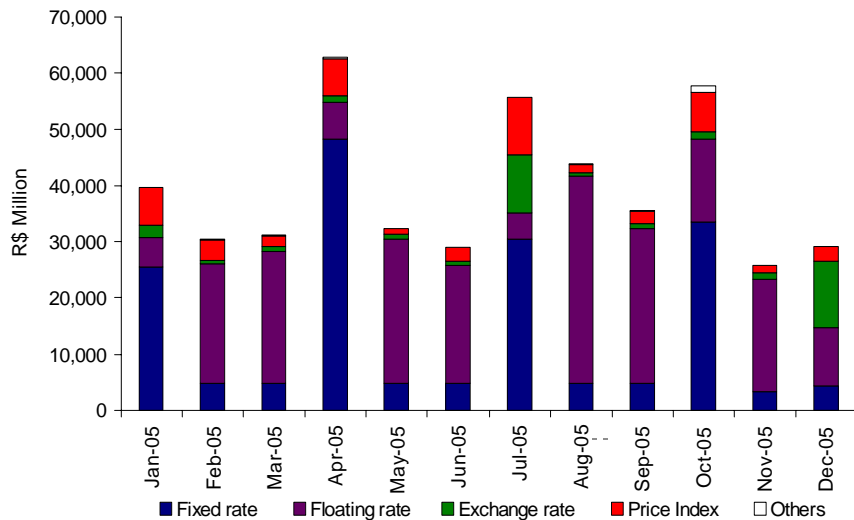


Maturities in 2005 (in Dec/04)



Source: National Treasury

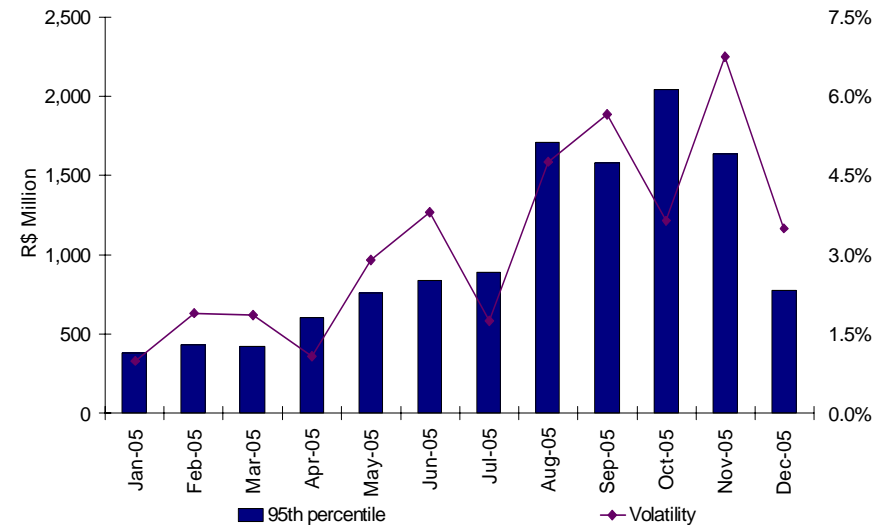
Federal Public Debt Maturity Profile (by Index)



Note: as of dec/04.

Source: National Treasury

Cashflow-at-Risk (CfaR) - Federal Public Debt



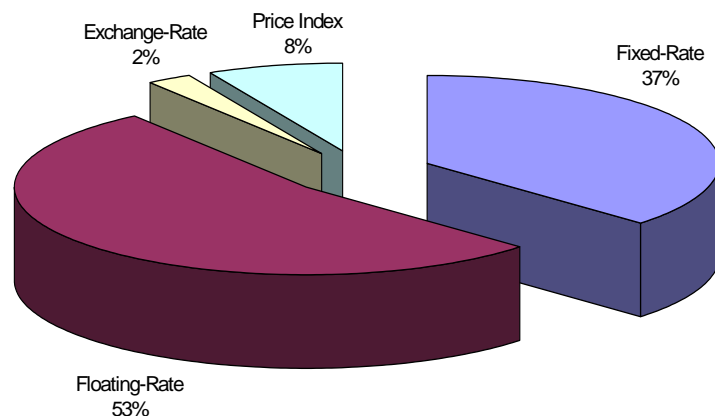
Note: as of dec/04.

* Volatility represents the ratio between the Cashflow at the 95% confidence limit and its average value.



2005 Challenges and Opportunities

Composition of Domestic Debt Maturity in 2005



Source: National Treasury

✓ High volume of LFT redemption allows for the reduction of interest rate exposure in 2005;

✓ No rollover of exchange-rate linked instruments indicates continuity in the reduction of exposure to external shocks;

✓ Tax incentives and efforts for diversification of the investors' base tend to favor the issuance of fixed rate and price index bonds.



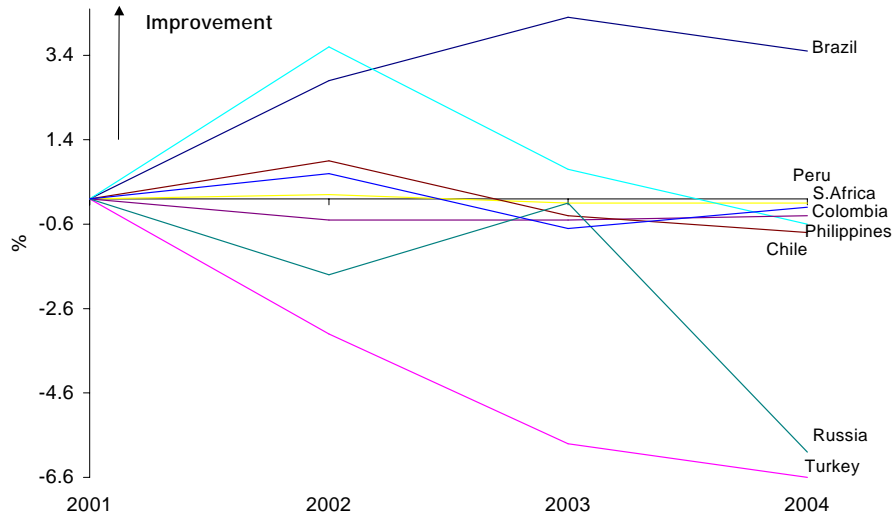
BRIC Comparatives

BRAZIL, RUSSIA, INDIA AND CHINA

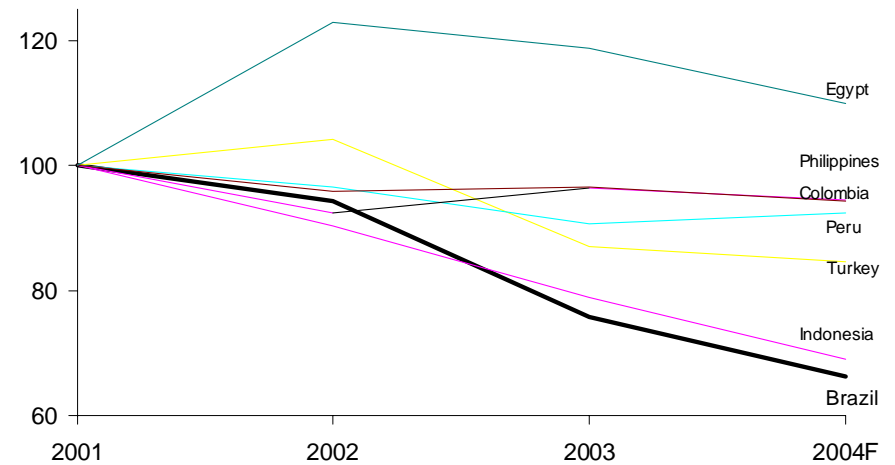


Brazil's positive external liquidity and solvency trends stand out among peers and higher-rated sovereigns

Current Account Adjustment since 2001 (% GDP)

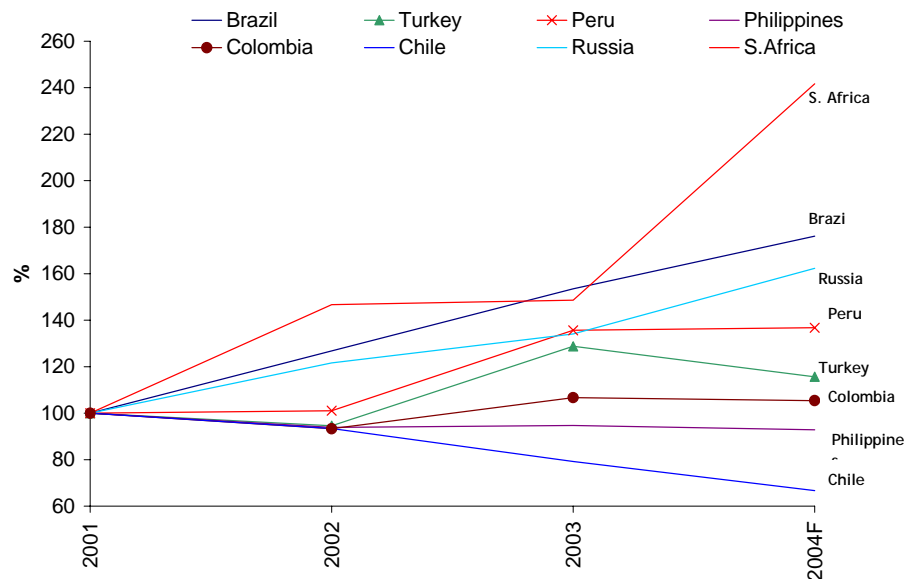


Net External Debt / Exports % Change (2001=100)



For Brazil, Observed Values

Liquidity Ratio*, % Change (2001= 100)



COMPARATIVE ANALYSIS

*Observed Values

- Brazil's external account adjustment has been pronounced
- Current account balance in Brazil has adjusted by about 6 percentage points of GDP since 2001
- External adjustment attributed to more open and competitive economy and supported by the floating exchange rate regime, achieved by greater exports

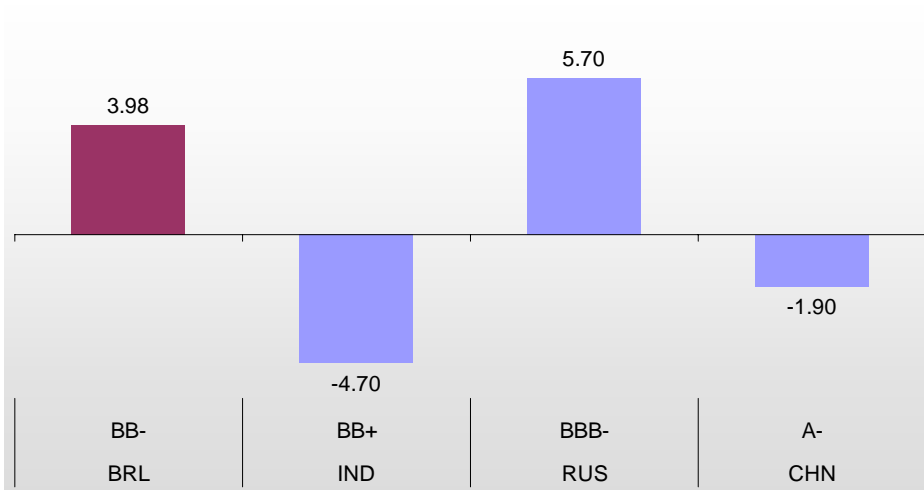
* Liquid Assets as % of Liquid Liabilities: The ratio of FX reserves + banks' FX assets /debt service + short-term FX debt + foreign holdings of domestic debt (Brazil's ratio excludes the foreign holdings of domestic public debt of about 5% to avoid double-counting)

Source: Rating Agencies, Official sources



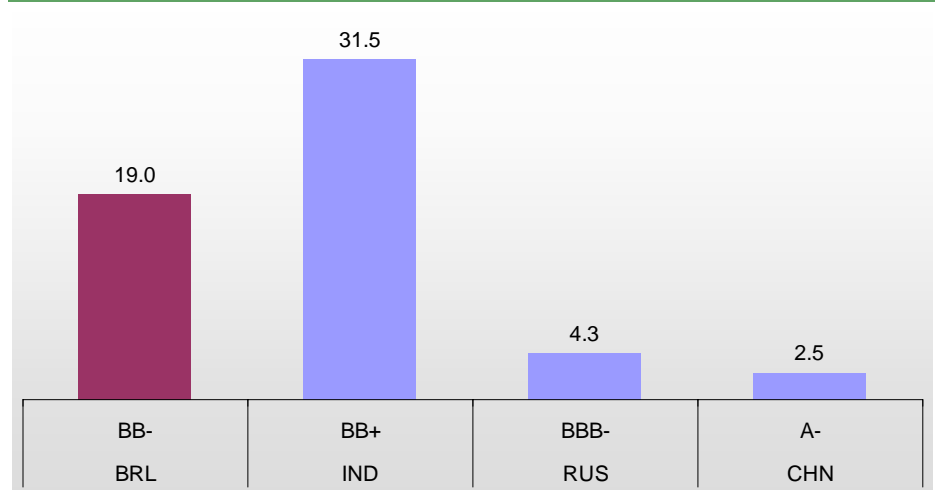
Comparative debt burden and fiscal position

General Government Primary Surplus 2004 (% of GDP)



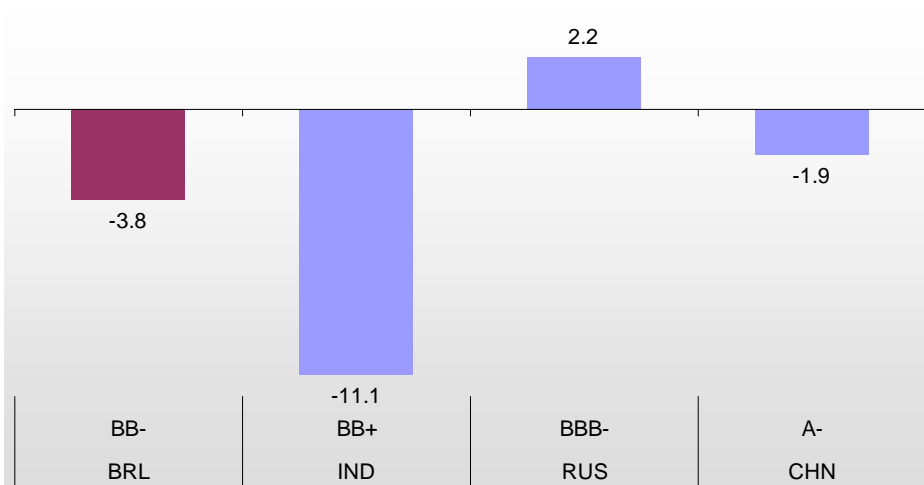
Source: Moody's, Central Bank

General Government Interest Payments 2004 (% of revenues)



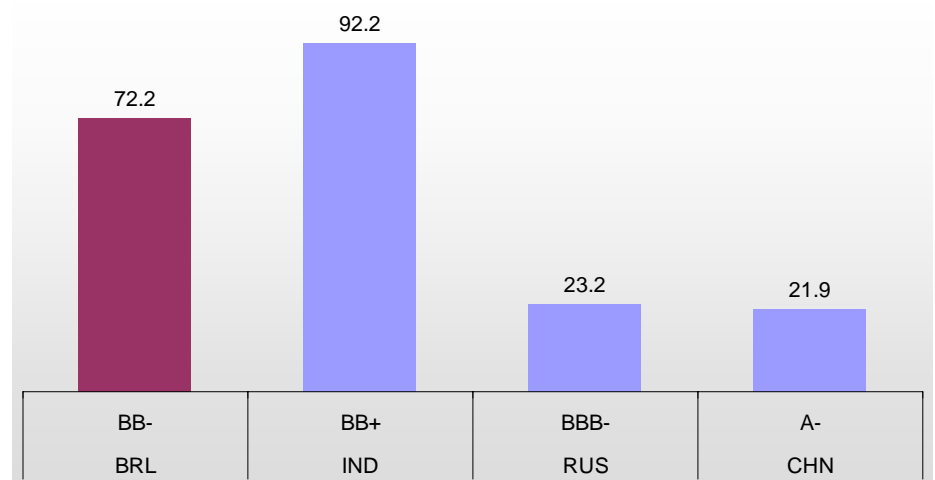
Source: Moody's

General Government Nominal Balance 2004 (% GDP)



Source: Rating Agencies, Central Bank of Brazil

General government gross debt 2004 (% GDP)

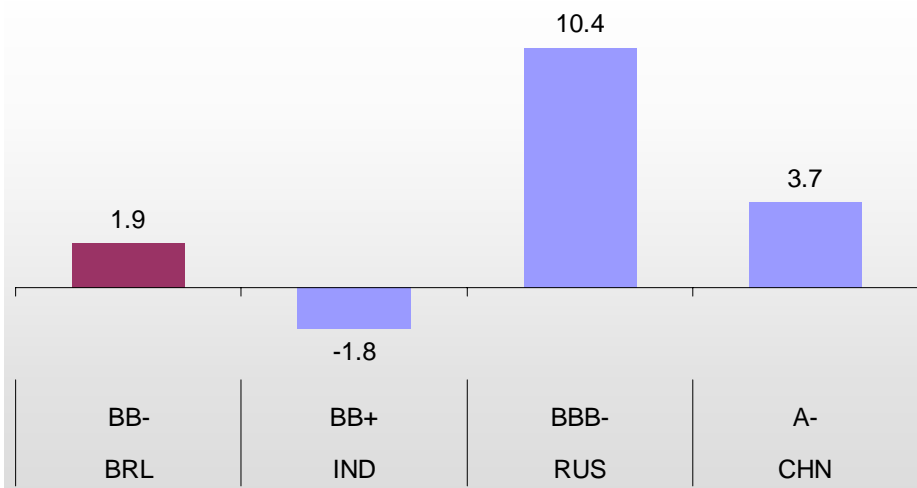


Source: Moody's, Central Bank



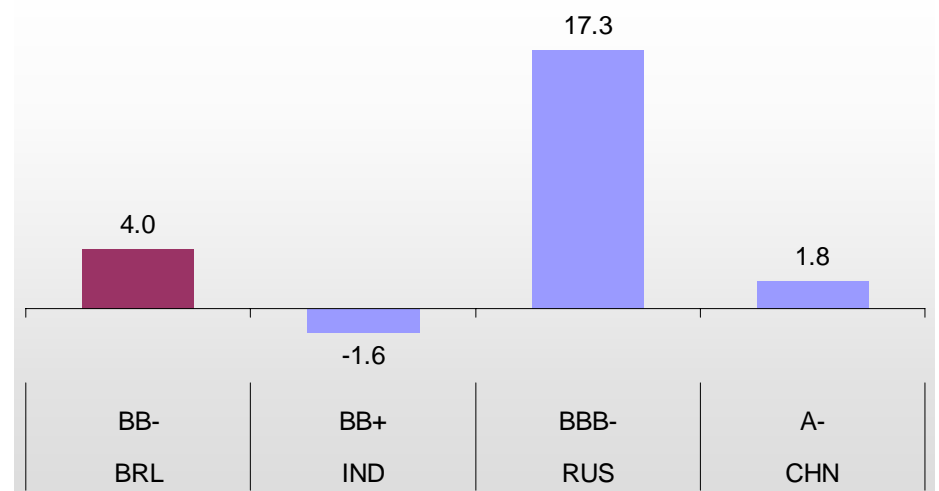
Brazil in comparative perspective (cont'd)

Current Account Balance (as % of GDP - 2004)



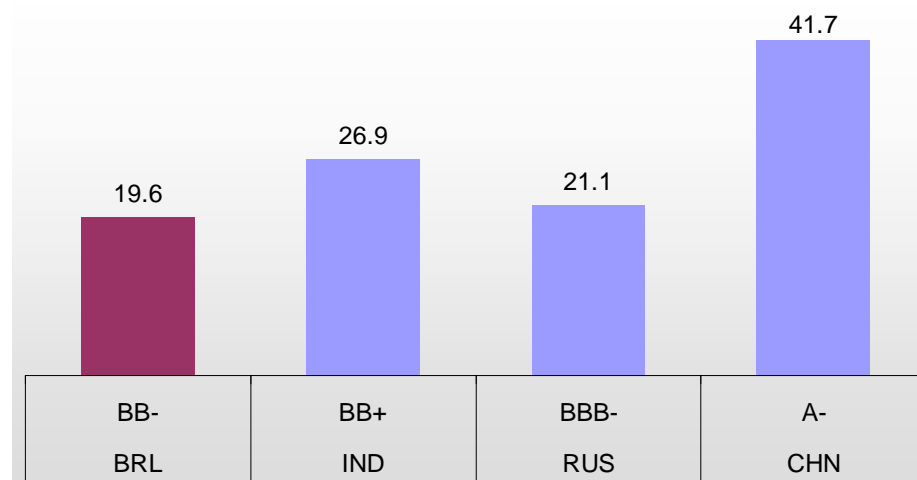
Source: Moody's, Central Bank

Trade Balance (as % of GDP - 2003)



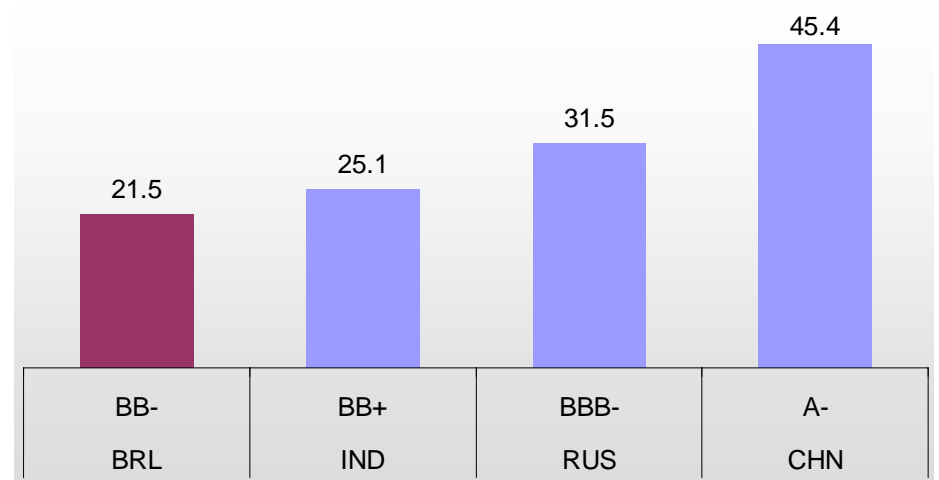
Source: IMF 2003

Gross Investment (as % of GDP - 2004)



Source: Moody's, IBGE

Savings (as % of GDP - 2004)



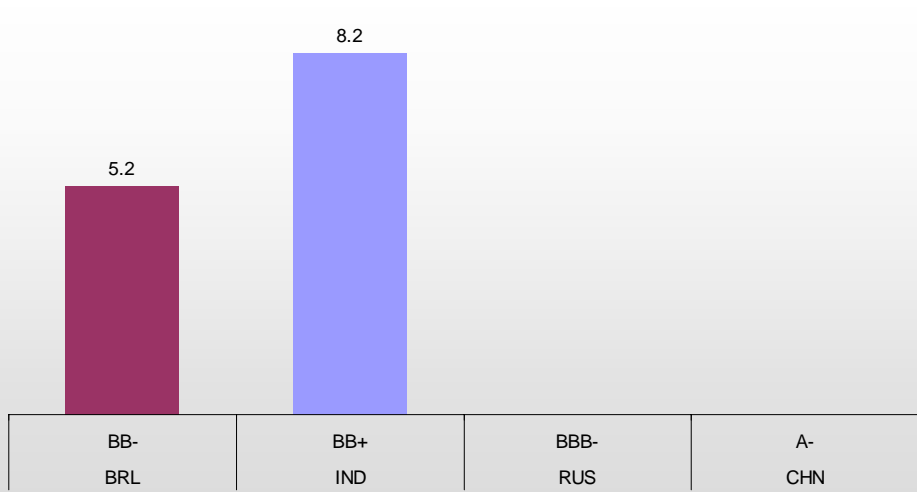
Source: Moody's, IBGE

Note: Savings were computed as the sum of CA Balance and Gross Investment

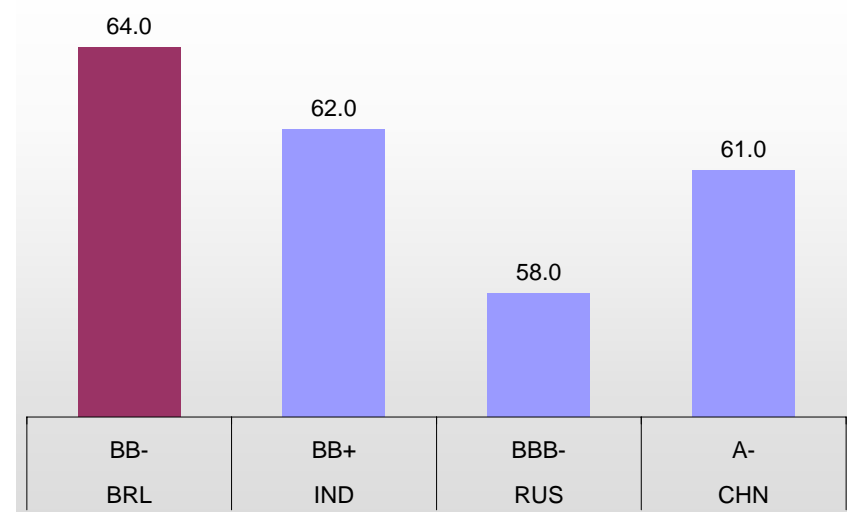


Brazil in comparative perspective (cont'd)

Banking Risks: Non performing loans as % total loans

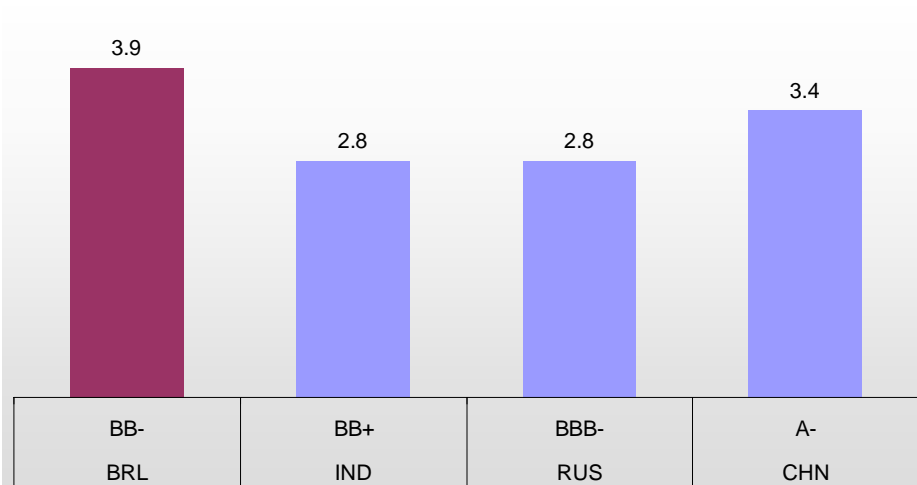


Eurasia Stability Index



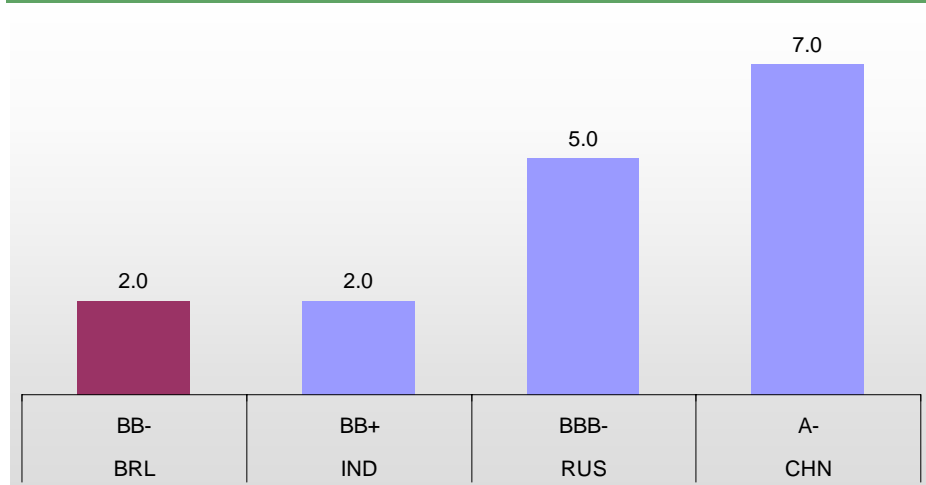
Source: Deutsche Bank

Business Practices



Source: Transparency International

Freedom House Political Rights Index

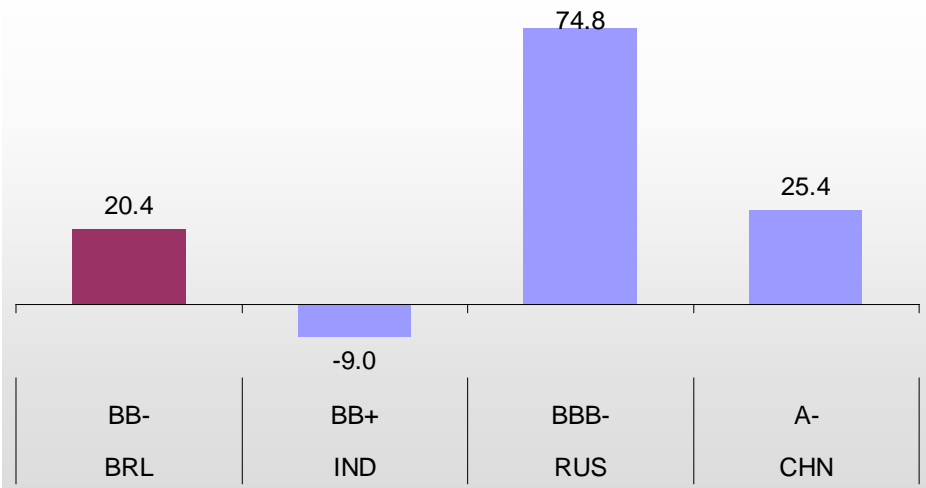


Source: Transparency International



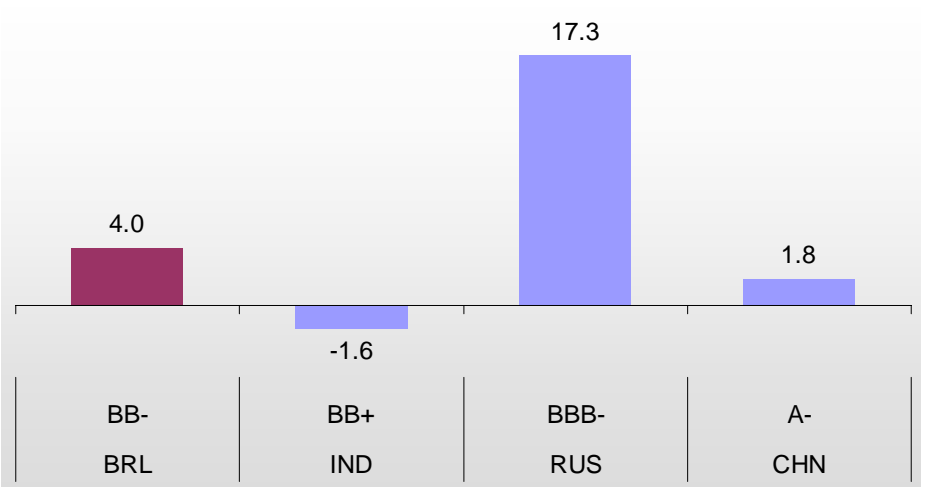
Brazil in comparative perspective (cont'd)

Trade Balance (USD Billion-2003)



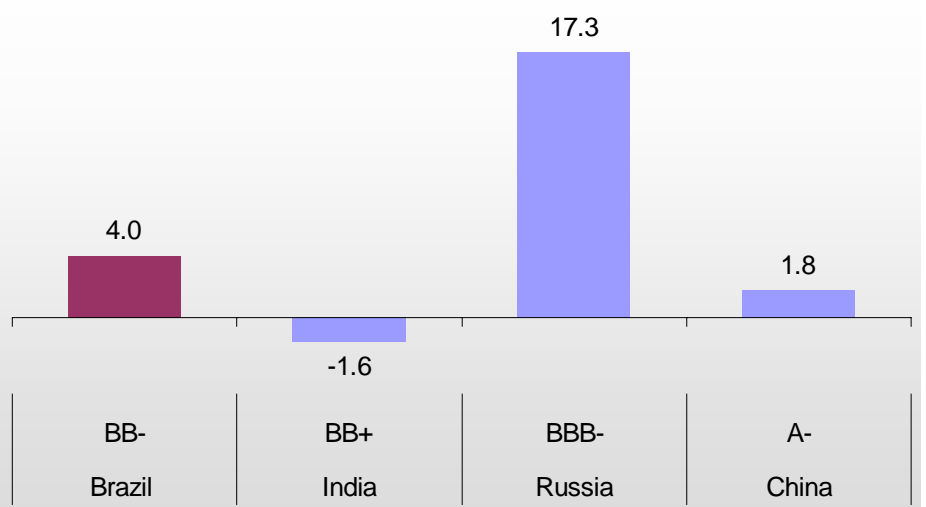
Source:IMF

Trade Balance (as % of GDP-2003)



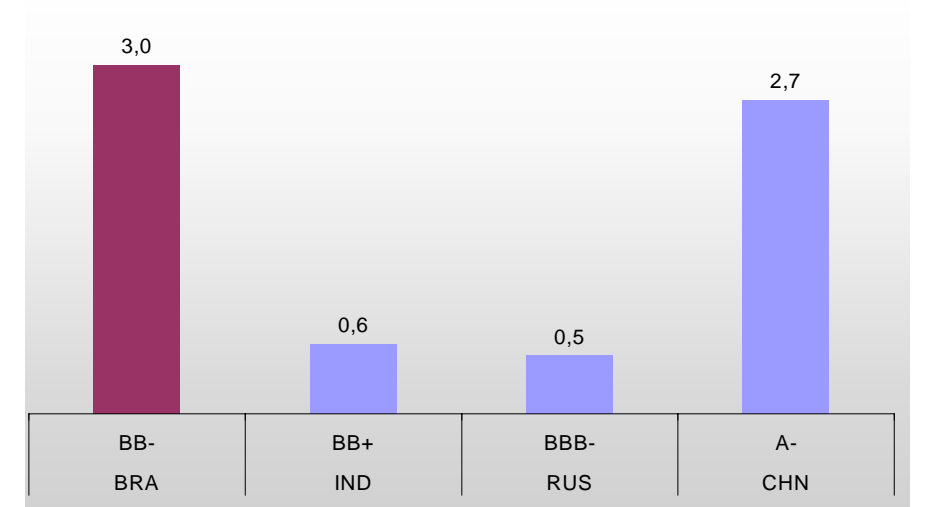
Source:IMF

Trade Balance (as % of External Debt -2003)



Source:IMF

Net Foreign Direct Investment 2004 (as % of GDP)

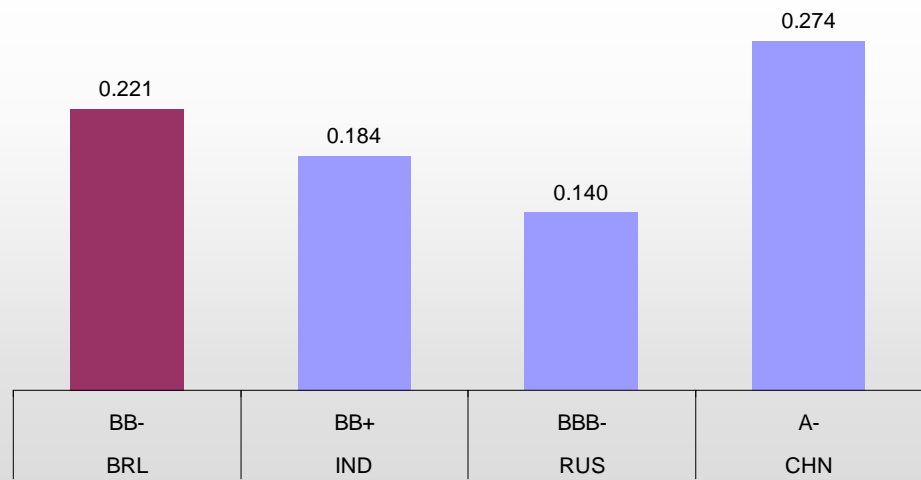


Source:Rating Agencies



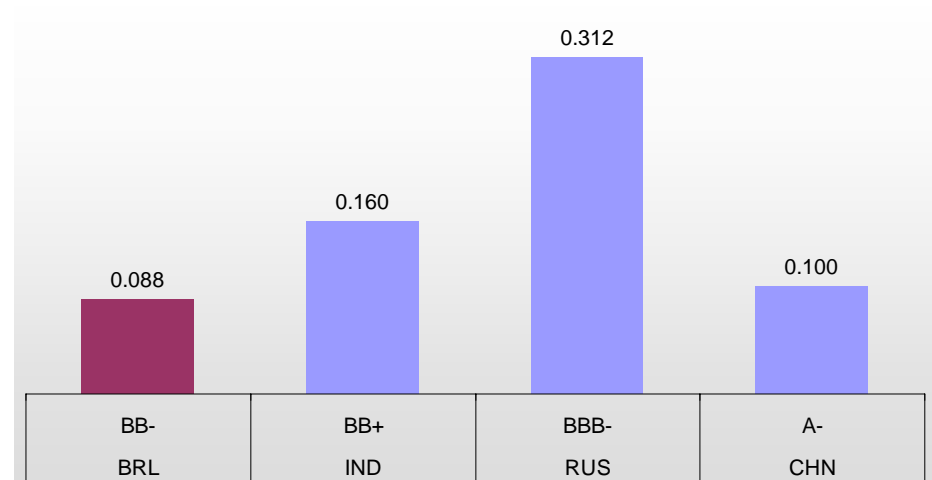
Brazil in comparative perspective (cont'd)

Herfindahl-Hirschmann Exports Concentration Index - Destination



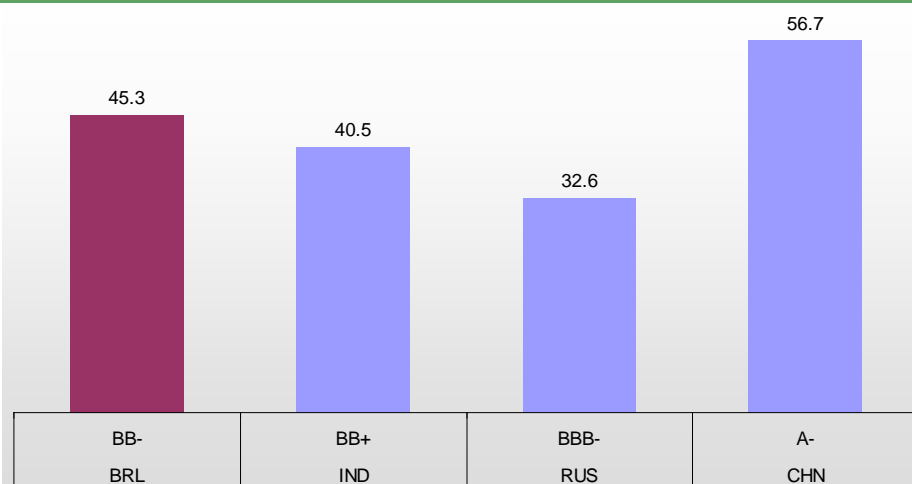
Source:UNCTAD

Herfindahl-Hirschmann Exports Concentration Index - Products



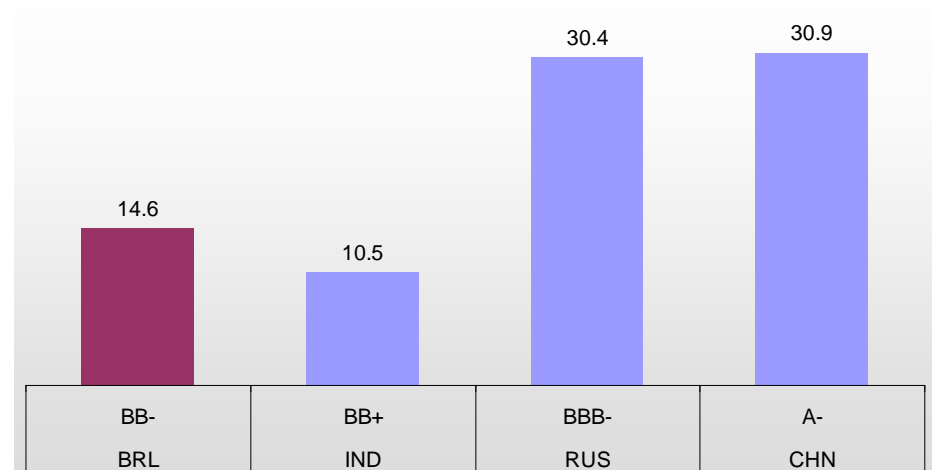
Source:UNCTAD

Exports to Top 5 Trade Partners (as % of total exports) - 2003



Source:IMF

Exports (as % of GDP - 2003)



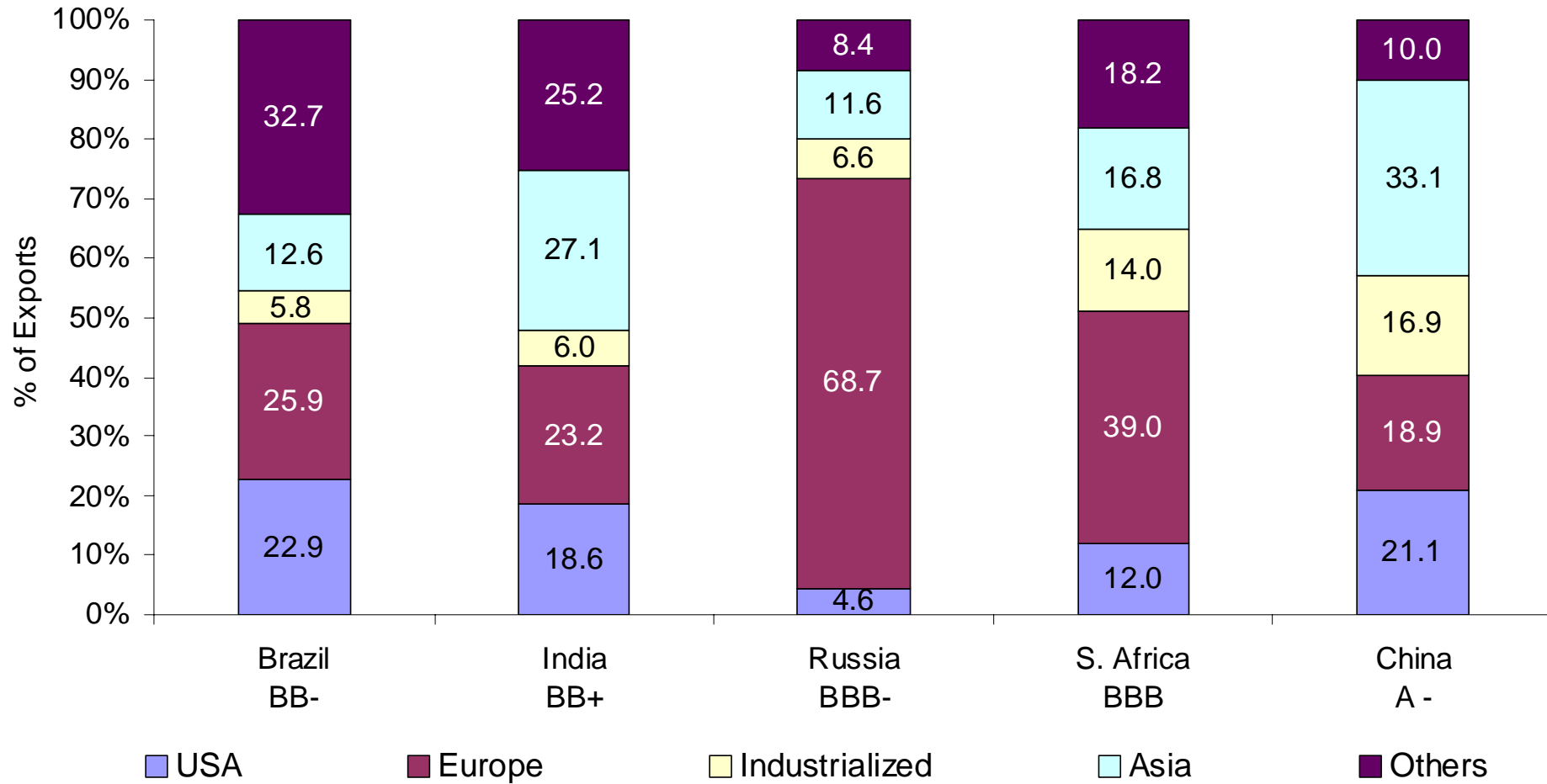
Source:IMF

COMPARATIVE ANALYSIS



Brazil in comparative perspective (cont'd)

Selected Countries Exports Concentrations - % of Exports - 2003



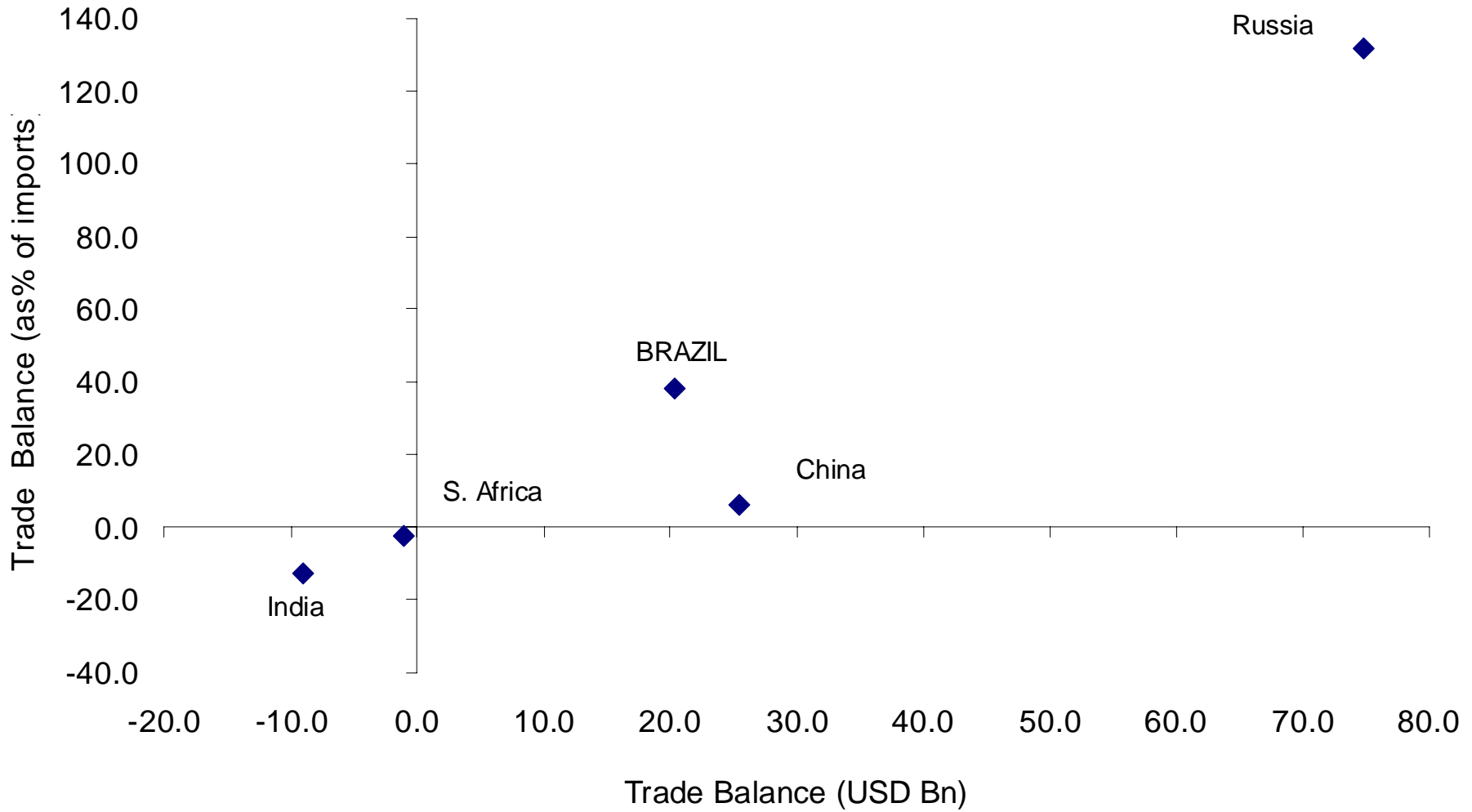
COMPARATIVE ANALYSIS

Source: IMF
* Japan is among the industrialized countries



Brazil in comparative perspective (cont'd)

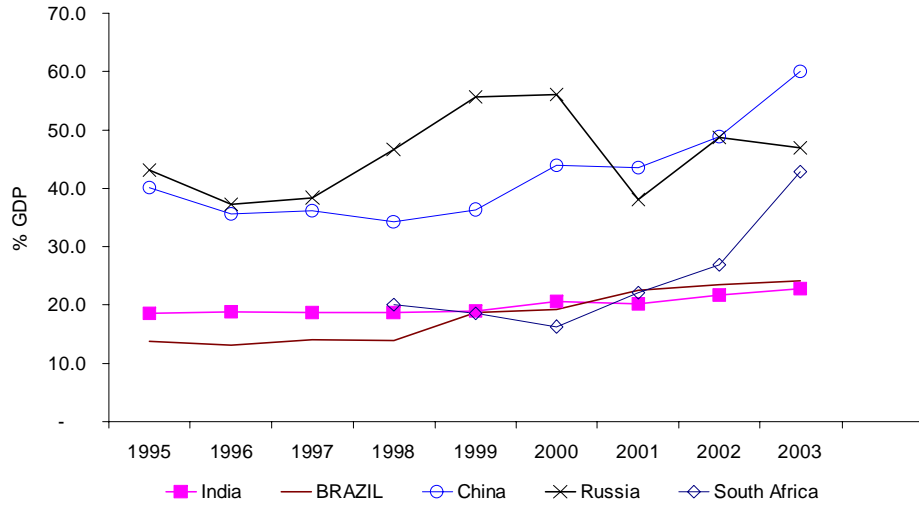
Selected Countries Trade "Effort"





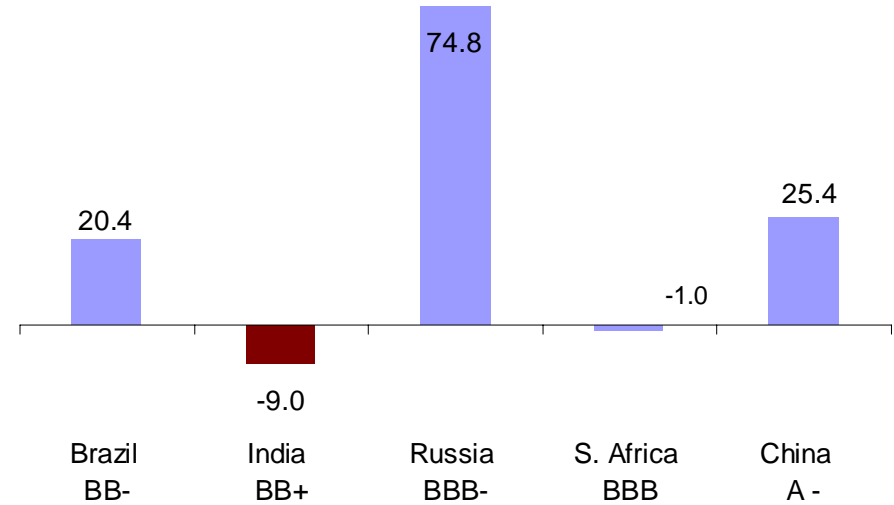
Brazil in comparative perspective (cont'd)

Commercial opening (Imports + Exports) as % of GDP



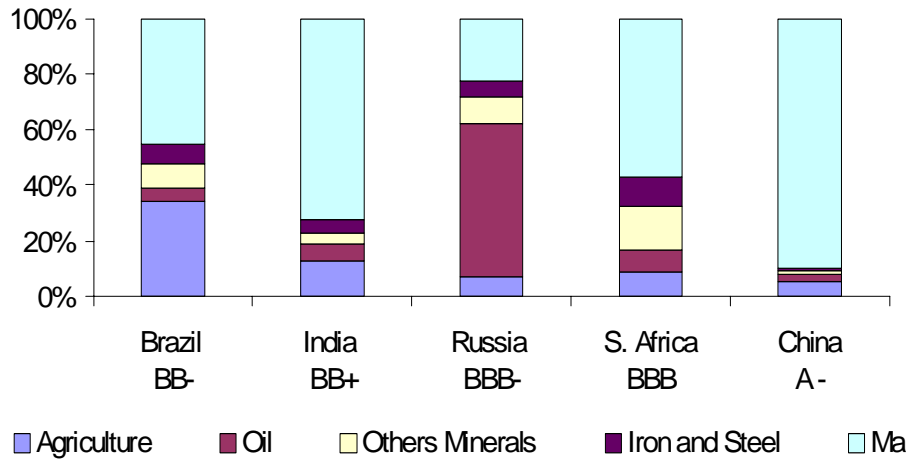
Source: IMF

Commercial Surplus - in US\$ billion, 2003



Source: IMF

Exports Portfolio - 2003, % of total Export



Source: IMF and OECD