

## 1) GLOBAL OVERVIEW

### 1.1) The global economy's performance

The international situation has been marked in the recent period by some negative factors such as: i) hurricane effects, in particular Katrina and Rita; ii) high volatility of oil prices; iii) permanent threat of new terrorist attacks; and iv) risk of global dissemination of the Asian bird flu. Despite that, optimism continues as to perspectives of duration of the world's economy growth in the current and the following years. Among the positive factors are the maintenance of world's average inflation control - in spite of the significant rise of oil quotations - and the first signs of settlement of commodity price around US\$ 50 per barrel – average of the basket of 11 types of OPEP oils.

The USA and China shall continue leading the global growth. The last available data show inflation rates under control in the USA, which indicates maintenance of a policy of interest rates gradual rises by FED, that are in 4.0% per year after the last rise of 0.25 percentage point in the beginning of November.

The International Monetary Fund [IMF] projects a global average growth of 4.3% in 2005 and 2006 – see other forecasts on Table 1, section “Economic Indicators and Forecasts”. As to global trade expansion, the forecast is of an expansion close to 7.0% in 2005, against the

## SUMMARY

Global Overview.....	1
Performance.....	1
Trade negotiations .....	3
Box: Services in International Trade	4
The Latin American economy.....	5
Box: Exports and domestic demand	5
Mexico.....	6
Argentina.....	7
Venezuela .....	8
Chile.....	9
Uruguay .....	10
Colombia.....	11
Paraguay.....	11
Foreign direct investment (FDI) .....	12
Evolution in 2004.....	12
Regional distribution.....	13
Box: Latin America – three dynamics of FDI .....	14
Internalization of research and de- velopment.....	15
Investment in Brazil in 2005.....	16
Box: Brazilian foreign direct invest- ment .....	16
The Brazilian external sector.....	17
Foreign Trade evolution .....	17
Box: Vehicles exports.....	19
Special report: Performance of Asian economies and Brazilian exports..	22
Forecasts and economic indicators .	29

increase rate of 10.3% in 2004. For 2006, the forecasts are of an increase of about 7.4% of the international trade. In general lines, forecasts for 2005 and 2006 indicate a maintenance of growth rates of the United States of America (USA) and China – even if a little lower than the ones registered in 2004 -, followed by a slight growth of the European countries and the consolidation of the Japanese economic recovery, in a background of inflation under control and gradual unemployment decrease – see Tables 1 and 2, section “Economic Indicators and Forecasts”.

According to the Bureau of Economic Analysis [BEA] of the USA first estimation – the definite result will be disclosed on November 30 -, GDP from that country has grown in real terms 3.8% - annualized rate – in the third quarter of 2005, compared to an expansion of 3.3% in the second quarter. The growth was leaded by domestic demand expansion. Consumption expenditures have grown 3.9%, pointing out the consumption of durable goods that increased 10.8% in the period. Private investments in machines and equipment and software have shown an expansion of 8.9%, and federal government expenditures registered an increase of 7.7%. Inflation accumulated in 12 months until October was 2.1% - core inflation, consumer index increase except food and energy prices variation. For 2005 and 2006, forecasts indicate a continuing trajectory of growth, with the USA GDP showing an expansion of about 3.5% and 3.0%, respectively – see forecasts in Tables 1, 2, 3, 4, 5, 6 and 8, section “Economic Indicators and Forecasts”. Core inflation is expected to be around 2% in 2005 and 2006.

In the Asian continent, China proceeded in the third quarter of 2005 being the main highlight of growth - see “Special Report”: Performance of Asian economies and Brazilian exports”. There was a real expansion of GDP of 9.4% in the first nine months of the year, compared to the same period of 2004 – data from the National Bureau of Statistics of China. The highlight was the industrial GDP, which presented a growth of 11% in the period. In October, industrial physical production presented a growth of 16.1% compared to the same period of 2004. Investments in fixed capital have registered an accumulated growth of 27.6% in the year until October, compared to the same period of 2005. For 2005, forecasts indicate a GDP real growth rate of 9%. In 2006, the majority of forecasts indicates a lower rate, between 8.0% and 8.5% - see other forecasts in Tables 1, 2, 3, 4, 5, 6 and 8, section “Economic Indicators and Forecasts”.

In Japan, after a decade of stagnation, the country seems to have finally entered a sustained growth phase. After a growth of around 2.00% in 2003 and 2004, the majority of forecasts indicates a growth rate of same order in 2005 and 2006 – see Tables 1, 2, 3, 4, 5, 6 and 8, section “Economic Indicators and Forecasts”. There are signals that expansionist monetary policy will be sustained until the risks of a new period of deflation are “extinguished”. Although the beginning of the Japanese recovery has been leaded mainly by exports, currently the growth rates have been sustained by the increase of investments and by a slight increase of private consumption. With the confirmation of continuity of a growth trend, forecasts are that Japanese unemployment rate will go on falling, reaching around 4.0% in 2006. In 2002, unemployment rate reached 5.4%.

In India, activity level indicators proceed high. After a real growth of 7.3% in 2004, economy performance along 2005 indicates a growth rate similar to the one of the prior year. For 2006, the majority of forecasts indicates a GDP real growth a bit lower, around 6.0%. Inflation continues under control and an accumulated rate of about 4.5% is projected in 2005. Basic interest rates of economy have been gradually re-

duced in the last years and currently are around 6.00% per year, which have contributed to an increase of aggregated demand of economy.

Regarding European Union, in the Euro zone, perspectives of growth continue moderate: after the growth of 2.0% in 2004, forecasts indicate a lower growth, of 1.3% in 2005 – see section “Economic Indicators and Forecasts”. For 2006, a more significant growth is expected, of 2.0%. Germany and France shall present a GDP real expansion of 1.0% and 1.5%, respectively, in 2005. For 2006, perspectives are of a bigger growth, of 1.2% for Germany and around 2.0% for France.

In Germany, the leaders of Social Democrat and Christian Democrat parties reached an agreement to launch a common program of government almost 2 months after the general elections. Angela Merkel will be the coalition government chancellor. The fiscal adjustment has been postponed until 2007. The main actions announced to be adopted in that year include: i) 3 percentage points increase in the added value tax [VAT]; ii) increase of workers contributions for the social security; iii) reduction of tax deductions; and iv) 3 percentage points increase – to 45% - of the marginal rate of tax income for higher income groups. The aim is to reduce the public sector deficit to 3.0% of GDP in 2007. In 2004, the deficit was 3.7% of GDP, sum that shall be sustained until the closing of 2005. For 2006, a better figure is expected, of about 3.5% of GDP – see Table 10, section “Economic Indicators and Forecasts”. Out of Euro zone, the United Kingdom shall present a GDP real growth of 1.3% in 2005 and 1.8% in 2006.

Regarding Latin America, along 2005, economies have presented good performance, giving continuity to the growth trend initiated in 2003 and intensified in 2004. In the first semester of 2005, the countries that were more prominent were Venezuela and Argentina, with expansion rates that surpassed 9% in relation to the same period of 2004. Mexico was the country with lower growth rate among the analyzed countries – see section “The Latin American economy”. For 2005, specialists forecast an average growth rate of about 4.3% for the region - see Tables 1 and 8, section “Economic Indicators and Forecasts”. In 2006, an expansion slightly lower is expected, around 4.0%.

### 1.2) Trade Negotiations – Highlights

Regarding the ongoing trade negotiations, little has been advanced since the last report made by the International Bulletin 3:

- Regarding multilateral agreements, there is already a consensus that the results to be reached in Hong Kong ministry meeting - within the Doha trade round - will fall short of what was initially expected. The deadlock regarding the agricultural area negotiations continues. The developing countries shall not engage themselves with an opening to industrial products and services, as Europeans and Americans wish, without advances in agricultural negotiations;
- As to Mercosur, in the summit meeting to be carried out in the beginning of December, Venezuela will become a block full member;
- After 5 months of negotiations China and the USA settled, in November, an agreement to restrict, upon quotas, the exports of Chinese textile products to the North American market until 2008. The European Union had already negotiated a similar agreement in June 2005;

- Chile, a Mercosur associated member, has come close to Asia. After the settling of a trade agreement with China, the country disclosed the beginning of negotiations with Japan.

**Special Box:**  
**Services flows in international trade**

The international scenario indicates an increasing share of services flows in the global trade. Thereupon, besides the goods trade promotion, it's fundamental launching policies to support export services, as a way of enlarging the Brazilian share in the international trade. Brazil has comparative advantages in some service sectors, pointing out the construction services. There is a great potential to be explored in the tourism and software sectors.

The support to services exports is essential, not only to contribute to an increase in the added value in Brazilian trade operations, but also in regard to balance-of-payments issues, considering the country has been traditionally deficient in services trade.

Services trade has grown 43.3% between 2000 and 2004: expressively above of the 25.6% registered between 1995 and 2000.

The USA continue being the main services exporter, registering a surplus of US\$ 58.3 billion in 2004. In Europe, France and Spain stand out as major services exporters (with strong share of the tourism sector). From 1995 to 2004, China and India stand out, with an annual average growth of 20.5% and 14.5%, respectively, of services exports – see Table 1.1.

**Table 1.1**

	Services Exports					
	Share in Global Total (%)			Growth (%)		
				Total	Total	Annual Mean
	1995	2000	2004	1995/2000	2000/2004	1995/2004
World	100.0	100.0	100.0	25.6	43.3	6.9
Argentina	0.3	0.3	0.2	26.8	4.4	3.1
<b>Brazil</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>	<b>49.2</b>	<b>28.0</b>	<b>7.7</b>
Chile	0.3	0.3	0.3	23.0	47.0	7.0
<b>China</b>	<b>1.6</b>	<b>2.0</b>	<b>2.9</b>	<b>63.6</b>	<b>105.9</b>	<b>16.9</b>
France	7.0	5.4	5.1	-3.3	36.3	3.3
Germany	6.2	5.4	6.3	8.3	68.0	7.6
<b>India</b>	<b>0.6</b>	<b>1.1</b>	<b>1.9</b>	<b>137.0</b>	<b>147.3</b>	<b>28.4</b>
Japan	5.8	4.9	4.5	6.6	29.4	3.6
Rep. of Korea	1.9	2.0	1.9	34.4	34.6	6.9
Mexico	0.8	0.9	0.7	41.5	2.7	4.4
Singapore	2.3	2.0	1.7	5.7	24.7	3.0
Spain	3.4	3.6	4.0	33.8	58.8	9.3
United States	16.8	18.8	15.0	40.3	14.3	5.5

Source: World Trade Organization [WTO].

Brazil has presented an annual average growth rate of 7.7% of its services exports between 1995 and 2004, above the 6.9% of the global average growth. However, an expressive growth deceleration has been observed for the period 2000/2004, compared to the period 1995/2000.

## 2) THE LATIN AMERICAN ECONOMY

In the first semester of 2005, the Latin American economies presented good performance, giving continuity to the growth initiated in 2003 and intensified in 2004. The countries that were major highlights were Venezuela and Argentina, with expansion rates that surpassed 9% in relation to the same period of 2004. Mexico was the country with the lowest growth rate among the analyzed countries.

The positive aspect is that this growth was led by investment, which showed a significant increase in many economies analyzed. Exports also were responsible for the good performance in the first semester, benefiting themselves from the commodities high quotations. Finally, the private consumption got impulse and increased above 5% in all countries studied, except Mexico (+4.9%).

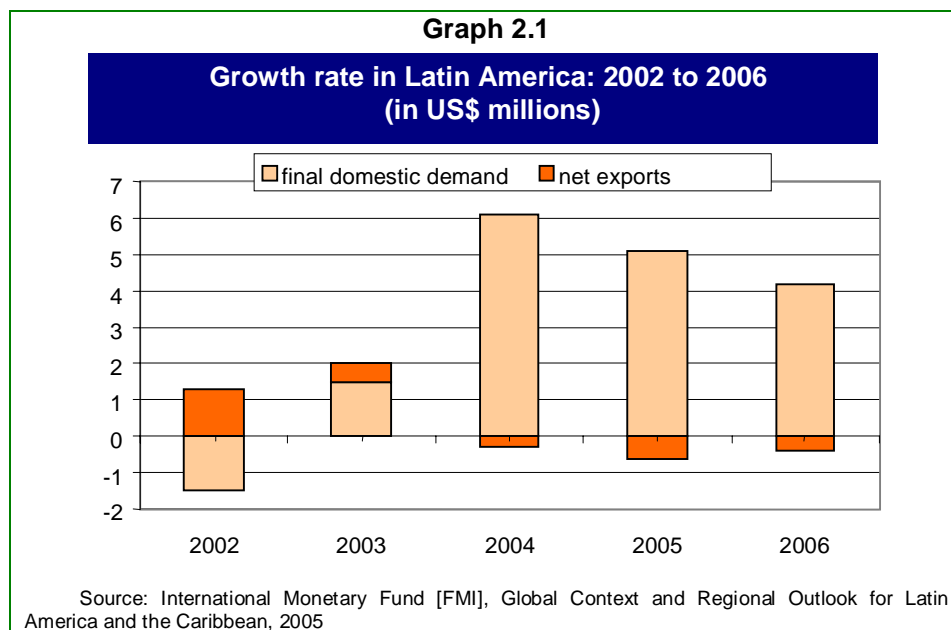
The expansion has resulted in an imports increase, with reduced impacts over the trade balance, but also provided unemployment rates reduction in all selected countries. Inflation was carried on under control, although the current acceleration in Argentina and Chile indicated caution.

For 2005 as a whole, consultants stipulate a Latin America growth between 3.9% and 4.4%, standing out Argentine and Venezuelan economies. Inflation accumulated in 2005 in the region shall be between 5.8% and 6.5%.

### **Special Box: Export and Domestic Demand in Latin America**

In the last years, a significant portion of economic growth in the Latin America countries was derived from an export increase. The improvement of exchange terms provided by the worldwide market expansion of commodities and raw materials benefited particularly Mexico and some South American countries.

However, the domestic demand has been showing a strong growth recently, being the main cause of the Latin American countries growth in 2004. Besides, investment rates are placed in historically high averages – around 20% –, and some countries have already shown signs of being close to the installed capacity limit, such as Argentina and Uruguay. The domestic demand is estimated to be determinant in the Latin America countries in following years.



## 2.1) Mexico

In the first semester of 2005, the gross domestic product has expanded in 2.8% compared to the first semester of the previous year. In the second quarter, GDP increased 3.1% regarding the same period of 2004. On its turn, the seasonally adjusted data show that the growth rate of quarterly GDP compared to the previous quarter has been decreasing since the fourth quarter of 2004. In the second quarter of 2005, GDP decreased 0.42% regarding the first quarter. Forecasts indicate an expansion between 3.0% and 4.0% in 2005. For 2006 a growth of around 3.4% is expected.

The expansion of 2.8% verified in the first semester of 2005 was leaded by the gross formation of fixed capital (+7.5%), followed by exports (+5.6%) and private consumption (+4.9%). According to the National Institute of Statistics, Geography and Informatics [INEGI], the gross investment in fixed capital increased 6.8% in the first seven months of 2005 in relation to the same period of 2004. Purchases of machines and equipment increased 10.3%, being 2.8% for national goods and 14.4% for imported goods.

In sectorial classification, the service sector has expanded 4.1% in the first semester, while industrial GDP increased only 1.4% and the farming GDP decreased 2.4% in consequence of adverse climate conditions. The increase of industrial GDP has impacted all sectors: construction (+3%), mining (+0.8%), manufactures (+1.2%) and gas, water and electricity generation (+0.2%).

As result of economic growth, unemployment rate in the first nine months of 2005 decreased in relation to the same period of 2004: in 2005 the average was 3.7% compared to 4.0% registered in the previous year. Although the female unemployment rate is higher, it decreased in the inter-annual comparison while the male unemployment rate increased.

Inflation accumulated in 2005 until September was 1.72%, compared to 3.37% in the same period of 2004. The retraction of 4.53% contributed to a decrease of ad-



ministered prices and an exchange appreciation trend. The maintenance of this low inflation rate permitted the central bank to start reducing interest rate in August.

In the foreign sector, Mexican exports accumulated in 2005 until September were US\$ 154.9 billion, which represented a growth of 11.9% in relation of the same period of 2004. Manufactory exports increased only 8.4% in the same comparison, but corresponded to 82% of Mexican exports, from which 55% were of *maquiladoras*. Sales of oil sector reached 15% of total exports and increased 35% in relation to the first nine months of 2004.

As for imports, they totalized US\$ 159.0 billion and had an expansion of 12.0% compared to 2004. From those, 75% were of intermediate goods. Purchases of capital assets had an increase of 16.6% from January to September 2005 in relation to the same period of 2004 and the consumer goods imports have increased 23.3%.

Trade balance in the first nine months of 2005 was negative in US\$ 4.1 billion, compared to the deficit of US\$ 3.6 billion in the same period of 2004.

## 2.2) Argentina

The Argentine economy continues presenting a strong growth in 2005, after two years of intense expansion: 8.8% in 2003 and 9.0% in 2004. In the first semester of 2005, GDP increased 9.1% compared to the same period last year. For the first time, bi-annual GDP surpassed the values reached before the 1999 crisis. The expansion of the second quarter in the inter-annual comparison was 10.1%, the highest value since the first quarter of 2004.

The favorable global performance, high quotations of commodities and abundant liquidity in the international financial markets were factors that contributed to the Argentine expansion.

The investment was the most dynamic component of the aggregated demand, with growth of 19.3% in the first semester of 2005 in relation to the same semester of 2004. This growth, however, is leaded by the acquisition of imported machines and equipment, whose expansion was 42.8% in the same comparison. The export has also showed a great dynamism in the first semester and increased 17.3% compared to the same period of 2004. Private consumption has increased 9.4%, public consumption 5.5% and imports have expanded 22.8%.

The growth of domestic demand was perceived in the manufactory sector. Industrial activity measured by the Industrial Monthly Estimate [EMI] expanded 7.4% from January to September compared to the same period of last year. Although the rate is expressive, in September 2004 the same indicator registered a growth of 11.5% compared to 2003. As for installed capacity utilization, it has reached 73.1% in August 2005, compared to an average of 69.7% in 2004. In sectors such as paper and cellulose, aluminum, steel and oil refinery, among others, the use of the capacity is at its highest level.

Inflation accumulates increase of 8.9% in 2005 until September, compared to a rate of 4.8% accrued in the same period last year. Consequently, the central bank has already dismissed the inflation goal between 5% and 8% disclosed in the beginning of the year. Many people attribute the price acceleration to maintenance of a depreciated exchange rate and low interest rates. On the other hand, unemployment decreased 0.9

percentage point in the second quarter in comparison with the first quarter. Unemployment rate of 12.1% is the same to the average registered in 2004.

Argentine exports totaled US\$ 29.9 billion in the first nine months of 2005, which meant a growth rate of 16% regarding the same period of 2004. Industrial manufactures exports have stood out with a growth rate of 31%, due to quantities and prices increase. This group of products corresponded to 29% in 2005 until September. Transport material was the most dynamic item, with highlights to Sales for Brazil, Venezuela, Chile and Mexico.

Imports on its turn, totaled US\$ 21.0 billion, with expansion of 30% regarding last year. Fuels and capital goods and their compounds were the goods with higher expansion rate. The trade balance in 2005 until September was positive in US\$ 8.9 billion, compared to US\$ 9.5 billion in 2004 until September. Argentina registers surplus with all regions, except Mercosur.

To the favorable trade balance, it is added the foreign investments recovery and the improvement of sovereign risk indicators, which are placed in inferior levels to the convertibility disruption in January 2002. With the accumulation of reserves and the credit lines currently available, Argentina enjoys a comfortable economic situation for the next months: there are already sufficient resources for opposing around 75% of the liabilities of 2006.

### 2.3) Venezuela

Venezuelan economy has been showing strong economic growth, having its GDP increased 9.3% in the first semester of 2005 regarding the same period last year. The manufactory industry expansion (9.5% in the semester) is one of the main reasons of the Venezuelan growth. Activities associated to oil extraction have increased 1.5% regarding the first semester of 2004.

Others sectors have in the period significant relative growth, despite a lower absolute weight in GDP composition. That is the case of financial institutions segments (increased 24.2% regarding the first semester of 2004), trade and repair services (20.1%), construction (17.9%), transports (16.8%) and communications (16.6%).

Venezuelan economic growth is still more significant when considering its GDP increased 17.7% last year. In the first semester of 2004, the Venezuelan GDP increased 23.5% regarding 2003. However, it is to be noted that the Venezuelan growth cycle has initiated from depreciated basis. Venezuelan GDP decreased 7.7% in 2003 and 8.9% in 2002.

Unemployment continues its decrease, representing 11.5% of the economically active population in September 2005. This figure means a decrease of 3 percentage points regarding the previous year<sup>2</sup>. Female unemployment rate is higher (13.3%).

Growth retaking has not been causing inflation pressures in Venezuela. In fact, inflation has been decreasing in the last years. The highest growth rates have been associated to lower inflation rates. In 2003, year in which there was a strong decrease

<sup>2</sup> It should be noted that the most part of the unemployment rate decrease in Venezuela this year is due to a reduction of the people who are after a job. The unemployment concept regards people older than 15 years who state they have not been working but are looking for a remunerated job. Some explanations for this fact can be in the amplification of the governmental help system for poorer population, which can reduce the necessity of looking for a job.



in GDP, inflation was 31.1%. Consumer inflation accumulated until August 2005 was 9.9%. Annualized inflation is close to 16%, which represents significant decrease regarding 2004, year in which 21,7% was registered. The highest increases accumulated inflation occurred in the year were in the categories regarding restaurants and hotels (16.5%), transports (15.2%), food and non-alcoholic beverage (11.1%) and health (11.0%). Price controls are one of the main causes of inflation decrease: 44% of the items that the Venezuelan Central Bank uses to arrange the inflation index are goods and services with administered prices. Venezuelan government has studied the increase of administered prices list, which leads to reductions expectations even higher in the inflation indexes. The Currency Control Board [CADIVI] is analyzing the expansion of the products list that can be imported to the official exchange rate, fact that can reduce the inflation even more, because more foreign products can be bought to a more favorable exchange rate.

Imports have been an important outlet for prices contention in relation to the increasing domestic demand. The installed capacity use is elevated due to quick economic growth and the traditional low investment rates. The investment corresponds to 15% of Venezuelan GDP. Imports are close to 30% of GDP in 2005, the highest figure verified since the quarterly series of GDP in Venezuela has existed.

The increase of oil price permitted an increase in the income obtained by the Venezuelan government – both directly through Petróleos de Venezuela S/A [PDVSA] and through taxes from the sector. The good currency offer by CADIVI to private companies has been causing exchange stability in the parallel market and the reduction of its distance regarding official quotation. Venezuelan reserves were in US\$ 32 billion in August 2005 and have increased in the last years; they were less than US\$ 15 billion in 2002.

The Venezuelan current account balance is estimated to be near 15% of GDP by the end of 2005. Recently, there is exports growth both in oil sector and other sectors. Oil sales represent 82% of the country total exports, being benefited by the product price international increase. Venezuelan exports shall be near US\$ 54 billion in 2005 – see section "Economic Indicators and Forecasts".

Imports also showed a growth in the last years, but it may not damage the result in current account of the country. In 2004, imports increased 60% regarding the prior year. Foreign sales are estimated to reach US\$ 24 billion in 2005. Trade balance was US\$ 21.4 billion in 2004 and may be near US\$ 30 billion in 2005.

#### 2.4) Chile

Chile continues to show good economic activity expansion, having its GDP increased 6.5% in the second quarter of 2005 regarding the same period of the previous year. In spite of that, there has been a slowdown recently: Chilean GDP has increased only 1.1% in the second quarter compared to the previous quarter. The deceleration is also noted by the economic activity monthly indicator [IMANEC] calculated by the Chilean central Bank, which was 4.4% in July in the 12 months period, compared to 5.2% in the same period of the previous year.

After a year of strong growth, a slowdown was expected due to the country productive structure. One of the main components of Chilean economy is commodities export. Copper represents 45% of the total exports. Besides, the presence of fruits, wines, fish and cellulose is significant. Despite international prices being high, it is not possible to have a quick response to increasing rises in demand for most commodities.

A Chilean export growth slowdown is expected, due to the capacity limitation for attending the foreign demand.

In the first semester of 2005, exports increased 23.7% and imports, 36.7%. In 2004, exports increased 48% regarding the previous year, reaching US\$ 32 billion. Chilean exports are expected to reach US\$ 35 billion in 2005, which would represent a growth of less than 10% – see section “Macroeconomic Indicators and Forecasts”.

The domestic demand shall be the main component of the Chilean growth in 2005, after a year of major exports contribution. Both consumption and investment have increased substantially this year in Chile. Private consumption shall increase 7% in real terms, figure above of what is expected for the total GDP. Capital formation shall increase 20% regarding last year, which would take the investment close to 28% of GDP, figure similar to the one verified during the decade of 1990, when the Chilean economy used to increase 7% per year.

Until September 2005, consumer inflation was 3.8% and in the 12 months period was 3.9%. In the same period of 2004, the index was only 1.5%. In September 2005, inflation was 1%, the highest figure verified for equal months in ten years. The main prices increases were registered in the groups of transports (1.7%), food (1.6%), housing (1.1%) and clothing (1.0%). Inflationary pressures are due to different origins, such as elevation of oil price, labor market and regulated services readjustment.

Following the activity level growth, the creation of jobs is in expansion. Unemployment rate was 8.6% in July 2005, reducing it in almost 1 p.p. regarding the same month in 2004. In 2005, employment expansion is higher in sectors related to domestic demand: construction and trade. However, unemployment levels are above the verified levels before the recession of 1999, a lot due to manpower growth, mainly due to female participation in the population looking for a job.

## 2.5) Uruguay

Uruguay GDP increased 6.9% in the first semester of 2005 regarding the same period of 2004. The foreign demand, with an increase of 18%, boasted domestic demand. This can be noted by the increase of the fixed capital formation (22%) and private consumption (8.4%). Private sector investment in machines and equipment increased in 41%. GDP is expected to increase to a rate of 5.8% during all year of 2005 – see section “Macroeconomic Indicators and Forecasts”.

The consumer prices index increased 2.29% in the third quarter of 2005 and 3.95% in the 12 months period that ended in September, accomplishing the goal disclosed by the Uruguayan monetary authority for the period (between 6% and 8%).

Labor market showed an increase in this first semester, through a small increase in the job demand and unemployment reduction, regarding the first semester of 2004. Jobs increased 1.9% between the second quarter of 2004 and the same period of 2005, and the unemployment rate fell from 13.1% to 12.3%.

Regarding balance-of-payments, current account showed deficit in the first semester of this year (US\$ 61 million), just as the financial and capital account (US\$ 204 million). From July 2004 to June 2005, the current account showed a deficit corresponding to 1.2% of GDP, while in the same period of last year, the deficit corresponded to 0.2% of GDP. An explanation is come across for this higher deficit is the higher import growth compared to the export growth. With the growth of the Uruguayan

activity level and international prices (specially oil), imports had a significant increase. Imports represented 22.9% of GDP in the period of 12 months until June 2005, compared to 20.5% in the previous period. In the same period, exports showed lower growth: from 21.5% of GDP in 2004 to 22.4% in 2005.

## 2.6) Colombia

In the second quarter, GDP increased 5.3% regarding the same period of the previous year and 4.6% regarding the first semester of 2004. The product is estimated to increase to a rate close to 4.0% in 2005 – see section “Macroeconomic Indicators and Forecasts”.

The domestic demand has increased 9.4% regarding 2004. The investment sustained its good performance, having increased 24.7% regarding the previous year due to low interest rates and favorable economical and social-policy conditions. The government expenditures have also increased (8%), due to reasons such as high international oil price.

The family consumption increase was 5.3%. Regarding supply, it is noted a diversified growth. Sectors that more stood out were: trade (10.2%), finance (9.8%), construction (7.8%) and social services (6.3%). Economic activity acceleration has also stimulated the imports increase (28.5%).

In August, the unemployment rate showed a decrease both in national level (11.3%) and urban (13.8%). This reduction is associated to the annual growth of national jobs (2.9%) and urban jobs (4.2%) besides their higher formalization level.

In 2004, consumer inflation in Colombia was 5.5%. It is noted in 2005, an inflation reduction higher than expected, having to perform the goal established by the Central Bank, between 4.5% and 5.5%. The reduction of inflation of tradeable goods (except food) has reflected the exchange rate process. As for non-tradeable goods inflation reduction, it resulted mainly from the existence of capacity excesses. Forecasts for 2005 are in 5.0% – see section “Macroeconomic Indicators and Forecasts”.

As a result of the higher commodities prices and the regional and global growth, the Colombian export revenues increased strongly (37% regarding 2004) in the first semester of 2005. Imports increased 30% in the period. The huge exports increase led to a trade surplus in the first semester of 2005 much higher than that of the same period of 2004 (241%). If this pace continues until the end of the year, the trade surplus of 2005 will be equivalent to the double of the trade surplus in 2004.

## 2.7) Paraguay

According to the Paraguayan government, the country grew around 9% in the first semester of 2005 regarding the same period of 2004. This growth was led by services sector, while the agricultural sector suffered with the production decreases of two main Paraguayan products: cotton and soy.

This growth was reflected in an increase of fiscal revenue, led by a real increase of 7.7% in the revenue of Value Added Tax [IVA] in the year period until August. This is sufficient to meet the annual obligations and generate fiscal surplus. However, as the expenditures increased to a rate higher than the revenues, accrued surplus until August was lower in 2005 than in 2004.

As for inflation, the Consumer Price Index accumulated an increase of 6.9% in 2005 until September, compared to an increase of 2.2% accumulated in the same period of the previous year. With this result, the annual goal of 5% (allowing error of 2.5 percentage points) has been surpassed. The oil price and exchange devaluation are pointed as responsible for the inflation acceleration.

The Paraguayan exports registered an amount of US\$ 1.292 billion until the third quarter of 2005, with a decrease of 1.6% regarding the same period of 2004. The main destinations of Paraguayan exports in this period were Uruguay (30% of the total) and Brazil (18% of the total). On its turn, registered imports increased 9.7% in the year accumulated and totalized US\$ 2.11 billion. Brazil and Argentina are the major exporters to Paraguay, with 29% and 22% of the sales respectively. The Paraguayan trade balance registered a deficit of US\$ 818.5 million, compared to US\$ 609.7 in the first three quarters of the previous year.

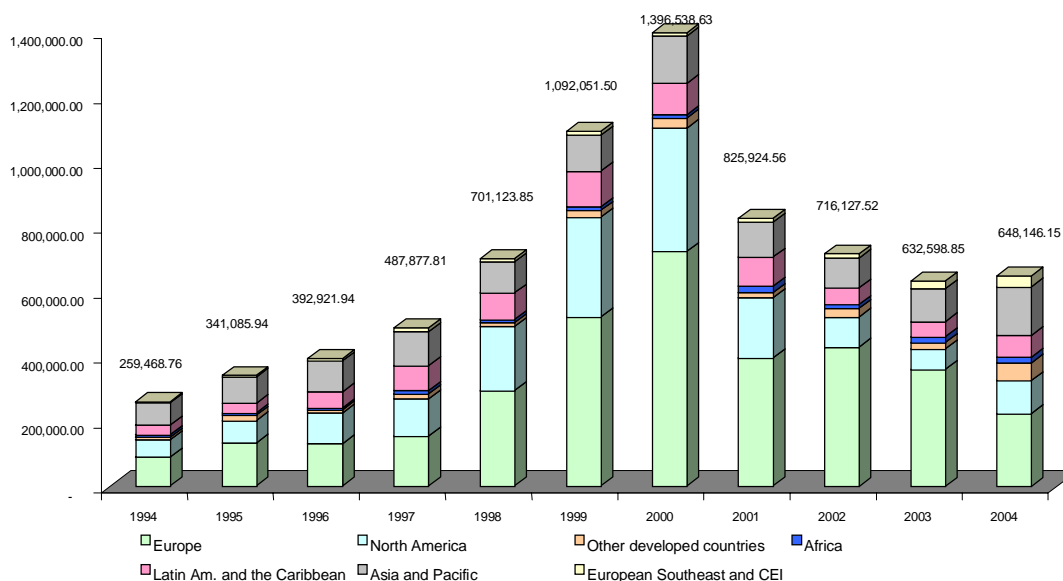
International net reserves reached US\$ 1.275 billion in September 2005, figure that surpasses the goal of US\$ 85 million established in the agreement with FMI and that represents an expansion of 8.1% in the last 12 months.

### 3) FOREIGN DIRECT INVESTMENT

#### 3.1) Evolution in 2004

According to the World Investment Report 2005, published in the end of September by the United Nations Conference on Trade and Development [UNCTAD], the foreign direct investment inflows [FDI] in the world interrupted the decrease trajectory of the last three years and increased 2% in 2004, totalizing US\$ 648 billion (see Graph 3.1). The major recipient countries were the United States (US\$ 96 billion), Great Britain (US\$ 78 billion) and China (US\$ 61 billion).

**Graph 3.1: Foreign Direct Investment Inflows by region between 1994 and 2004 – in US\$ millions**



The report indicates as main factors that stimulated the Foreign Direct Investments [FDI] in 2004: the global economic expansion, the search for higher competitiveness, the dollar devaluation and consequent reduction of costs of some investments, higher profits and favorable financing conditions and high commodities prices. Additionally, the number of bilateral investment treaties [BIT] and double taxation treaties prevention [DTT] have reached, respectively, 2,392 and 2,559 in 2004. These treaties and the international investment agreements have contributed to the increase of IED.

For the third consecutive year, greenfield investments have expanded. This kind of investment led the recovery of FDI. In 2003 the projects were estimated in 9,300 and in 2004 increased to 9,800<sup>3</sup>. On its turn, after three years of retraction, the value of the mergers and acquisitions increased 28% in 2004 and totaled US\$ 381 billion. Operations in China and India doubled, reaching US\$ 6.8 billion and US\$ 1.8 billion, respectively.

For 2005 and 2006, expectations are optimistic. The competitive pressure on companies, the services offshoring process, the increasing liberalization and the growth of transnational companies of developing countries are aspects that tend to stimulate the IED.

### 3.2) Regional distribution

FDI inflows to developed countries, including the 10 new members of the European Union, decreased 14% in 2004, totaling US\$ 380 billion. Mergers and acquisitions operations elevated the flows for the United States (+69%) and for Great Britain (+286%). Just a single operation, the acquisition of Abbey National (Great Britain) by Santander Central Hispano (Spain), involved US\$ 16 billion. Japan received US\$ 8 billion, an expansion of 24% in relation to 2003. FDI inflows to European Union, on its turn, decreased 36%, to US\$ 216 billion, the lowest value since 1996. The new members of EU, however, attracted US\$ 20 billion (+69%) due to their high growth rates, competitiveness and uncertainties concerning the reduction of the FDI regulation after countries' adhesion to EU.

In contrast with developed countries, FDI flows to developing countries accelerated in 2004 their expansionist trend, initiated in the previous year. In 2004, the flows totaled US\$ 233 billion, which represented an increase of 40% in the year, compared to the expansion of 9% in 2003. Consequently, the developing countries share in the flows of FDI has reached 36%, the highest level since 1997. Five countries concentrated 60% of the total received by the developing countries: China, Hong Kong, Brazil, Mexico and Singapore.

Asia and Oceania were again the major FDI receivers among the developing countries. FDI flows reached US\$ 148 billion in 2004, which corresponded to a growth of 46% in relation to 2003. Notwithstanding, there is a huge concentration: 10 countries received 92% of the resources.

The investment in this region occurs traditionally in new projects (greenfield), in which the local competitiveness and the costs reduction possibility are determinant. China and India were responsible for close to half of all greenfield investments in the developing countries in 2004. Mergers and acquisitions operations have also increased from US\$ 22 billion in 2003 to US\$ 25 billion in 2004.

<sup>3</sup> Brazil was chosen as headquarters for 258 projects and is placed among the 11 developing countries that received more than 100 projects.

One of the factors that contributed to FDI expansion for Asia and Oceania in the last years were regional integration agreement of Association of Southeast Asian Nations [ASEAN], signed in 1995, and other regional and bilateral agreements, specially free trading agreements with the United States and the agreement between China and ASEAN for the creation of a free trading area in 2010. These agreements have facilitated and stimulated intra-regional investment, because it allows the transnational companies [TNC] to expand their productive chains through the countries, seeking competitiveness and costs reduction.

Additionally, own Asian Southeast countries TNC were consolidated. The companies internalization enabled outward FDI to quadruplicate in 2004 and reach US\$ 69 billion, according to UNCTAD. Most of the investments is intra-regional, however there are investments in other regions. In relation to developed countries, acquisition stood out in the United States and European Union. For Latin America, the natural resources search was a determinant factor, which resulted in significant investment projects, in particular Chinese ones.

In Latin America and the Caribbean, after four years of retraction, the economic expansion and high commodities quotation have caused the FDI flows to expand 44% and totalize US\$ 68 billion. Brazil (US\$ 18 billion) and Mexico (US\$ 17 billion) have remained as the major FDI receivers and along with Chile and Argentina corresponded to two thirds of all FDI destined to the region. Argentina, Brazil and Chile have also showed the highest expansion rates: +125%, +79% e +73% respectively. Bolivia, Ecuador and Venezuela have suffered the biggest retractions, result of the projects conclusion and changes in gas and oil sector regulation. As for sectorial share, services have been losing space for manufactures and natural resources.

**Special Box:**  
**Latin America and the Caribbean: three kinds of FDI and three different dynamics**

Latin America and the Caribbean region is distinguished by the presence of FDI inflows with three distinct motivations and, thus, different dynamics.

There are investments made for resource seeking, such as oil and gas, mining and agriculture. These investments depend more on the demand and the natural resources international quotation than the macroeconomic situation of the countries. In 2004, the major demand for commodities increased investments in mining in Argentina, Brazil, Chile and Peru, as well as oil and gas in Colombia and Peru. China in particular has showed great interest in investing in Latin America. Besides, the international quotations elevation has increased the amount of reinvested profits. In Chile, 82% of the FDI inflows corresponded to reinvested profits.

Investments made in Mercosur, in particular in Brazil, and in Mexico usually aim at attending the local market. In this case, macroeconomic fluctuations are determinant and in 2004 the flows of FDI followed the higher income level and domestic demand growth rates. Simultaneously, many of these investments have also benefited from the major foreign demand, as in the case of automotive industry in Brazil and Argentina.



At last, there are efficiency seeking investments to conquer third markets. Export platforms of electronic products and automotive industry in Mexico and textile products in the Caribbean are examples in Latin America. It is about a model based in low salaries, export processing zone [ZPE] with fiscal and tax incentives and special access to the USA market upon trade agreements such as NAFTA. The USA opening to new competitors caused these countries to lose competitiveness and realize that the developed activities have low added value and lack local linkage. In 2004, these activities and FDI flows were stimulated by the United States economic recovery and by the more depreciated exchange rates. In Mexico, investments in *maquiladoras* have increased 26%.

FDI inflows to Africa were stable in 2004, totalizing US\$ 18 billion. Activities related to natural resources and mergers and acquisitions (including privatizations) were responsible for this result. In the European Southeast and in the Commonwealth of Independent States [CIE] the investments increased 40% in 2004, to US\$ 35 billion, in its fourth consecutive year of growth. Investments based in privatization and high quotations of oil and natural gas have led the expansion. FDI to Russia increased from US\$ 8 billion in 2003 to US\$ 12 billion in 2004.

### 3.3) Internationalization of research and development

The internalization of research and development activities [R&D] is a trend that has been gaining expression for developing countries in the last years. The number of greenfield investments in R&D in the developing countries increased from 316 in 2003 to 429 in 2004 (36%). Asia is the region that receives more investments and in 2004 they represented 11% of the new projects (greenfield). On its turn, China and India concentrated around 75% of these investments in the region. In the end of 2004, China had 700 foreign companies technology centers. In Latin America, Brazil and Mexico are the countries that stand out more.

Transnational companies [TNC] are responsible for the most of investments in applied R&D and dominate the new patents registry. Traditionally, developing economies attract companies that want to have access to new technologies and insert the country in innovation global networks. However, R&D is one of the activities of lower internationalization level, because it involves strategic knowledge and requires high qualification. Adaptation to local conditions of products and processes conceived in the developed countries was what was left to developing countries.

Currently, however, TNC are initiating an off shoring process of R&D services, not only of adaptation, but also of more complex stages such as development of new technologies for the global market. The aim is to be benefited from human resources of high qualification, to reduce costs and to accelerate the innovation process. It is about the formation of R&D global systems, in example of the productive system globalization. In Brazil, just some of TNC branches have assumed more complex functions, in particular in the automotive, auto parts and electronic industry.

The importance of this R&D activities internalization process for developing countries is in its contribution for the economic development. The diffusion of these abilities allows the country to advance in direction of the more complex and of more added value activities, in which better salaries do not imply loss of competitiveness and whose demand has greater dynamism.

Although the experience shows that developing countries are capable of developing sophisticated R&D activities and can compete internationally, the country that desires to receive these investments needs to count on an environment that stimulates innovation. As there are externalities, coordination problems and public goods involved, the government participation is essential so that the private investment can occur. The cases of success indicate a need of a strong National System of Innovation [NSI], based in investments in human resources and in a structure that generates incentives and favorable conditions to innovation, among which are the intellectual property rules strategic use, as well as the incentive to acquired knowledge and competence dissemination for the other economic sectors. This effort of a NSI construction should not be done solely, but along with competitiveness and development policies.

### 3.4) Investment in Brazil in 2005

According to the Brazilian Central Bank, foreign net direct investment in the country totaled US\$ 9.39 billion in 2005 until September, compared to US\$ 3.56 billion in the same period last year. This expansion resulted from a growth of 21% of foreign direct investment inflows to the country and of the reduction of 73% of the Brazilian direct investments abroad. It is to be noted that both figures of 2004 were affected by the merger of the beerhouse Ambev with the Belgian beerhouse Interbrew and their shares exchange, in the sum of US\$ 4.89 billion, registered in August.

FDI flows totaled US\$ 21.52 billion in 2005 until September, of which 71% were through capital shares. The United States have returned to be the country that most invests in Brazil, with share of 20.7% of total FDI inflows, followed by the Netherlands (13.5%), Mexico (12.6%), France (8.6%) and Germany (5.0%).

As to sectorial profile, investments in services sector showed the highest growth rate with regards to the period of January to September 2004: 75%. FDI inflows reached US\$ 12.1 billion, equivalent to a share of 59% in the total. Postal office and telecommunications received a boost of US\$ 2.8 billion in 2005 until September regarding the amount reached at the same period of 2004.

FDI inflows to agriculture, cattle breeding and mineral extracting increased 53.9% in the period of 2005 until September compared to the same period of 2004, leaded by the resources destined to the oil extraction sector and related services. In the industry, whose FDI flows totaled US\$ 7.0 billion in 2005 until September, the chemical products and automotive vehicles fabrication and mounting sectors surpassed the receipt of US\$ 1.2 billion and were the ones which more contributed to compensate the decrease in the food and beverage sector, due to the impact of the operation of Ambev in 2004.

Direct investment income net outputs increased 70% in the period of 2005 until September of the same period of 2004. The net amount sent to abroad reached US\$ 6.6 billion, to which the US\$6.3 billion related to dividends and profits remittance decisively contributed.

#### **Special Box: Brazilian direct investments abroad**

According to the fourth "Brazilian Capitals Survey Abroad" performed by the Brazilian Central Bank, the amount of Brazilian direct investments abroad declared in the research reached US\$ 69.2 billion in 2004, compared to US\$ 54.9 billion in 2003. The growth has been ongoing since

the central bank survey beginning in 2001. 78% of the investments are in shares of capital.

The main destination countries of these investments until 2004 were: Cayman Islands (38.0%), Bahamas Islands (11.9%), Virgin Islands (9.6%), Denmark (9.3%), Luxembourg (4.5%), Spain (4.3%), the United States (4.1%), Uruguay (3.4%) and Argentina (2.6%).

As to sectorial distribution, investments in services prevail with 96% of the Brazilian holding in companies abroad. Financial intermediation and its auxiliary activities, except securities and private pension, received 51.9% of the total resources. 37.4% of the investments are classified as "Services rendered mainly to companies". In third place is the wholesale trade and trade intermediaries, with 4.1% of the total. Oil extraction and construction are both showed with 1%, however the investments in these sectors were higher in the past.

In 2005 until September, the new Brazilian investments abroad totaled US\$ 3.0 billion, compared to US\$ 9.6 billion in the same period of 2004. Outward investments were almost exclusively upon shares in capital. Intercompany loans, which reached US\$ 2.8 billion between January and September 2004, decreased to US\$ 92 million in 2005.

#### **4) THE BRAZILIAN ECONOMY'S FOREIGN SECTOR**

##### **4.1) Foreign trade evolution**

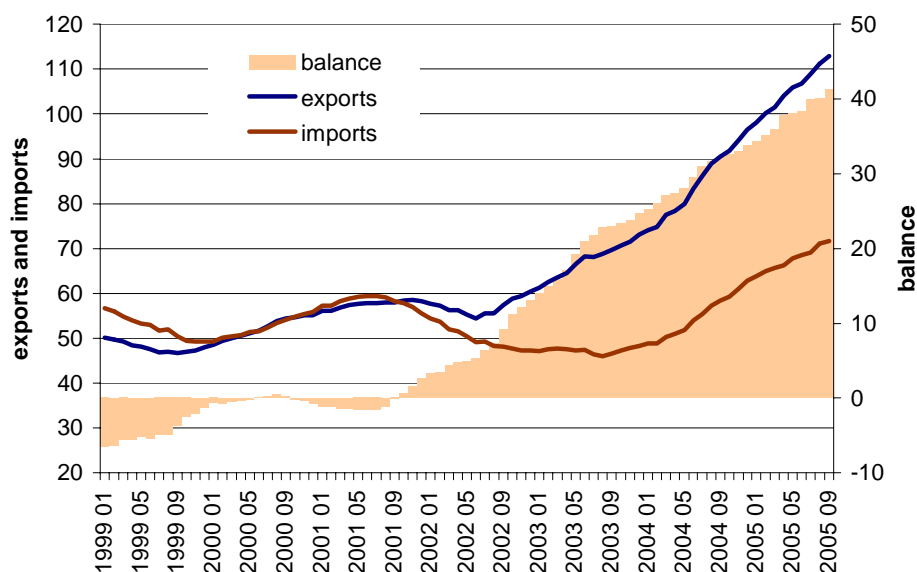
The Brazilian trade balance continues to show great performance in 2005. In the first nine months of the year, exports reached the amount of US\$ 86.7 billion, which established a historical record for same periods. Exports increased 23.4% in relation to January to September 2004. In the 12 months period, the exported value is also a record: US\$ 112.9 billion, corresponding to a growth of 24.7% in relation to the same prior period.

In 2005, imports value also increased, but with no trade balance reduction. From January to September, imports increased 19.6% regarding the same period last year, reaching US\$ 54.1 billion – see Graph 4.1. The trade balance was a historical record, both from January to September (US\$ 32.7 billion) and in twelve months (US\$ 41.3 billion).

The pronounced exports and imports growth provided a record trade flow. In the twelve months period until September, the total of imports and exports were US\$ 184.6 billion.

Graph 4.1

**Brazilian trade balance sheet: January 1999 to September 2005  
(12 months period in US\$ billions)**



Source: Elaborated based on data from Secex/MDIC

The United States are the main Brazilian goods importer country. In the period from January to September 2005, Brazil exported US\$ 16.8 billion (+14.5% regarding the same period of 2004).

Exports for countries of Aladi increased 32% from January to September 2005 regarding last year. Sales for the block countries totalized US\$ 18.6 billion, which represented the second main destination of Brazilian exports in the period. The main countries block in the Brazilian exports destination was the European Union, with US\$ 19.9 billion.

The growth of Brazilian exports to Mercosur (32,4%) slightly surpassed the Latin American countries average. Its main component were sales for Argentina, which increased 35% and represented 85% of the Brazilian exports for Mercosur. Brazilian exports for Argentina (US\$ 7.2 billion) established historical record for same periods.

After Argentina, the main destination of Brazilian exports to Latin America was Mexico (US\$ 3 billion), followed by Chile (US\$ 2.6 billion) and Venezuela (US\$ 1.6 billion). Brazilian sales to Mexico (+4.1%) altered a little regarding the same period last year, as for Chile and Venezuela, they increased strongly– 42.6% and 62.3%, respectively.

Sales to East Europe and Africa have also showed strong relative increase in the period, 65.5% and 44.7%, respectively.

Regarding goods, Brazilian exports showed record performance in the three categories of added value in the first nine months of the year. The highest relative growth occurred in the manufactures category (27.3%). Manufactured goods are the main items in the Brazilian exports, showing a total record share of 55%. Categories of

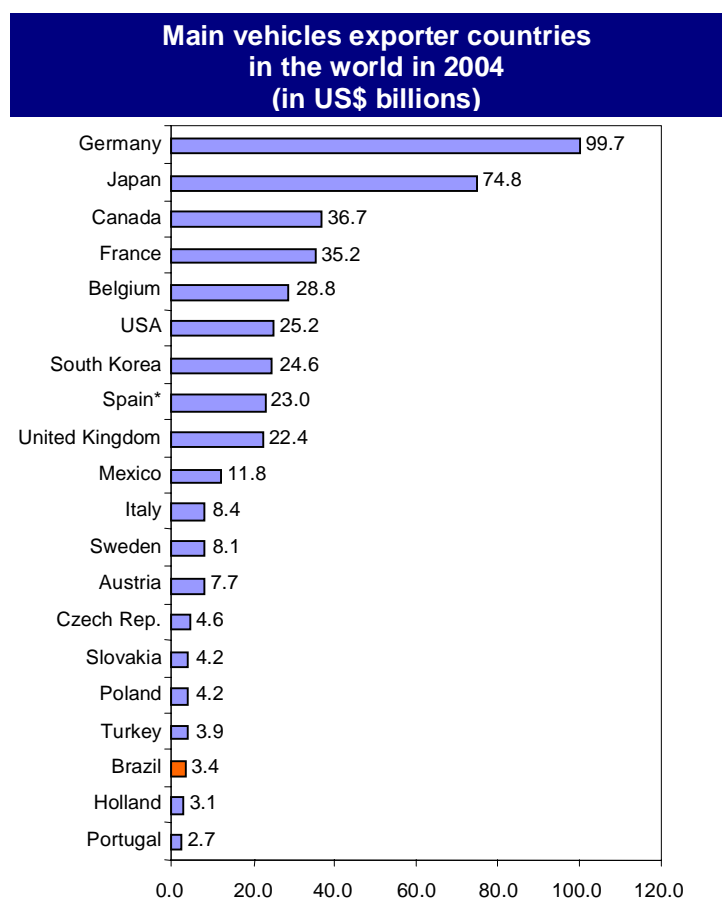
semimanufactured products (19.5%) and basic products (16.8%) have also showed good growth rates.

In the manufactured goods sections, the main exported products were: passenger vehicles (US\$ 3,257 million), aircrafts (US\$ 2,218 million), transmittion and receptor devices (US\$ 1,963 million), autoparts (US\$ 1,831 million), flat laminates (US\$ 1,736 million), motors for vehicles (US\$ 1,725 million) and footwear (US\$ 1,505 million). The transmittion and receptor devices continue to have a higher relative growth among the main products, with an increase of 118% regarding the same period of 2004.

**Special Box:**  
**Vehicles exports have increased more than 400%  
 in the last 8 years**

In the last eight years, Brazilian exports of vehicles have increased more than 400%. The vehicles were the main item of Brazilian manufactured products exports in 2003 and 2004. But Brazil still has a small participation in international trade of these products, being only the 18th global exporter. The major global exporter is Germany, followed by Japan and Canada— seer graph 4.2.

**Graph 4.2**



Source: Elaborated based on data from Comtrade / United Nations. Values concerning exports in item 87.03 of the Harmonized System. \* Information of 2003

The main kind of vehicle exported by Brazil is the gasoline vehicle with piston displacement between 1,500 cm<sup>3</sup> and 3,000 cm<sup>3</sup>; category that corresponds to 74% of the total Brazilian exports. In this section, the major exporters are Germany (US\$ 31.5 billion), Japan (US\$ 30.6 billion), USA (US\$ 13.2 billion) and Belgium (US\$ 13.1 billion). That is the main category in the vehicles international trade, with 38% of the total sold in the world in 2004.

Prices of the main exported Brazilian commodities remain high, despite the significant decrease in the soy sections. Regarding September 2004, soy in grain price reduced 12.8% and the gross soy oil price, 11.9%. Soy bran has showed a small increase of +2.9%. Regarding the same month last year, the other commodities prices showed a good performance: coffee in grain (+56.8%), refined sugar (+34.2%) and gross sugar (32.1%), chicken meat (+30.8%), iron ore (+53.3%) and corn (+419.4%).

Imports showed in 2005 growth rates similar to the exports growth rates, but they have distinct characteristics. Brazilian imports have a concentrated structure in intermediate and capital assets. Consumer goods represented only 10.0%. Imports of capital goods were the ones that had higher growth in the period (29.0% regarding 2004). Consumer goods (+20.5%) also showed growth above the average of the period, specially by the evolution in the last years. In the nine months period, specially the purchases of circulation capital goods increased (+22.9%), but in the last years durable goods have also increased. In September, durable goods imports increased 29.1% regarding the same month of 2004.

In the last two years, the highest relative growth occurred in the category of low technologic intensity manufactures<sup>4</sup>: 90.2% regarding 2003 – see table 4.1. The year 2003 is a comparison basis particularly relevant because it was the year that Brazil presented the lowest import value for periods from January to September in the last ten years. Imported value growth in this category occurred mainly due to purchases of iron, steel and its products, in which the price increase effect was not negligible. Similar effect occurred in the fuels category, which was the second increasing item in relation to 2003, mostly due to price-effect.

Table 4.1

Brazilian imports by technological intensity: January to September from 2003 to 2005 (in US\$ millions)				
Category	2005	2004	2003	Variation 2005/2003
Primary commodities	5,208	4,845	4,270	22.0%
Intensive manufactures in labor	2,450	2,077	1,558	57.2%
Low technologic intensity manufactures	2,284	1,625	1,201	90.2%
Meddium technologic intensity manufactures	14,236	11,342	9,686	47.0%
High technologic intensity manufactures	19,543	17,009	12,456	56.9%
Fuels, lubricants and non-classificated	10,334	8,304	5,835	77.1%
<b>Total</b>	<b>54,056</b>	<b>45,203</b>	<b>35,006</b>	<b>54.4%</b>

Source: Elaborated based on data from Secex/MDIC

<sup>4</sup> The classification of the Brazilian list by technologic intensity follows the one presented in UNCTAD (2002) Trade and Development Report. Geneva: United Nations Conference on Trade and Development, Chapter III, Attachment 1. For Brazilian data, the classification is obtained after the SIS-COMEX data conversion of Harmonized System codes to 6 digits for the Revision SITC 2, in which the aggregation by technologic intensity is presented by UNCTAD.



Despite having a strong relative decrease, the share of low technologic intensity manufactures is small in relation to the total. Goods of average or high technologic intensity represented 62.5% (US\$ 33.8 billion) of total imports in the period from January to September 2005. The share of these goods in imports is practically the double than in exports.

In this section, there is great presence of electric and electronic materials that are parts and pieces of capital goods (US\$ 3.8 billion in 2005, against US\$ 2.1 billion in 2003). Purchases of chemical products are also significant: US\$ 3.3 billion in 2005, against US\$ 2.3 billion in 2003.

High technological intensity goods are the main component of the Brazilian imports portfolio, with US\$ 19.5 billion in January to September 2005. High technological content imports have increased 56.9% regarding 2003, and the medium technological intensity ones, 47.0%.

From the high and medium technological content imported goods, capital goods and their parts and pieces are predominant (US\$ 15.2 billion in 2005, +55% regarding the same period of 2003) and the processed inputs for the industry (except food), with US\$ 10.3 billion. Consumer goods in general (including passenger vehicles) represent only 7.7% of the high or medium technological content purchased abroad by Brazil.

**Table 4.2**

**Brazilian imports of high or low technological content goods by categories of use\*:  
January to September from 2003 to 2005**

Categories of use	2005		2004		2003	
	US\$ millions	Share	US\$ millions	Share	US\$ millions	Share
Processed industrial inputs (except food)	10,272	30.4%	9,465	33.4%	7,173	32.4%
Capital goods	8,160	24.2%	6,895	24.3%	5,039	22.8%
Capital goods parts and pieces	7,083	21.0%	5,391	19.0%	4,787	21.6%
Transports equipment parts and pieces	5,077	15.0%	4,032	14.2%	3,025	13.7%
Consumer goods	2,062	6.1%	1,799	6.3%	1,387	6.3%
Industrial transport and equipment	561	1.7%	309	1.1%	262	1.2%
Passenger vehicles	531	1.6%	434	1.5%	451	2.0%
Others	34	0.1%	27	0.1%	18	0.1%
	<b>33,780</b>	<b>100.0%</b>	<b>28,351</b>	<b>100.0%</b>	<b>22,142</b>	<b>100.0%</b>

Source: Elaborated based on data from Secex/MDIC

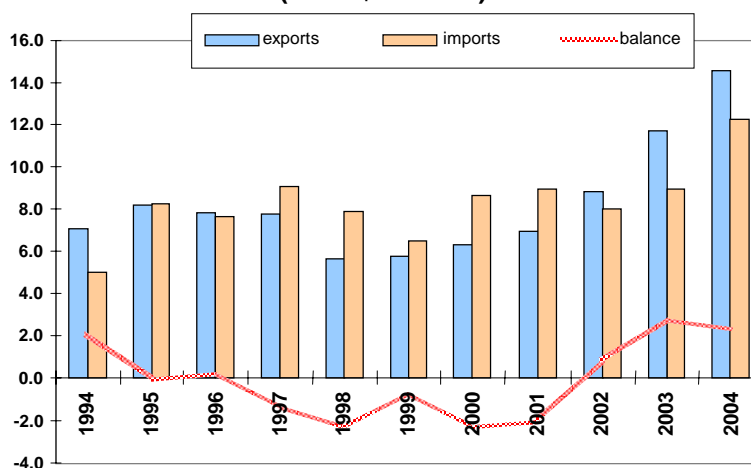
\* According the Classification by Major Economic Groups of the United Nation, aggregated from Secex/MDIC statistics by the Harmonized System in 6 digits.

## SPECIAL REPORT:

### The recent performance of the Asian economies and its contribution to Brazilian exports

In the recent diversification of the Brazilian exports destinations, Asia is a region that stands out. Brazil had a deficient trade balance sheet with the Asian countries until 2001. Annual deficit reached US\$ 2.3 billion in 2000. From 2002, trade balance between Brazil and China reverted, showing an annual surplus superior to US\$ 2 billion. The main element of this reversion was the increase of exports to China, which currently is the main trade partner of Brazil in Asia and the third importer market of Brazilian products, after the United States and Argentina.

**Graph 1**  
**Trade Balance between Brazil and Asia, except Middle East: 1994 to 2004**  
**(in US\$ billions)**



Source: Elaborated based on data from Secex/MDIC

Asian countries stand out by high per capita income, by the maintenance of growth rates superior to any other developing countries and by the high opening of their economies. The combination of these characteristics contributed to the increase of Brazilian exports to these markets.

In the 1960's, however, some Asian countries had income levels similar to the African countries ones. Asia economic development, which caused extraordinary growth rates between the 1970's and middle of the 1990's, is conferred to a strategy that has got known as "export-led development", in which the foreign market becomes the engine of development.

Public policies have supported the development of trade – exports financing and insurance, market researches and technology transfer– and production for export has received incentives; the target markets were the developed countries.

Japanese economist Akamatu formulated the model called "flying geese" to explain the Asian growth. In this model, under Japanese lead, there is a synchronized growth and in levels among countries with different development stages. Through foreign direct investment, subcontracting and technology transfer, Japan transferred more technologically delayed goods production to other countries of the region, and, thus, concentrated in the higher technologic content and added value products. First, coun-

tries sought international insertion in traditional and work intensive industries, as example of textile products or footwear. Posteriorly, the emphasis dislocated to durable consumer goods and other more sophisticated products. Finally, they became exporter powers in high technologic intensity products. As economies were developing and salaries becoming higher, the countries replaced the set of produced goods and less developed countries assumed those activities. South Korea, Taiwan, Singapore and Hong Kong were the first countries to follow this model. The second geese generation were countries of the Association of the Southeast Asian Nations [ASEAN] such as Thailand, Indonesia, Malaysia and the Philippines. Vietnam, Laos, Cambodia are identified as third generation.

As result of this development strategy, more developed economies of Asia and Pacific exports have high share in GDP: above 95% in 2003, ahead of a percentage of around 60% in 1983. Besides, exports have changed. Traditional products dominated the portfolio in 1983 and currently the share of high and high-medium technological intensity goods corresponded to more than 60%. On the other hand, imports share in GDP is very expressive, a bit more than 85% in 2003, compared to around 60% in 1983.<sup>5</sup> As to net exports, their share in the GDP is positive and increasing in the more developed Asian countries. In the lower income Asian countries, the contribution of net exports is negative.

The success of the Asian export-led model made authors to defend this development strategy, many times in damage of a model based in the domestic market, as in the Latin American experience.

Promoting exports, the country (i) provides a more efficient allocation of resources and generates scale economies, (ii) stimulates the learning through introduction of new technologies and knowledge diffusion through all economy (iii) increases the aggregated demand and the economic growth and (iv) increases the import capacity. Additionally, the competition confronted in the foreign market imposes minimal development standards to the economic agents supported by development policies.

From the 1997 crisis on, the discussion of the Asian development model stood out in the economic debate. First, the focus in growth based in exports limited, at times, the domestic market development. Besides, countries that adopt this strategy become vulnerable to the developed countries performance, as well as their development becomes limited to these countries potential.

At last, when diverse countries adopt the development model based in exports simultaneously, the growth is not stimulated but the competition among the countries is. The exasperated rivalry can cause a decrease of prices and consequent deterioration of exchange terms, with negative impacts for all countries. As in foreign demand deceleration situations, there is high probability of productive investments generate idle capacity.

After the Asian crisis, diverse policy-makers proposed a new development model with emphasis in domestic demand. The strategy is to diversify the productive structure and reduce the foreign trade dependence – in particular of exports – and of foreign capital, which constituted the prior strategy bases, in order to increase the Asian economic capacities of facing foreign crisis.

<sup>5</sup> For comparison, in the European countries the exports participate with around 55% of the GDP in 2003 and the imports reached 50% of the GDP of the same year.

Thailand's experience illustrates this change. Since the first minister Thaksin Shinawatra's entrance into office, in January 2001, there was an effort to move the focus of manufactures policies for export to a growth based in the domestic market. With the aim to reduce the prior dependence of foreign demand and decrease the relative importance of mass production in the urban centers, the government has adopted measures for the stimulus of domestic demand and traditional sectors support policies (such as agriculture and small and medium enterprises) and the national entrepreneurs. Although in a more discreet way, Malaysia and Korea, among others, have also been adopting these similar strategies.

Notwithstanding the focus change, it would be more correct to name the policies adopted as a dual-track strategy, which consolidate the domestic demand and the national companies support, without abdicating the benefits of foreign demand of Asian goods and services. That is, the domestic market stimulus is performed simultaneously to foreign sector promotion.

Regarding the foreign sector, the most important initiative in the recent period was the regional integration process initiated with the agreement of ASEAN, signed in 1995. Liberalization is allowing productive chains formation involving various countries, in which transnational companies [TNC] seek higher competitiveness and costs reduction. As the integration result, the region economies increased the interdependence of their productive sectors, establishing linkages and complementarity relations. As to foreign trade, the major trade partner of Asian developing countries is not the USA anymore, it is Asia, according to the Asian Development Bank [ADB].

In this aspect, it is to be noted the relevance of two partners in particular. Initially, the emergence of China, and more recently the one of India, was certainly a big challenge to the other Asian countries. The big risk was to suffer with rivalry and even be substituted<sup>6</sup>. However, the risk became opportunity when the Asian countries decided to make good use of the potential of the major regional economies. The privileged position of being between two regional pole of growth - China and India – caused big benefits. The high growth of China and India consolidated as impulse to intra-regional trade, through demand generation for Asian products. Asian southeast exports for China have increased 37% in the last two years and for India, have expanded 26%. China absorbs close to 6% of the region exports, according to ADB.

### **Macroeconomic performance in 2004 and perspectives**

In the year of 2004, Asian developing economies reached the highest growth since the Asian crisis. The expansion of 7.3%, according to ADB, was leaded by domestic demand, combined with a benign foreign context. In exception of developing countries from Pacific and South Korea, all countries have increased in high rates of 5% - see Table 8, section "Economic indicators and forecasts". Besides high Chinese expansion, Singapore, Hong Kong (China), India and Malaysia have stood out.

<sup>6</sup> A differential of China, and also India, is that these economies follow a strategy that blends traditional sectors expansion with development of high and medium-high technologic intensity industries. Initially exporters of textile, plastic articles, toys, and footwear among others, China started to export high technologic products without abdicating the competitiveness lead in traditional products. Currently, Chinese exports are equally distributed among these kinds of products: in 2002, traditional products represented 42%, while the medium-high technology products represented 49%. In short, contrary to Japan and the "flying geese" Asian development model, there is no successive development and in stages. The current regional powers proposed to embrace all activities.

The domestic demand performance was important for the region expansion, in example of what has been happening in the last two years. In particular, the investment has recovered after a long period since the Asian crisis, in which China was certainly an exception. In practically all countries, the share of fixed capital gross formation in GDP increased in 2004. The low idle capacity and high FDI flows level, for *green field* investments, explain this increase. Naturally, productive capacity expansion is a positive sign for growth perspective in the long term.

Consumption, on its turn, has also fortified itself in 2004. The low inflation environment<sup>7</sup> and the favorable macroeconomic policies were decisive for that conduct. Consumption expansion is fundamental to dynamize the domestic market and to have success in the strategy of reducing the foreign sector dependency.

The best foreign scenario in many years was observed in 2004. The region economies were benefited from the strong expansion of the industrialized countries, in particular the United States, and the rest of Asia, such as China and India. This meant a strong foreign demand for manufactured goods, although the exports growth has reached the most diverse sectors. In particular, the region is exporter of information technology and electronic products, whose demands showed expressive recovery in 2004. Finally, the continuity of the Chinese growth and the integration advance in the Asian southeast stimulated the intra-regional trade, which registered expansion of 25.5% in 2004. Foreign sales growth also explains in part the expansion verified in the investments.

Despite the exports growth, trade and current account balances (3.7% of GDP in 2004) suffered retraction compared to 2003 due to imports increase, caused by the economy growth and the increase of oil prices. Still, it was possible to continue the policy of reserves accumulation.

The economic growth of Asia and the Pacific has attracted high volume of foreign capital. FDI inflows reached US\$ 147.6 billion in 2004, which corresponded to a growth of 46% regarding 2003 – see section “Foreign Direct Investment”.

The perspectives for the Asian economies still depend mainly on the global economy results, in particular China. However, the highest contribution of domestic demand, observed in the last years, softens the impact of eventual adverse conditions in the international market. The Asian Development Bank's expectation is the growth to continue strong in the next two to three years, despite a reduction regarding the performance of 2004.<sup>8</sup>

The expectation is that the domestic demand in Asian economies will have an increasing contribution to the economic expansion expected for the next years. Particularly, investment rate shall increase and tend to become the most dynamic element in the economy.

On the other hand, foreign sector contribution tends to decrease. Exports shall continue increasing, due to intra-regional expansion and growth of China (slight deceleration) and India (solid expansion). Despite apprehension as to the possible hard landing of the Chinese economy, its development in 2004 reached 9.5%, the highest

<sup>7</sup> The exchange appreciation compared to the dollar was partly responsible for this result, provided that the inflationary impact was reduced.

<sup>8</sup> For 2005, it should be noted that the tsunami disaster impact was limited and shall not interfere in the region economic performance. The more impacted areas were rural zones, while urban zones and industrial centers were preserved.

value in the last seven years. Even if China reduces slightly its growth pace, the perspective is the expansion to continue strong for international standards, stimulating all countries integrated to the Chinese economy. However, economic growth perspective in Asia will certainly increase the imports need. Thus, ADB's estimation is the trade balance to have reduction.

Finally, it is to be presented which are the main risks observed by the analysts regarding the future performance of the Asian economies. As to domestic market, the higher risk to expansion is the adoption of more rigid macroeconomic policies due to an increase of the inflationary pressure. In second place are the issues that can affect the demand for Asian products: (i) the oil increase and industrialized markets slowdown, resulting in possible reduction of foreign demand; (ii) evolution of Chinese economy and its impacts over intra-regional trade flows and (iii) demand reduction for information technology and high technology products, more relevant markets to exports of diverse Asian countries. However, the major identified risk concerns to the North American dollar's behavior. The continuous dollar depreciation shall reduce the Asian countries competitiveness and shall stimulate the competition with China. This will unable the maintenance of dollar peg exchange rates and the flexibility shall result in exchange, trade and financial instability for all countries of the region. The increasing integration of Asian countries turns the exchange matter more relevant and creates the need of regional coordination.

#### **Trade balance between Brazil and selected Asian countries**

As previously noted, China is the main trade partner of Brazil in Asia. In 2004, there was an historical record of Brazilian exports to that country (US\$ 5.4 billion). In that year, the Brazilian trade balance was US\$ 1.7 billion. During the decade of 1990, Brazil generally presented trade deficits with China, despite not being very high.

After China, Far East countries with the major imports from Brazil are Japan, South Korea, Thailand and Hong Kong.

The major trade deficits between Brazil and Asian countries occurred with Japan, value that has reached US\$ 1 billion. Up to this date, Brazil imports more than exports to that country, despite having a significantly lower deficit, only US\$ 100 million in 2004. Trade balance between Brazil and South Korea has not been so high, but remains at similar levels to the ones of the decade of 1990.

Brazil registered trade surplus with Hong Kong during practically all decade of 1990. With Hong Kong, Brazilian surplus triplicates regarding the first half of the decade of 1990; with Thailand the former continues close to the same average during the last 10 years, around US\$ 140 million.

In 2005, Thailand presents the highest relative imports growth among the main trade partners of Brazil in Asia. The exports growth to China is not high this year, but the performance in previous years must be considered. Exports to China increased 80% from 2002 to 2003 and boosted 20% in the following year.

Brazil exports to more than 30 countries in Asia and Sales for this region in 2004 corresponded to 15% of Brazilian exports. The 9 countries related in Table 1 represented 86% of their sales for the continent in 2004. These will be the destination of Brazilian exports following analyzed.



**Table 1**  
**Main Brazilian exports destination countries in Far East –**  
**2002 to 2005 (in US\$ thousand)**

Country	2002	2003	2004	01/2004 to 09/2004	01/2005 to 09/2005	Var % 2005/2004
CHINA	2,520,457	4,532,560	5,439,956	4,383,966	4,761,827	8.6
JAPAN	2,097,954	2,310,546	2,767,995	2,026,558	2,546,643	25.7
SOUTH KOREA	852,419	1,223,104	1,429,298	1,060,455	1,403,388	32.3
THAILAND	350,185	416,189	647,537	506,562	664,144	31.1
HONG KONG	526,731	694,037	767,859	595,404	646,487	8.6
SINGAPORE	469,316	337,711	571,240	410,246	539,935	31.6
INDONESIA	256,507	322,769	382,690	265,366	322,628	21.6
MALAYSIA	281,513	225,461	282,671	205,194	301,142	46.8
PHILIPPINES	126,660	117,427	243,217	155,369	180,651	16.3
<b>Total</b>	<b>7,481,742</b>	<b>10,179,804</b>	<b>12,532,462</b>	<b>9,609,120</b>	<b>11,366,845</b>	<b>18.3</b>

Source: Elaborated based on data from Secex/MDIC

The main Brazilian products exported to Asian countries are the ones classified in the basic category – see Table 2. In this category, Asia is the second destination of Brazilian sales, with 26% of share in 2004, behind only the European Union. The strong growth of sales to China is because soy and iron ore exports. The 10 main products exported by Brazil to selected Asian countries are basic or semi-manufactured<sup>9</sup>. These 10 products represented 55% of total imports of these Brazilian countries between 2002 and 2004. All presented expressive growth rates in the last years.

**Table 2**  
**Main Brazilian products exported to Asian countries: 2002 to 2004**  
**(in US\$ thousand)**

Product	Aggregated Factor	2002	2003	2004	Annual variations mean from 2003 and 2004
Soy in grain	Basic	1,018,826	1,539,530	1,854,599	35.8%
Non-agglomerated iron ore	Basic	895,169	1,043,665	1,417,586	26.2%
Chicken meat	Basic	319,952	395,099	734,275	54.7%
Agglomerated iron ore	Basic	368,570	456,120	622,765	30.1%
Wood chemical paste	Semi	245,968	444,453	445,173	40.4%
Iron or steel semi-manufactured prod.	Semi	271,144	432,215	402,800	26.3%
Soy bran	Basic	298,255	393,315	331,834	8.1%
Gross aluminum	Semi	257,682	383,325	374,155	23.2%
Soy oil	Semi	128,724	280,589	432,870	86.1%
Tobacco	Basic	180,761	177,590	309,411	36.2%
Others		3,496,693	4,633,903	5,606,995	-
<b>Total</b>		<b>7,481,742</b>	<b>10,179,804</b>	<b>12,532,462</b>	<b>29.6%</b>

Source: Elaborated based on data from Secex/MDIC; aggregation to 6 digits of NCM.

Intermediary goods represent around 80% of the Brazilian exports for the referred countries. In this category are included the basic goods that are the main Brazilian products imported by Asian countries.

Close to 10% of the portfolio is composed by consumer goods, in most of the food sector. These sales for Asia have expanded in 47% between 2003 and 2004, with highlight to the Sales growth for China: +145% in 2004 and + 97% in the accumulated value in 2005 until July.

<sup>9</sup> Asia is the main destination of semi-manufactured Brazilian products exports (share of 29% in this category), followed by the United States (27%).

Capital goods represented a bit more than 4% in exports to Asia and are mainly constituted by trucks, agriculture machines and aircrafts. Countries that have higher share of Brazilian capital goods in imports portfolio are Malaysia, Indonesia, Singapore and South Korea. Japan, Hong Kong and China are the ones who less import capital goods proportionally.

The predominancy of low added value products is clearly showed when the technological content of Brazilian exports for Asia is analyzed. From the total of Brazilian exports for the countries in question, 90% are of low technological intensity goods or primary commodities – see Table 3.

**Table 3**  
**Brazilian exports for Asia through technologic intensity - 2003 and 2004:**  
**share (in %), values (in US\$ thousand) and growth rate (in %)**

	Share %		Value in 2004	Variation % 2003/2004
	2003	2004		
High technologic intensity	4.60	4.70	585,133	25.43
Medium technologic intensity	7.30	5.50	684,226	-7.53
Low technologic intensity	15.11	10.89	1,353,415	-11.60
Intensive manufactures in labor or natural resources	5.68	5.87	729,572	26.81
Primary commodities	64.51	68.32	8,594,626	30.55
Fuels	2.65	4.56	566,734	111.18
Non-classified	0.15	0.15	18,754	22.41
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>12,532,462</b>	<b>23.11</b>

Source: Elaborated based on data from Secex/MDIC; according to UNCTAD's methodology.

Manufactures of high and medium technological intensity correspond to 10% of the foreign sales for Asia. Indonesia, Malaysia, Singapore and Korea are the countries that more import higher technologic content goods. Japan, even though only buys close to 8% of more sophisticated goods, has an expressive demand for high technologic intensity goods, being the second country that more imports goods in this category (only behind Singapore). The main exports products are vehicles, trucks, agriculture machines, aircrafts and chemical products.

## Bibliography

- Asian Development Bank (2005). Asian Development Outlook 2005. [www.adb.org](http://www.adb.org)
- Carlos Aguiar de Medeiros (2004). A China como um Duplo Pólo na Economia Mundial e a Recentralização da Economia Asiática, mimeo, [www.ie.ufrj.br](http://www.ie.ufrj.br)
- David Kupfer (2005). O método chinês de cavar túneis. Valor Econômico 08.24.2005
- International Monetary Fund. [www.imf.org](http://www.imf.org)
- Kokko, Ari (2002). Export-Led Growth in East Asia: Lessons for Europe's Transition Economies. European Institute of Japanese Studies Working Paper Series n. 142.
- Ministry of Development, Industry and Foreign Trade. [www.desenvolvimento.gov.br](http://www.desenvolvimento.gov.br)
- United Nations. [www.un.org](http://www.un.org)
- Richard B. Freeman (2005). Does Globalization of the Scientific/Engineering Workforce Threaten U.S. Economic Leadership?, National Bureau of Economic Research, Working Paper 11457, [www.nber.org](http://www.nber.org)
- UNCTAD. [www.unctad.org](http://www.unctad.org)

## FORECASTS AND ECONOMIC INDICATORS

## FORECASTS

Table 1 - Forecasts

Gross Domestic Product - %											
	IMF <sup>(1)</sup>		ECLAC <sup>(2)</sup>		OECD <sup>(3)</sup>		BBVA		Citigroup		Santander
	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	
<b>Developed Countries</b>	2.5	2.7	-	-	-	-	-	-	2.5	2.4	-
European Union	1.6	2.1	-	-	2.5	-	1.4	2.2	-	-	-
Japan	2.0	2.0	-	-	1.5	1.7	1.5	2.0	2.2	1.7	2.3
United States	3.5	3.3	-	-	3.6	3.3	3.6	3.2	3.6	3.1	3.6
Canada	2.9	3.2	-	-	2.8	3.1	-	-	2.9	3.3	2.9
UK	1.9	2.1	-	-	2.4	2.4	2.5	2.6	1.6	2.4	1.8
Euro Zone	1.2	1.5	-	-	1.2	2.0	1.4	2.2	1.4	1.9	1.3
Germany	0.9	1.1	-	-	1.2	1.8	1.2	1.8	1.0	1.0	0.9
France	1.4	1.6	-	-	1.4	2.0	1.7	2.1	1.5	1.6	1.5
Italy	0.0	0.9	-	-	-0.6	1.1	-0.1	1.5	0.4	1.5	0.2
<b>Developing Countries</b>	6.4	6.1	-	-	-	-	-	-	5.6	5.4	-
<b>Africa</b>	4.5	5.9	-	-	-	-	-	-	4.7	4.4	-
<b>Latin America and Caribbean</b>	-	-	4.3	4.0	-	-	4.4	3.5	3.9	3.8	-
Argentina	7.5	4.2	-	-	-	-	8.0	5.5	7.9	5.8	6.6
Bolivia	3.9	2.5	3.5	-	-	-	-	-	-	-	-
Brazil	3.3	3.5	3.0	-	3.7	3.5	3.3	3.0	3.3	3.7	3.0
Chile	5.9	5.8	6.0	-	-	-	6.3	5.3	5.5	5.0	6.0
Colombia	4.0	4.0	4.0	-	-	-	4.2	4.0	4.0	4.0	3.6
Ecuador	2.7	2.8	3.0	-	-	-	-	-	2.7	3.4	-
Mexico	3.0	3.5	3.6	-	4.0	4.2	3.0	3.0	3.2	3.2	3.3
Paraguay	3.0	3.5	2.8	-	-	-	-	-	-	-	-
Peru	5.5	4.5	5.5	-	-	-	5.7	4.7	5.0	4.4	4.8
Uruguay	6.0	4.0	6.2	-	-	-	5.5	4.0	5.5	4.0	-
Venezuela	7.8	4.5	7.0	-	-	-	7.3	3.4	6.0	4.0	6.2
Dominican Republic	4.5	4.5	3.5	-	-	-	-	-	-	-	-
<b>Asia and Pacific</b>	7.8	7.2	-	-	-	-	-	-	6.8	6.3	-
China	9.0	8.2	-	-	9.0	9.2	9.0	8.5	9.3	8.0	9.0
South Korea	3.8	5.0	-	-	4.3	5.0	-	-	3.5	4.3	3.3
Indonesia	5.8	5.8	-	-	-	-	-	-	5.6	5.7	5.6
Tailand	3.5	5.0	-	-	-	-	-	-	4.0	4.7	3.9
India	7.1	6.3	-	-	-	-	-	-	7.5	7.1	6.8
<b>Central and Eastern Europe</b>	4.3	4.6	-	-	-	-	-	-	4.9	5.4	-
Russia	5.5	5.2	-	-	6.0	6.0	-	-	5.8	6.0	5.9
<b>World</b>	4.3	4.3	-	-	-	-	-	-	3.2	3.1	-

Source: Prepared based on reports of the institutions.

(1) World Economic Outlook 2005 (September 2005) and Reports of countries

(2) Proyecciones de América Latina y el Caribe, 2004-2005 (August 2005)

(3) OECD Economic Outlook No. 77 (June 2005)

(4) Average of the predictions of a group of forecasters surveyed by The Economist (ABN Amro, Deutsche Bank, Economist Intelligence Unit, Goldman Sachs, HSBC Securities, KBC Bank, JP Morgan Chase, Morgan Stanley, Decision Economics, BNP Paribas, Royal Bank of Canada, Citigroup, Scotiabank and UBS)

Table 2 – Forecasts

Consumer Price Index - %										
	IMF <sup>(1)</sup>		OECD <sup>(2)</sup>		BBVA		Citigroup		Economist <sup>(3)</sup>	
	2005 f.	2006 f.	2005 f.	2006 f.	2005 f.	2006 f.	2005 f.	2006 f.	2005 f.	2006 f.
<b>Developed Countries</b>	2.2	2.0	-	-	-	-	2.3	2.2	-	-
European Union	2.1	1.9	-	-	2.1	1.6	-	-	-	-
Japan	-0.4	-0.1	-0.2	0.1	-0.2	0.2	-0.2	0.3	-0.1	0.3
United States	3.1	2.8	2.8	2.6	3.0	2.9	3.5	2.9	3.4	3.1
Canada	2.2	2.5	1.9	1.9	-	-	2.3	2.2	2.4	2.5
UK	2.0	1.9	2.0	2.1	1.8	1.6	2.2	2.3	2.2	2.2
Euro Zone	2.1	1.8	1.8	1.3	2.2	1.9	2.2	2.1	2.2	1.9
Germany	1.7	1.7	1.2	0.8	1.7	1.3	2.0	2.5	2.0	1.9
France	1.9	1.8	1.6	1.7	1.7	1.4	1.8	1.5	1.9	1.7
Italy	2.1	2.0	2.0	2.0	1.8	1.8	2.1	2.3	2.1	2.1
<b>Developing Countries</b>	5.9	5.7	-	-	-	-	5.2	5.2	-	-
Africa	8.2	7.0	-	-	-	-	5.6	6.3	-	-
Latin America and Caribbean	-	-	-	-	6.5	6.0	5.8	5.5	-	5.9
Argentina	9.5	10.4	-	-	11.5	10.0	8.9	9.3	-	11.0
Bolivia	5.5	3.2	-	-	-	-	-	-	-	-
Brazil	6.8	4.6	6.3	5.0	5.2	5.0	6.8	5.3	-	5.1
Chile	2.9	3.3	-	-	3.8	2.7	2.8	2.8	-	4.2
Colombia	5.2	4.8	-	-	4.9	4.5	4.9	4.5	-	5.1
Ecuador	2.0	2.0	-	-	-	-	2.1	2.6	-	3.0
Mexico	4.3	3.6	4.4	3.7	3.8	3.7	3.6	3.6	-	3.6
Paraguay	4.8	4.7	-	-	-	-	-	-	-	-
Peru	1.8	2.6	-	-	1.8	2.5	1.7	2.3	-	2.0
Uruguay	5.2	6.5	-	-	5.5	-	5.0	6.6	-	-
Venezuela	16.6	18.0	-	-	16.8	15.3	16.3	18.4	-	16.2
Dominican Republic	3.7	7.8	-	-	-	-	-	-	-	-
<b>Asia and Pacific</b>	4.2	4.7	-	-	-	-	3.5	4.2	-	-
China	3.0	3.8	4.0	4.0	2.5	2.5	2.5	3.5	-	-
South Korea	2.8	2.9	3.2	3.0	-	-	3.0	3.3	-	-
Indonesia	8.2	6.5	-	-	-	-	9.0	10.1	-	-
Tailand	4.2	2.7	-	-	-	-	4.5	5.6	-	-
India	3.9	5.1	-	-	-	-	5.0	5.5	-	-
<b>Central and Eastern Europe</b>	4.8	4.3	-	-	-	-	8.4	7.0	-	-
Russia	12.8	10.7	13.0	12.0	-	-	12.7	10.2	-	-
<b>World</b>	3.9	3.7	-	-	-	-	2.9	2.8	-	-

Source: Prepared based on reports of the institutions

(1) World Economic Outlook 2005 (September/2005) and Reports of countries

(2) OECD Economic Outlook No. 77 (June/2005)

(3) Average of the predictions of a group of forecasters surveyed by The Economist (ABN Amro, Deutsche Bank, Economist Intelligence Unit, Goldman Sachs, HSBC Securities, KBC Bank, JP Morgan Chase, Morgan Stanley, Decision Economics, BNP Paribas, Royal Bank of Canada, Citigroup, Scotiabank and UBS)

Table 3 – Forecasts

Public Account Balance - % do GDP										
	IMF <sup>(1)</sup>		OECD <sup>(2)</sup>		BBVA		Citigroup		Santander	
	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f
Developed Countries	-3,3	-3,4	-	-	-	-	-2,5	-2,5	-	-
European Union	-3,1	-3,2	-	-	-	-	-	-	-	-
Japan	-6,7	-6,2	-6,4	-6,3	-	-	-6,6	-6,1	-	-
United States	-3,7	-3,9	-4,1	-3,9	-	-	-2,6	-2,5	-	-
Canada	0,5	0,3	1,2	0,8	-	-	0,8	0,5	-	-
UK	-3,2	-3,4	-2,9	-3,0	-	-	-3,1	-3,2	-	-
Euro Zone	-3,0	-3,1	-2,8	-2,7	-2,9	-2,9	-3,1	-3,4	-	-
Germany	-3,9	-3,7	-3,5	-3,2	-	-	-3,8	-3,6	-	-
France	-3,5	-3,9	-3,0	-3,0	-	-	-3,1	-3,5	-	-
Italy	-4,3	-5,1	-4,4	-5,0	-	-	-4,5	-5,0	-	-
Developing Countries	-	-	-	-	-	-	-0,9	-1,0	-	-
Africa	-	-	-	-	-	-	-1,2	-2,2	-	-
Latin America and Caribbean	-	-	-	-	-0,8	-0,9	-1,6	-1,5	-0,9	-1,1
Argentina	-	-	-	-	3,7	3,4	0,5	0,0	2,0	2,6
Bolivia	-	-	-	-	-	-	-	-	-	-
Brazil	-	-	-3,8	-2,8	-3,0	-3,0	-4,0	-3,3	-3,6	-3,1
Chile	-	-	-	-	4,2	2,6	1,0	1,0	3,3	2,5
Colombia	-	-	-	-	-1,6	-2,0	-1,8	-2,0	-1,5	-2,0
Ecuador	-	-	-	-	-	-	0,2	-0,5	1,7	1,5
Mexico	-	-	-	-	-0,1	0,0	-0,2	-0,2	-0,2	-0,2
Paraguay	-	-	-	-	-	-	-	-	-	-
Peru	-	-	-	-	-1,0	-1,0	-1,0	-1,0	-1,1	-1,1
Uruguay	-	-	-	-	-2,5	-	-1,5	-1,0	-	-
Venezuela	-	-	-	-	-0,9	-1,6	-1,0	-3,0	3,5	2,7
Dominican Republic	-	-	-	-	-	-	-	-	-	-
Asia and Pacific	-	-	-	-	-	-	-1,4	-1,4	-	-
China	-	-	-0,4	-0,2	-	-	-1,0	-1,2	-	-
South Korea	2,2	2,8	2,8	2,9	-	-	0,4	0,6	-	-
Indonesia	-	-	-	-	-	-	-1,0	-0,8	-	-
Thailand	-	-	-	-	-	-	-0,3	-1,4	-	-
India	-	-	-	-	-	-	-4,3	-4,0	-	-
Central and Easter Europe	-	-	-	-	-	-	1,3	1,0	-	-
Russia	-	-	2,0	1,5	-	-	8,5	7,0	-	-
World	-	-	-	-	-	-	-2,1	-2,2	-	-

Source: Prepared based on reports of the institutions.

(1) World Economic Outlook 2004 (September/2005) and Reports of countries

(2) OECD Economic Outlook No. 77 (June/2005)

Table 4 – Forecasts

Trade Balance - US\$ Billion						
	OECD (1)		BBVA		Citigroup	
	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f
<b>Developed Countries</b>	-	-	-	-	-	-
European Union	-	-	-	-	-	-
Japan	79,0	97,0	-	-	-	-
United States	-710,5	-761,7	-	-	-	-
Canada	39,4	49,7	-	-	-	-
UK	-77,4	-83,5	-	-	-	-
Euro Zone	151,2	166,3	-	-	-	-
Germany	150,3	166,9	-	-	-	-
France	-8,0	-0,7	-	-	-	-
Italy	-9,6	-14,8	-	-	-	-
<b>Developing Countries</b>	-	-	-	-	-	-
<b>Africa</b>	-	-	-	-	-	-
<b>Latin America and Caribbean</b>	-	-	-	-	-	-
Argentina	-	-	10,1	8,5	-	72,8 47,7
Bolivia	-	-	-	-	-	10,4 8,3
Brazil	-	-	-	-	-	-
Chile	-	-	41,0	30,0	-	42,3 35,4
Colombia	-	-	9,0	6,2	-	9,2 6,9
Ecuador	-	-	2,8	0,2	-	0,8 0,7
Mexico	-	-	-	-	-	0,7 0,5
Paraguay	-19,4	-21,5	-9,3	-10,8	-	-8,8 -12,2
Peru	-	-	3,5	3,0	-	-
Uruguay	-	-	-	-	-	2,8 2,2
Venezuela	-	-	25,4	20,7	-	-
Dominican Republic	-	-	-	-	-	30,4 26,8
<b>Asia and Pacific</b>	-	-	-	-	-	-
China	-	-	-	-	97,7 123,9	-
South Korea	26,5	16,8	-	-	30,3 28,1	-
Indonesia	-	-	-	-	23,0 21,3	-
Tailand	-	-	-	-	-9,9 -12,2	-
India	-	-	-	-	-38,1 -47,3	-
<b>Central and Easter Europe</b>	-	-	-	-	-	-
Russia	-	-	-	-	-	-
<b>World</b>	-	-	-	-	-	-

Source: Prepared based on reports of the institutions.

(1) OECD Economic Outlook No. 77 (June/2005)



Table 5 - Forecasts

Current Account Balance - % of GDP											
	IMF <sup>(1)</sup>		OECD <sup>(2)</sup>		BBVA		Citigroup		Economist <sup>(3)</sup>		Santander
	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	2005 f	2006 f	
Developed Countries	-1,3	-1,4	-	-	-	-	-1,7	-1,9	-	-	-
European Union	-0,1	-0,2	-	-	-	-	-	-	-	-	-
Japan	3,3	3,0	3,6	4,1	-	-	3,2	3,4	3,3	3,3	-
United States	-6,1	-6,1	-6,4	-6,7	-	-	-6,4	-6,5	-6,5	-6,6	-
Canada	1,5	1,7	1,7	2,5	-	-	1,4	-0,2	1,6	1,5	-
UK	-1,9	-1,8	-2,3	-2,4	-	-	-2,0	-2,5	-2,2	-2,4	-
Euro Zone	0,2	0,2	0,1	0,3	0,6	0,4	0,3	0,2	0,1	0,1	-
Germany	4,3	4,4	4,2	4,9	-	-	3,8	2,7	3,7	3,5	-
France	-1,3	-1,5	-1,0	-0,6	-	-	-1,5	-1,6	-1,0	-0,8	-
Italy	-1,7	-1,4	-2,2	-2,3	-	-	-1,6	-1,2	-1,3	-1,4	-
Developing Countries	4,1	4,5	-	-	-	-	3,0	2,5	-	-	-
Africa	1,6	3,5	-	-	-	-	2,8	2,3	-	-	-
Latin America and Caribbean	-	-	-	-	1,4	0,4	0,9	0,1	-	-	0,2
Argentina	1,3	0,1	-	-	1,4	1,4	1,5	-1,0	1,0	0,2	0,4
Bolivia	2,6	2,9	-	-	-	-	-	-	-	-	-
Brazil	1,7	0,7	0,9	0,3	1,8	1,0	1,5	1,3	1,4	0,6	0,6
Chile	0,3	-0,7	-	-	0,5	-1,0	1,0	0,9	0,7	-0,5	0,6
Colombia	-1,8	-1,5	-	-	1,0	-1,0	-1,1	-1,5	-1,6	-2,2	-1,6
Ecuador	0,2	2,4	-	-	-	-	1,6	-0,3	-	0,6	-0,3
Mexico	-1,1	-0,8	-1,9	-2,0	-1,1	-1,3	-1,0	-1,5	-1,4	-1,8	-1,2
Paraguay	-1,4	-0,8	-	-	-	-	-	-	-	-	-
Peru	0,3	0,3	-	-	-0,1	-0,5	-0,5	-1,2	-0,2	-0,7	0,0
Uruguay	-2,8	-5,3	-	-	0,6	-	-1,0	-1,5	-	-	-
Venezuela	15,9	14,9	-	-	14,1	8,7	11,1	4,8	12,9	9,0	20,3
Dominican Republic	1,6	0,4	-	-	-	-	-	-	-	-	14,5
Asia and Pacific	3,0	2,8	-	-	-	-	-	-	-	-	-
China	6,1	5,6	5,2	4,6	-	-	4,0	3,4	-	-	-
South Korea	2,0	1,5	3,0	1,7	-	-	6,0	5,5	5,9	5,0	-
Indonesia	-0,4	0,7	-	-	-	-	2,2	1,6	2,6	1,8	-
Tailand	-2,5	-2,5	-	-	-	-	0,6	-0,5	1,0	0,6	-
India	-1,8	-2,0	-	-	-	-	-2,7	-4,0	-1,2	-1,9	-
Central and Easter Europe	-4,8	-5,0	-	-	-	-	-1,5	-1,9	-1,6	-1,7	-
Russia	13,2	13,0	12,0	8,5	-	-	2,7	2,9	-	-	-
World	-	-	-	-	-	-	12,6	12,6	10,7	7,1	-
	-	-	-	-	-	-	-0,7	-0,9	-	-	-

Source: Prepared based on reports of the institutions.

(1) World Economic Outlook 2004 (September/2005) and Reports of countries

(2) OECD Economic Outlook No. 77 (June/2005)

(3) Average of the predictions of a group of forecasters surveyed by The Economist (ABN Amro, Deutsche Bank, Economist Intelligence Unit, Goldman Sachs, HSBC Securities, KBC Bank, JP Morgan Chase, Morgan Stanley, Decision Economics, BNP Paribas, Royal Bank of Canada, Citigroup, Scotiabank and UBS)

## MACROECONOMIC INDICATORS AND FORECASTS FOR BRAZIL

Table 6 - Forecasts and Macroeconomic Indicators

Key Macroeconomic Indicators of Brazil and Forecasts												
	1999	2000	2001	2002	2003	2004	International Bulletin <sup>(1)</sup>		Central Bank of Brazil <sup>(2)</sup>		2005 f	2006 f
							2005 f	2006 f	2005 f	2006 f		
GDP (Variation %)	0,8	4,4	1,3	1,9	0,5	4,9	3,4	3,5	3,2	3,5	3,2	3,5
Consumer Prices Index	9,1	6,2	7,9	12,2	8,9	6,3	6,0	4,9	5,5	4,6	5,5	4,6
Nominal Interest Rate (Selic end of period)	25,6	17,4	17,3	19,2	23,4	16,3	-	-	18,0	15,7	-	-
Public Sector Deficit (% of the GDP)	5,8	3,6	3,6	4,6	5,1	2,7	3,5	3,2	-	-	-	-
Public Sector Debt (% of the GDP)	49,7	48,8	52,6	55,5	57,2	51,7	-	-	51,6	50,5	-	-
Export (US\$ Billion)	48,0	55,1	58,2	60,4	73,1	94,6	-	-	116,9	122,4	-	-
Import (US\$ billion)	49,2	55,8	55,6	47,2	48,3	62,8	-	-	75,0	87,3	-	-
Trade Balance (US\$ Billion)	-1,2	-0,7	2,7	13,1	24,8	33,7	37,4	30,1	41,6	34,8	-	-
Current Account Balance (% of the GDP)	-4,7	-4,0	-4,6	-1,7	0,8	1,9	1,5	0,8	13,2	6,4	-	-
Foreign Direct Investment (US\$ billion)	26,9	30,5	24,7	14,1	9,9	8,7	-	-	15,7	15,2	-	-

Source: Central Bank of Brazil

(1) The forecasts for 2005 and 2006 are average expectations from the forecasts' tables.

(2) Average of market predictions surveyed by the Central Bank on 11/1/2005.

## MACROECONOMIC INDICATORS OF SELECTED COUNTRIES

Table 7 - Macroeconomic Indicators

Gross Domestic Product - US\$ Billion						
	1999	2000	2001	2002	2003	2004 E
<b>Developed Countries</b>	<b>25.016,0</b>	<b>25.342,4</b>	<b>25.025,9</b>	<b>26.099,1</b>	<b>29.235,3</b>	<b>32.398,1</b>
European Union	8.999,0	8.342,1	8.423,3	9.205,7	11.183,6	12.865,6
Japan	4.471,2	4.750,2	4.167,5	3.980,2	4.299,7	4.671,2
United States	9.268,4	9.817,0	10.128,0	10.469,6	10.971,3	11.734,3
Canada	661,3	725,2	715,6	735,6	870,5	993,4
UK	1.465,2	1.445,7	1.435,3	1.574,0	1.807,5	2.133,0
Euro Zone	6.698,0	6.109,2	6.163,9	6.726,0	8.285,6	9.464,5
Germany	2.146,4	1.905,8	1.892,6	2.025,8	2.446,4	2.754,7
France	1.456,8	1.332,7	1.341,6	1.464,2	1.794,3	2.046,3
Italy	1.182,0	1.077,9	1.091,3	1.190,5	1.471,1	1.680,1
<b>Developing Countries</b>	<b>5.711,0</b>	<b>6.203,7</b>	<b>6.283,7</b>	<b>6.418,2</b>	<b>7.245,8</b>	<b>8.496,7</b>
Africa	432,3	444,1	441,8	467,2	568,1	685,6
Latin America and Caribbean	1.797,9	1.991,3	1.918,4	1.478,0	1.543,0	-
Argentina	283,5	284,2	268,7	101,5	127,3	152,0
Bolivia	8,3	8,4	8,2	7,9	8,1	8,8
Brazil	536,7	601,6	510,4	460,6	505,5	603,8
Chile	73,0	75,2	68,6	67,3	73,4	94,1
Colômbia	86,2	83,8	82,0	81,6	80,0	97,4
Ecuador	16,7	15,9	21,0	24,3	27,2	30,3
Mexico	481,3	580,5	623,7	642,6	636,5	675,3
Paraguay	7,3	7,1	6,5	5,1	5,6	6,7
Peru	51,6	53,5	53,6	56,5	60,8	68,6
Uruguay	20,9	20,1	18,6	12,1	11,2	13,3
Venezuela	98,0	117,2	122,9	92,9	84,3	108,2
Dominican Republic	17,6	19,9	21,9	21,6	16,1	19,4
Asia and Pacific	2.049,4	2.189,2	2.275,8	2.469,3	2.788,2	3.198,9
China	991,4	1.080,7	1.175,7	1.270,7	1.418,3	1.653,7
India	436,8	458,4	471,3	495,1	575,7	665,1
Central and Eastern Europe	598,4	610,3	593,3	686,3	843,3	1.019,9
Russia	195,9	259,7	306,6	345,1	431,4	581,8
<b>World</b>	<b>30.726,9</b>	<b>31.546,1</b>	<b>31.309,6</b>	<b>32.517,3</b>	<b>36.481,1</b>	<b>40.894,8</b>

Source: IMF

Note: Gross Domestic Product at the exchange in force.

Table 8 - Macroeconomic Indicators

	Real GDP Growth - %							
	1999	2000	2001	2002	2003	2004E	2005 f	2006 f
<b>Developed Countries</b>	<b>3,5</b>	<b>3,9</b>	<b>1,2</b>	<b>1,5</b>	<b>1,9</b>	<b>3,3</b>	<b>2,5</b>	<b>2,6</b>
European Union	2,9	3,9	2,0	1,3	1,3	2,5	1,8	2,2
Japan	-0,1	2,4	0,2	-0,3	1,4	2,7	1,9	1,9
United States	4,4	3,7	0,8	1,6	2,7	4,2	3,6	3,2
Canada	5,5	5,2	1,8	3,1	2,0	2,9	2,9	3,2
UK	3,0	4,0	2,2	2,0	2,5	3,2	2,0	2,3
Euro Zone	2,7	3,8	1,7	0,9	0,7	2,0	1,3	1,8
Germany	1,9	3,1	1,2	0,1	-0,2	1,6	1,0	1,4
France	3,2	4,1	2,1	1,3	0,9	2,0	1,5	1,8
Italy	1,7	3,0	1,8	0,4	0,3	1,2	0,0	1,2
<b>Developing Countries</b>	<b>4,0</b>	<b>5,8</b>	<b>4,1</b>	<b>4,8</b>	<b>6,5</b>	<b>7,3</b>	<b>6,0</b>	<b>5,8</b>
Africa	2,8	3,3	4,1	3,6	4,6	5,3	4,6	5,2
Latin America and Caribbean	0,5	3,7	0,4	-0,6	1,7	4,6	4,3	3,8
Argentina	-3,4	-0,8	-4,4	-10,9	8,8	9,0	7,4	4,9
Bolivia	0,4	2,5	1,7	2,4	2,8	3,6	3,7	2,5
Brazil	0,8	4,4	1,3	1,9	0,5	4,9	3,4	3,5
Chile	-0,8	4,5	3,4	2,2	3,7	6,1	5,9	5,3
Colômbia	-4,2	2,9	1,5	1,9	4,1	4,1	4,0	3,8
Ecuador	-6,3	2,8	5,1	3,4	2,7	6,9	2,8	3,1
Mexico	3,9	6,6	-0,2	0,8	1,4	4,4	3,3	3,4
Paraguay	-1,5	-3,3	2,1	0,0	3,8	4,0	2,9	3,5
Peru	0,9	2,9	0,2	4,9	4,0	4,8	5,1	4,3
Uruguay	-2,8	-1,4	-3,4	-11,0	2,2	12,3	5,8	4,0
Venezuela	-6,0	3,7	3,4	-8,9	-7,7	17,9	7,1	4,3
Dominican Republic	8,1	7,8	4,0	4,3	-1,6	2,0	4,0	4,5
Asia and Pacific	6,2	6,7	5,6	6,6	8,1	8,2	7,3	6,8
China	7,1	8,0	7,5	8,3	9,3	9,5	9,1	8,4
Singapore	6,8	9,6	-2,0	3,2	1,4	8,4	4,0	4,5
South Korea	9,5	8,5	3,8	7,0	3,1	4,6	3,7	4,6
Philippines	3,4	4,4	1,8	4,3	4,7	6,1	4,7	4,5
Hong Kong	3,4	10,2	0,5	1,9	3,2	8,1	4,0	4,0
India	6,9	4,7	4,8	4,4	7,5	7,3	7,1	6,8
Indonesia	0,8	4,9	3,8	4,4	4,9	5,1	5,7	5,7
Malaysia	6,1	8,9	0,3	4,1	5,3	7,1	6,0	6,2
Tailand	4,4	4,8	2,2	5,3	6,9	6,1	3,8	4,9
Taiwan	5,3	5,8	-2,2	3,9	3,3	5,7	4,0	4,3
Central and Eastern Europe	0,5	4,9	0,2	4,4	4,6	6,5	4,6	5,0
Russia	6,3	10,0	5,1	4,7	7,3	7,2	5,8	5,7

Source: IMF

Note: The forecasts for 2005 and 2006 are average expectations from the forecasts' tables.

Table 9 - Macroeconomic Indicators

Consumer Price Index - %								
	1999	2000	2001	2002	2003	2004E	2005f	2006f
<b>Developed Countries</b>	<b>1,4</b>	<b>2,2</b>	<b>2,1</b>	<b>1,5</b>	<b>1,8</b>	<b>2,0</b>	<b>2,3</b>	<b>2,1</b>
European Union	1,7	2,5	2,6	2,2	2,0	2,2	2,1	1,8
Japan	-0,3	-0,9	-0,7	-1,0	-0,2	0,0	-0,2	0,2
United States	2,2	3,4	2,8	1,6	2,3	2,7	3,2	2,9
Canada	1,7	2,7	2,5	2,3	2,7	1,8	2,2	2,3
UK	1,4	0,8	1,2	1,3	1,4	1,3	2,0	2,0
Euro Zone	1,1	2,1	2,3	2,3	2,1	2,1	2,1	1,8
Germany	0,6	1,4	1,9	1,3	1,0	1,8	1,7	1,6
France	0,6	1,8	1,8	1,9	2,2	2,3	1,8	1,6
Italy	1,7	2,6	2,3	2,6	2,8	2,3	2,0	2,0
<b>Developing Countries</b>	<b>10,4</b>	<b>7,3</b>	<b>6,7</b>	<b>5,9</b>	<b>6,0</b>	<b>5,8</b>	<b>5,6</b>	<b>5,5</b>
Africa	11,5	13,1	12,2	9,6	10,4	7,8	6,9	6,7
Latin America and Caribbean	9,5	8,6	5,9	11,4	7,1	6,8	6,1	5,8
Argentina	-1,2	-0,9	-1,1	25,9	13,4	4,4	10,2	10,2
Bolivia	2,2	4,6	1,6	0,9	3,3	4,4	5,5	3,2
Brazil <sup>(1)</sup>	8,9	6,0	7,7	12,5	9,3	7,6	5,5	4,6
Chile	3,3	3,8	3,6	2,5	2,8	1,1	3,4	3,1
Colômbia	10,9	9,2	8,0	6,3	7,1	5,9	5,0	4,6
Ecuador	52,2	96,1	37,7	12,6	7,9	2,7	2,4	2,2
Mexico	16,6	9,5	6,4	5,0	4,5	4,7	3,9	3,7
Paraguay	6,8	9,0	7,3	10,5	14,2	4,3	4,8	4,7
Peru	3,5	3,8	2,0	0,2	2,3	3,7	1,8	2,5
Uruguay	5,7	4,8	4,4	14,0	19,4	9,2	5,2	6,6
Venezuela	23,6	16,2	12,5	22,4	31,1	21,7	16,5	16,6
Dominican Republic	6,5	7,7	8,9	5,2	27,4	51,5	3,7	7,8
Asia and Pacific	2,5	1,9	2,7	2,1	2,6	4,2	3,9	4,5
China	-1,4	0,4	0,7	-0,8	1,2	3,9	3,0	3,5
India	4,7	4,0	3,8	4,3	3,8	3,8	4,5	5,3
Central and Eastern Europe	22,9	22,7	19,4	14,7	9,2	6,5	6,6	5,7
Russia	85,7	20,8	21,5	15,8	13,7	10,9	12,8	11,0

Source: IMF and Central of Brazil

(1) IPCA and Average of market predictions surveyed by the Central Bank on 11/11/2005.

Table 10 - Macroeconomic Indicators

Public Account Balance - % do GDP								
	1999	2000	2001	2002	2003	2004E	2005f	2006f
<b>Developed Countries</b>	<b>-1,1</b>	<b>0,0</b>	<b>-1,5</b>	<b>-3,4</b>	<b>-3,9</b>	<b>-3,4</b>	<b>-2,9</b>	<b>-3,0</b>
European Union	-1,1	0,4	-1,5	-2,5	-3,0	-2,8	-3,1	-3,2
Japan	-7,2	-7,5	-6,1	-7,9	-7,8	-7,2	-6,6	-6,2
United States	0,6	1,3	-0,7	-4,0	-4,6	-4,0	-3,5	-3,4
Canada	1,6	2,9	0,7	-0,1	0,0	0,7	0,8	0,5
UK	1,1	3,9	0,8	-1,5	-3,2	-3,0	-3,1	-3,2
Euro Zone	-1,3	-0,9	-1,8	-2,5	-2,8	-2,7	-2,9	-3,0
Germany	-1,5	1,3	-2,8	-3,7	-4,0	-3,7	-3,7	-3,5
France	-2,5	-1,5	-1,5	-3,1	-4,2	-3,7	-3,2	-3,5
Italy	-1,7	-0,8	-3,2	-2,7	-3,2	-3,2	-4,4	-5,0
<b>Developing Countries</b>	<b>-3,8</b>	<b>-2,9</b>	<b>-3,2</b>	<b>-3,4</b>	<b>-2,8</b>	<b>-2,2</b>	<b>-0,9</b>	<b>-1,0</b>
Africa	-3,4	-1,3	-1,9	-2,5	-1,5	-0,8	-1,2	-2,2
Latin America and Caribbean	-2,9	-2,7	-3,2	-2,6	-2,5	-	-1,1	-1,2
Argentina	-1,7	-2,4	-3,2	-1,5	0,5	0,9	2,0	1,9
Bolivia	-3,9	-3,7	-6,9	-9,0	-7,9	-6,0	-	-
Brazil	-10,5	-4,5	-5,2	-4,6	-5,2	-1,9	-3,5	-3,2
Chile	-1,4	0,1	-0,3	-0,8	-0,8	2,5	2,5	1,8
Colômbia	-5,5	-5,9	-5,9	-3,6	-2,8	-2,5	-1,6	-2,0
Ecuador	-3,9	1,5	0,4	0,6	1,2	-	1,0	0,5
Mexico	-1,5	-1,3	-0,7	-1,2	-0,6	-1,3	-0,2	-0,2
Paraguay	-3,3	-4,4	-0,4	-2,1	-2,3	0,3	-	-
Peru	-3,1	-3,2	-3,2	-2,5	-1,8	-1,4	-1,1	-1,0
Uruguay	-4,0	-4,1	-4,3	-4,0	-3,2	-2,5	-2,0	-1,0
Venezuela	-1,6	-1,8	-4,4	-6,3	-7,4	-1,9	-0,4	-1,5
Dominican Republic	-4,0	-4,1	-4,3	-4,0	-3,2	-	-	-
Asia and Pacific	-4,3	-4,4	-4,2	-4,1	-3,6	-3,2	-1,4	-1,4
China	-4,0	-3,6	-3,1	-3,3	-2,8	-2,2	-0,7	-0,7
India	-5,5	-5,7	-6,2	-6,1	-5,3	-5,5	-4,3	-4,0
Central and Eastern Europe	-5,0	-4,6	-6,8	-6,5	-4,8	-5,2	1,3	1,0
Russia	-4,2	0,8	2,7	1,3	1,5	3,7	5,3	4,3

Source: IMF

Note: The forecasts for 2005 and 2006 are average expectations from the forecasts' tables.



Table 11 - Macroeconomic Indicators

Public Sector Debt - % of GDP						
	1999	2000	2001	2002	2003	2004E
<b>Developed Countries</b>	<b>46,3</b>	<b>43,9</b>	<b>43,9</b>	<b>46,2</b>	<b>48,6</b>	-
European Union	50,2	47,7	47,3	48,7	50,1	-
Japan	53,5	59,1	65,1	71,4	76,2	81,2
United States	44,3	39,0	38,0	40,8	42,8	44,3
Canada	53,5	44,8	40,5	37,9	34,3	32,2
UK	39,8	36,9	33,5	34,3	34,7	37,0
Euro Zone	54,1	52,3	52,7	55,0	56,1	56,7
Germany	45,5	42,5	44,2	48,4	53,2	57,4
France	33,6	34,9	36,7	42,3	44,0	44,4
Italy	104,6	99,1	98,9	98,6	97,2	95,6
<b>Developing Countries</b>	-	-	-	-	-	-
Africa	-	-	-	-	-	-
Latin America and Caribbean	-	-	-	67,0	-	-
Argentina	44,2	47,2	62,2	127,7	139,6	125,8
Bolivia	71,3	58,8	53,7	61,6	73,0	73,8
Brazil	49,2	49,4	52,6	55,9	57,2	51,7
Chile	40,1	41,7	42,9	43,4	40,2	35,5
Colômbia	39,8	36,9	44,3	50,3	52,3	53,0
Ecuador	100,6	91,4	70,2	58,2	53,2	47,2
Mexico	19,3	19,0	19,7	20,3	20,7	19,4
Paraguay	31,9	34,0	38,4	49,7	49,4	43,2
Peru	19,3	19,0	19,7	20,3	20,7	19,4
Uruguay	31,1	35,7	42,8	85,1	105,3	88,4
Venezuela	29,3	27,2	30,4	42,7	45,9	39,0
Dominican Republic	26,9	26,1	23,8	20,9	-	-
Asia and Pacific	-	-	-	-	-	-
China	6,1	8,6	10,4	13,2	13,3	-
India	52,7	56,5	57,6	60,6	62,2	-
Central and Eastern Europe	-	-	-	-	-	-
Russia	88,1	62,2	49,4	42,0	34,8	-

Source: IMF, Economist, BBVA, CEPAL, OECD

Table 12 - Macroeconomic Indicators

External Debt - US\$ Billion						
	1999	2000	2001	2002	2003	2004E
Latin America and Caribbean	752,0	728,1	734,1	723,1	748,1	752,0
Argentina	152,6	155,0	166,3	156,7	165,0	172,8
Bolivia	4,6	4,5	4,4	4,3	5,0	5,0
Brazil	225,6	216,9	209,9	210,7	214,9	201,4
Chile	34,8	37,2	38,5	40,7	43,4	43,8
Colômbia	36,7	36,1	39,1	37,3	38,1	39,6
Ecuador	16,3	13,6	14,4	16,3	16,6	17,0
Mexico	166,4	148,7	144,5	134,7	132,0	130,5
Paraguay	2,7	2,8	2,7	2,9	3,1	3,0
Peru	28,6	28,0	27,2	27,9	29,6	31,1
Uruguay	8,3	8,9	8,9	10,5	11,0	11,6
Venezuela	37,0	36,4	35,4	35,5	39,7	44,5
Dominican Republic	3,7	3,7	4,2	4,5	6,0	6,4

Source: CEPAL

Table 13 - Macroeconomic Indicators

Exports - US\$ Billion						
	1999	2000	2001	2002	2003	2004E
<b>Developed Countries</b>	<b>5.491,1</b>	<b>5.927,3</b>	<b>5.692,4</b>	<b>5.904,4</b>	<b>6.773,3</b>	<b>7.985,2</b>
European Union	2.237,0	2.316,0	2.315,0	2.449,0	2.901,0	-
Japan	417,0	478,6	402,7	416,0	470,8	564,6
United States	687,6	774,3	726,1	689,9	718,8	813,5
Canada	237,1	275,4	259,6	250,9	270,1	313,9
UK	265,3	282,9	272,6	288,6	307,7	348,4
Euro Zone	2.232,3	2.268,1	2.305,6	2.457,2	2.948,7	3.491,5
Germany	542,3	549,0	570,7	592,0	747,8	911,1
France	295,8	295,2	289,3	304,6	357,7	410,3
Italy	234,8	240,3	244,0	254,2	299,2	348,7
<b>Developing Countries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.618,8</b>	<b>2.178,0</b>	<b>-</b>
Africa	116,6	146,7	137,7	140,1	173,0	-
Latin America and Caribbean	299,4	359,1	343,3	346,8	377,3	463,6
Argentina	23,2	26,3	26,5	25,5	29,5	34,2
Bolivia	1,3	1,4	1,3	1,4	1,6	2,2
Brazil	47,7	54,9	57,9	60,0	72,8	94,6
Chile	15,4	17,9	18,5	17,2	19,8	30,6
Colômbia	11,6	13,2	12,3	11,8	12,5	16,2
Ecuador	4,4	4,8	4,6	5,0	6,0	7,6
Mexico	136,1	166,1	158,4	160,6	165,2	187,8
Paraguay	0,7	0,9	1,0	1,0	1,2	1,6
Peru	4,7	5,7	5,7	6,0	6,7	10,1
Uruguay	2,2	2,3	2,0	1,8	2,2	2,9
Venezuela	20,1	30,9	25,2	23,9	24,9	37,9
Dominican Republic	5,1	5,7	5,3	5,2	5,5	5,8
Asia and Pacific	1.546,0	1.831,8	1.671,8	1.803,1	1.901,0	-
China	194,3	249,2	266,1	325,6	438,2	593,3
India	36,9	45,2	44,3	52,5	63,0	79,8
Central and Eastern Europe	101,6	116,0	129,4	148,1	192,0	-
Russia	74,7	103,0	100,7	100,4	133,7	180,9
<b>World</b>	<b>7.038,4</b>	<b>7.826,9</b>	<b>7.565,3</b>	<b>7.938,3</b>	<b>9.234,8</b>	<b>11.149,7</b>

Source: World Trade Organization, ECLAC, Comtrade, CIA

Table 14 - Macroeconomic Indicators

Imports - US\$ Billion						
	1999	2000	2001	2002	2003	2004E
<b>Developed Countries</b>	<b>5.492,8</b>	<b>6.085,5</b>	<b>5.825,6</b>	<b>6.013,1</b>	<b>6.897,3</b>	<b>8.186,2</b>
European Union	2.263,0	2.405,0	2.358,0	2.447,0	2.920,0	-
Japan	309,0	378,9	348,9	336,7	382,8	454,1
United States	1.056,2	1.255,4	1.178,0	1.199,9	1.302,2	1.521,3
Canada	214,9	239,5	227,2	221,8	239,5	272,2
UK	315,3	339,4	338,0	351,7	393,5	461,1
Euro Zone	2.131,6	2.230,7	2.215,0	2.301,6	2.782,3	3.304,3
Germany	472,6	500,1	485,2	471,1	601,1	717,3
France	286,2	303,4	293,5	303,5	362,2	430,7
Italy	216,4	234,6	232,6	243,3	294,2	347,5
<b>Developing Countries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.441,5</b>	<b>1.963,0</b>	<b>-</b>
Africa	127,7	129,6	132,1	135,1	166,0	-
Latin America and Caribbean	306,2	355,6	347,2	322,8	333,2	405,4
Argentina	25,5	23,9	20,3	9,0	13,8	23,3
Bolivia	1,8	1,8	1,7	1,8	1,7	1,9
Brazil	51,7	58,9	58,5	49,7	50,8	65,3
Chile	13,9	16,6	16,1	15,4	17,4	22,4
Colômbia	10,7	11,8	12,8	13,2	13,9	17,1
Ecuador	3,0	3,4	5,4	6,4	6,5	7,9
Mexico	141,6	173,9	167,9	168,4	171,0	196,6
Paraguay	1,9	2,2	2,2	1,7	2,5	3,1
Peru	6,8	7,4	7,3	7,5	8,4	10,1
Uruguay	3,4	3,5	3,1	2,0	2,2	3,1
Venezuela	13,6	14,6	16,4	11,7	8,4	14,7
Dominican Republic	8,0	9,5	8,8	8,8	7,6	7,8
Asia and Pacific	1.354,4	1.662,9	1.544,8	1.640,9	1.739,0	-
China	165,7	225,1	243,6	295,2	412,8	561,2
India	45,8	47,1	47,7	57,3	70,8	98,0
Central and Eastern Europe	130,2	146,7	159,4	177,2	226,0	-
Russia	40,4	45,5	41,5	42,1	57,4	75,0
<b>World</b>	<b>6.990,3</b>	<b>7.830,4</b>	<b>7.596,8</b>	<b>7.911,5</b>	<b>9.177,0</b>	<b>11.087,5</b>

Source: World Trade Organization, ECLAC, Comtrade, CIA

Table 15 - Macroeconomic Indicators

Trade Balance - US\$ billion								
	1999	2000	2001	2002	2003	2004E	2005 f	2006 f
<b>Developed Countries</b>	<b>-1,7</b>	<b>-158,2</b>	<b>-133,2</b>	<b>-108,7</b>	<b>-124,0</b>	<b>-95,1</b>	<b>-239,4</b>	<b>-228,0</b>
European Union	-26,0	-89,0	-43,0	2,0	-19,0	173,0	-	-
Japan	108,0	99,7	53,9	79,3	88,0	110,5	79,0	97,0
United States	-368,6	-481,1	-451,9	-510,0	-583,4	-707,8	-710,5	-761,7
Canada	22,2	35,9	32,4	29,1	30,5	41,7	39,4	49,7
UK	-50,0	-56,6	-65,4	-63,1	-85,8	-112,7	-77,4	-83,5
Euro Zone	100,7	37,4	90,6	155,6	166,4	187,2	172,9	184,0
Germany	69,7	48,9	85,5	120,8	146,7	193,8	150,3	166,9
France	9,6	-8,2	-4,2	1,1	-4,5	-20,4	-8,0	-0,7
Italy	18,4	5,7	11,3	10,9	5,0	1,2	-9,6	-14,8
<b>Developing Countries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177,3</b>	<b>215,0</b>	<b>-</b>	<b>-</b>	<b>-</b>
Africa	-11,1	17,1	5,6	5,0	7,0	-	-	-
Latin America and Caribbean	-6,8	3,5	-3,9	24,0	44,1	58,2	72,8	47,7
Argentina	-2,3	2,5	6,2	16,6	15,7	10,9	10,5	8,4
Bolivia	-0,5	-0,4	-0,4	-0,4	-0,1	0,3	-	-
Brazil	-4,0	-4,0	-0,6	10,3	21,9	29,3	37,4	30,1
Chile	1,5	1,3	2,4	1,8	2,4	8,2	8,4	6,2
Colômbia	0,9	1,4	-0,5	-1,4	-1,4	-0,9	1,8	0,5
Ecuador	1,4	1,4	-0,7	-1,4	-0,5	-0,3	0,7	0,5
Mexico	-5,5	-7,8	-9,5	-7,8	-5,8	-8,8	-12,1	-14,4
Paraguay	-1,2	-1,3	-1,2	-0,7	-1,2	-1,5	-	-
Peru	-2,1	-1,7	-1,7	-1,5	-1,7	0,0	3,1	2,7
Uruguay	-1,1	-1,2	-1,0	-0,1	0,0	-0,2	-	-
Venezuela	6,5	16,3	8,8	12,3	16,6	23,2	24,6	21,2
Dominican Republic	-2,9	-3,8	-3,5	-3,7	-2,1	-2,0	-	-
Asia and Pacific	191,6	168,9	127,0	162,2	162,0	-	-	-
China	28,6	24,1	22,6	30,4	25,4	32,1	97,7	123,9
India	-8,9	-1,9	-3,4	-4,8	-7,8	-18,2	-38,1	-47,3
Central and Eastern Europe	-28,6	-30,7	-30,0	-29,1	-34,0	-	-	-
Russia	34,3	57,5	59,1	58,3	76,3	105,9	-	-
<b>World</b>	<b>48,1</b>	<b>-3,5</b>	<b>-31,5</b>	<b>26,8</b>	<b>57,8</b>	<b>-</b>	<b>91,2</b>	<b>54,0</b>

Source: World Trade Organization, ECLAC, Comtrade, CIA

Note: The forecasts for 2005 and 2006 are average expectations from the forecasts' tables.

Table 16 - Macroeconomic Indicators

Current Account Balance - US\$ Billion						
	1999	2000	2001	2002	2003	2004E
<b>Developed Countries</b>	<b>-109,8</b>	<b>-262,0</b>	<b>-210,8</b>	<b>-222,5</b>	<b>-219,6</b>	<b>-314,0</b>
European Union	-15,6	-82,1	-26,0	22,1	7,5	13,3
Japan	114,5	119,6	87,8	112,6	136,2	172,1
United States	-300,1	-416,0	-389,5	-475,2	-519,7	-668,1
Canada	1,7	19,7	16,2	13,5	13,2	22,2
UK	-39,3	-37,0	-31,9	-24,8	-27,4	-42,1
Euro Zone	31,7	-37,0	7,0	48,5	26,7	46,7
Germany	-25,6	-30,2	3,0	45,5	51,1	103,8
France	42,0	18,0	21,5	14,5	7,9	-8,4
Italy	8,2	-5,8	-0,7	-9,5	-19,6	-15,0
<b>Developing Countries</b>	<b>-17,5</b>	<b>88,4</b>	<b>42,5</b>	<b>85,8</b>	<b>143,9</b>	<b>227,7</b>
Africa	-15,4	7,3	0,7	-8,2	-3,1	0,6
Latin America and Caribbean	-54,7	-46,3	-51,5	-13,5	7,9	18,0
Argentina	-11,9	-9,0	-3,9	8,6	7,4	3,0
Bolivia	-0,5	-0,4	-0,3	-0,3	0,0	0,3
Brazil	-25,3	-24,2	-23,2	-7,6	4,2	11,7
Chile	0,1	-0,9	-1,1	-0,6	-1,1	1,4
Colômbia	0,7	0,7	-1,1	-1,4	-1,2	-1,0
Ecuador	0,8	0,8	-0,7	-1,2	-0,5	0,0
Mexico	-13,9	-18,6	-17,6	-13,5	-8,6	-7,4
Paraguay	-0,2	-0,2	-0,3	0,1	0,1	0,0
Peru	-1,5	-1,6	-1,2	-1,1	-1,1	0,0
Uruguay	-0,5	-0,6	-0,5	0,4	0,0	-0,1
Venezuela	2,1	11,9	2,0	7,6	11,4	13,8
Dominican Republic	-0,4	-1,0	-0,8	-0,8	1,0	1,5
Asia and Pacific	48,5	46,1	40,7	72,3	84,8	93,0
China	15,7	20,5	17,4	35,4	45,9	68,7
India	-3,2	-4,6	1,4	7,1	6,9	-0,8
Central and Eastern Europe	-26,6	-32,7	-16,6	-24,5	-37,3	-50,1
Russia	22,2	44,6	33,4	30,9	35,4	59,9
<b>World</b>	<b>-127,3</b>	<b>-173,7</b>	<b>-168,3</b>	<b>-136,7</b>	<b>-75,6</b>	<b>-86,3</b>

Source: IMF



Table 17 - Macroeconomic Indicators

Current Account Balance - % of GDP								
	1999	2000	2001	2002	2003	2004E	2005f	2006f
<b>Developed Countries</b>	<b>-0,4</b>	<b>-1,0</b>	<b>-0,8</b>	<b>-0,9</b>	<b>-0,8</b>	<b>-1,0</b>	<b>-1,5</b>	<b>-1,7</b>
European Union	-0,2	-1,0	-0,3	0,2	0,1	0,1	-0,1	-0,2
Japan	2,6	2,5	2,1	2,8	3,2	3,7	3,4	3,5
United States	-3,2	-4,2	-3,8	-4,5	-4,7	-5,7	-6,3	-6,4
Canada	0,3	2,7	2,3	1,8	1,5	2,2	1,5	1,3
UK	-2,7	-2,6	-2,2	-1,6	-1,5	-2,0	-2,1	-2,2
Euro Zone	0,5	-0,6	0,1	0,7	0,3	0,5	0,3	0,3
Germany	-1,2	-1,6	0,2	2,2	2,1	3,8	4,1	4,0
France	2,9	1,3	1,6	1,0	0,4	-0,4	-1,3	-1,2
Italy	0,7	-0,5	-0,1	-0,8	-1,3	-0,9	-1,8	-1,6
<b>Developing Countries</b>	<b>-0,3</b>	<b>1,4</b>	<b>0,7</b>	<b>1,3</b>	<b>2,0</b>	<b>2,7</b>	<b>3,6</b>	<b>3,5</b>
Africa	-3,6	1,6	0,1	-1,8	-0,5	0,1	2,2	2,9
Latin America and Caribbean	-3,2	-2,4	-2,8	-0,9	1,2	0,5	0,8	-0,1
Argentina	-4,2	-3,2	-1,4	8,5	5,8	2,0	1,2	0,0
Bolivia	-5,9	-5,3	-3,4	-4,1	0,6	2,9	2,6	2,9
Brazil	-4,7	-4,0	-4,5	-1,7	0,8	1,9	1,5	0,8
Chile	0,1	-1,2	-1,6	-0,9	-1,5	1,5	0,6	-0,4
Colômbia	0,8	0,9	-1,4	-1,7	-1,5	-1,0	-0,9	-1,5
Ecuador	4,6	5,3	-3,3	-4,9	-1,8	0,0	0,8	0,6
Mexico	-2,9	-3,2	-2,8	-2,1	-1,4	-1,1	-1,2	-1,4
Paraguay	-2,3	-2,3	-4,1	1,8	2,2	0,4	-1,4	-0,8
Peru	-2,8	-2,9	-2,2	-2,0	-1,8	0,0	0,0	-0,4
Uruguay	-2,4	-2,8	-2,9	3,2	-0,3	-0,8	-1,1	-3,4
Venezuela	2,2	10,1	1,6	8,2	13,6	12,7	14,7	10,6
Dominican Republic	-2,4	-5,1	-3,4	-3,7	6,3	7,6	1,6	0,4
Asia and Pacific	2,4	2,1	1,8	2,9	3,0	2,9	3,5	3,1
China	1,6	1,9	1,5	2,8	3,2	4,2	5,8	5,2
India	-0,7	-1,0	0,3	1,4	1,2	-0,1	-1,7	-2,0
Central and Eastern Europe	-4,4	-5,4	-2,8	-3,6	-4,4	-4,9	-1,1	-1,1
Russia	11,3	17,2	10,9	9,0	8,2	10,3	12,6	11,4

Source: IMF

Note: The forecasts for 2005 and 2006 are average expectations from the forecasts' tables.

Table 18 - Macroeconomic Indicators

Foreign Direct Investment Inflows - US\$ Billion						
	1999	2000	2001	2002	2003	2004E
<b>Developed Countries</b>	<b>849,1</b>	<b>1.134,3</b>	<b>596,3</b>	<b>547,8</b>	<b>442,2</b>	<b>380,0</b>
European Union	479,4	671,4	357,4	374,0	295,2	165,0
Japan	12,7	8,3	6,2	9,2	6,3	7,8
United States	283,4	314,0	159,5	71,3	56,8	95,9
Canada	24,7	66,8	27,7	21,5	6,3	6,3
UK	88,0	118,8	52,6	24,0	20,3	78,4
Euro Zone	-	-	-	-	-	-
Germany	56,1	198,3	26,4	50,5	27,3	38,6
France	46,5	43,3	50,5	49,0	42,5	24,3
Italy	6,9	13,4	14,9	14,5	16,4	16,8
<b>Developing Countries</b>	<b>232,5</b>	<b>253,2</b>	<b>217,8</b>	<b>155,5</b>	<b>166,3</b>	<b>233,2</b>
Africa	11,9	9,6	20,0	13,0	18,0	18,1
Latin America and Caribbean	108,6	97,5	89,1	50,5	46,9	67,5
Argentina	24,0	10,4	2,2	2,1	1,9	4,3
Bolivia	1,0	0,7	0,7	0,7	0,2	0,1
Brazil	28,6	32,8	22,5	16,6	10,1	18,2
Chile	8,8	4,9	4,2	2,6	4,4	7,6
Colômbia	1,5	2,4	2,5	2,1	1,8	2,7
Ecuador	0,6	0,7	1,3	1,3	1,6	1,2
Mexico	13,2	16,8	27,6	15,1	11,4	16,6
Paraguay	0,1	0,1	0,1	0,0	0,0	0,1
Peru	1,9	0,8	1,1	2,2	1,3	1,8
Uruguay	0,2	0,3	0,3	0,2	0,4	0,3
Venezuela	2,9	4,7	3,7	0,8	2,7	1,5
Dominican Republic	1,3	1,0	1,1	0,9	0,6	0,6
Asia and Pacific	112,0	146,0	108,7	92,0	101,4	147,6
China	40,3	40,7	46,9	52,7	53,5	60,6
India	2,2	2,3	3,4	3,4	4,3	5,3
Central and Eastern Europe	26,5	27,5	26,4	31,2	21,0	36,0
Russia	3,3	2,7	2,7	3,5	8,0	11,7
<b>World</b>	<b>1.086,8</b>	<b>1.388,0</b>	<b>817,6</b>	<b>678,8</b>	<b>559,6</b>	<b>612,0</b>

Source: UNCTAD

Table 19 - Macroeconomic Indicators

Foreign Currency Reserves - US\$ Billion						
	1999	2000	2001	2002	2003	2004E
<b>Developed Countries</b>	-	-	-	-	-	-
European Union	-	-	-	-	-	-
Japan	286,9	354,9	395,2	461,2	663,3	829,4
United States	60,5	56,6	57,6	68,0	74,9	87,0
Canada	28,1	31,9	34,0	37,0	36,2	36,4
UK	35,9	43,9	37,3	39,4	41,9	43,1
Euro Zone	256,8	242,3	234,5	246,5	234,8	-
Germany	61,0	56,9	51,3	51,2	50,7	53,5
France	39,7	37,0	31,7	28,4	30,2	39,4
Italy	22,4	25,6	24,4	24,5	34,5	31,9
<b>Developing Countries</b>	<b>725,9</b>	<b>815,4</b>	<b>910,5</b>	<b>1.088,1</b>	<b>1.412,6</b>	<b>1.711,2</b>
Africa	42,4	54,5	64,8	72,6	87,0	113,8
Latin America and Caribbean	158,7	160,3	161,6	147,0	179,0	-
Argentina	26,3	25,1	14,9	10,4	14,1	19,6
Bolivia	0,9	0,8	0,8	0,5	0,7	0,7
Brazil	23,9	31,5	35,8	37,7	49,3	52,7
Chile	14,4	15,0	14,2	15,4	15,9	16,0
Colômbia	8,0	8,9	10,2	10,8	10,9	13,5
Ecuador	1,6	0,9	0,8	0,7	0,8	1,1
Mexico	31,8	35,5	44,7	50,6	59,0	61,5
Paraguay	1,0	0,8	0,7	0,6	0,9	0,9
Peru	8,7	8,4	8,6	9,6	10,2	12,6
Uruguay	2,1	2,5	2,9	0,8	1,9	2,3
Venezuela	12,3	13,1	18,5	14,8	21,3	24,1
Dominican Republic	6,9	6,3	11,0	8,3	4,9	-
Asia and Pacific	307,7	321,8	380,4	496,9	670,1	850,4
China	158,3	168,9	212,2	286,4	403,3	609,9
India	33,2	38,4	46,4	68,2	99,5	117,1
Central and Eastern Europe	94,9	97,3	98,9	132,0	160,9	170,3
Russia	9,1	24,8	33,1	44,6	73,8	93,9

Source: Central Bank of Brasil, IMF, OECD, Brazil Trade Net, Economist, BBVA.

## OTHER ECONOMIC INDICATORS

Table 20 - Economic Indicators

Average market prices for commodities: 2002 - 2005 <sup>(1)</sup>										
	Units	2002	2003	2004	04 Q4	05 Q1	05 Q2	05 Q3	sep/05	oct/05
<b>Food</b>										
Cereals										
Wheat	\$/MT	149	146	157	154	152	142	151	160	168
Maize	\$/MT	99	105	112	94	97	96	100	97	101
Rice	\$/MT	192	199	246	265	292	294	283	287	291
Barley	\$/MT	109	105	99	92	91	92	98	98	99
Vegetables oils and protein meals										
Soybeans	\$/MT	189	233	277	196	209	239	232	212	211
Soybean meal	\$/MT	184	215	257	172	187	223	217	194	187
Soybean oil	\$/MT	410	500	590	457	464	510	516	497	523
Palm oil	\$/MT	357	410	435	379	356	372	367	370	383
Coconut oil	\$/MT	415	462	673	660	679	659	569	558	585
Fish meal	\$/MT	646	650	693	683	707	696	741	783	817
Sunflower oil	\$/MT	606	650	734	823	1116	1158	1152	1152	1152
Olive oil	\$/MT	2.901	3.797	4.631	4681	5525	5493	5500	5669	5652
Groundnuts	\$/MT	655	856	910	910	910	762	704	700	700
Meat										
Beef	cts/lb	95	90	114	118	118	120	121	120	117
Lamb	cts/lb	146	160	166	174	176	164	155	155	150
Swine meat	cts/lb	47	53	71	74	70	70	68	67	65
Poultry	cts/lb	63	66	76	75	74	74	75	75	74
Seafood										
Fish meal	\$/kg	2,9	3,0	3,3	3,4	3,9	4,1	4,3	4,2	4,1
Shrimp	\$/lb	12,1	11,5	10,4	9,6	10,9	9,8	9,3	9,2	9,4
Sugar										
Free market	cts/lb	6,2	6,9	7,5	8,8	9,0	8,7	10,1	10,8	11,6
United States	cts/lb	21	21	21	20	21	21	21	21	22
EU	cts/lb	25	27	30	31	31	31	30	30	29
Bananas	\$/MT	528	375	525	496	765	569	463	585	489
Oranges	\$/MT	565	683	855	774	831	1065	752	749	756
<b>Beverages</b>										
Coffee										
Other milds	cts/lb	60	64	80	91	121	125	105	98	106
Robusta	cts/lb	31	38	37	35	45	58	55	50	51
Cocoa Beans	\$/MT	1.779	1.753	1.551	1.607	1.678	1.545	1.492	1.504	1.454
<b>Metals</b>										
Copper	\$/MT	1.560	1.779	2.863	3.093	3.265	3.387	3.750	3.851	4.056
Aluminum	\$/MT	1.351	1.433	1.719	1.834	1.902	1.788	1.831	1.838	1.934
Iron Ore	cts/DMTU	29	32	38	38	65	65	65	65	65
Tin	\$/MT	4.061	4.890	8.481	8.852	8.085	7.946	7.060	6.771	6.415
Nickel	\$/MT	6.783	9.630	13.821	14.078	15.406	16.418	14.568	14.155	12.431
Zinc	\$/MT	779	828	1.048	1.116	1.314	1.272	1.298	1.397	1.483
Lead	\$/MT	452	514	882	957	976	983	893	933	999
Uranium	\$/lb	9.8	11.2	18.0	20.3	21.2	26.8	29.8	30.4	32.8
<b>Energy</b>										
Spot cru (APSP 2)	\$/bbl	25.0	28.9	37.8	42.7	46.1	50.8	60.0	61.7	58.2
U.K. Brent	\$/bbl	25.0	28.9	38.3	44.2	47.6	51.6	61.6	63.0	58.5
Dubai	\$/bbl	23.7	26.7	33.5	35.6	41.1	47.7	55.3	56.5	53.7
West Texas Intermediate	\$/bbl	26.1	31.1	41.4	48.3	49.7	53.1	63.1	65.5	62.4
Natural Gas										
Russian in Germany	\$/000M3	96.0	125.5	135.2	156.2	182.2	198.4	220.7	220.7	250.6
Indonesian in Japan	\$/M3	93.1	104.8	123.9	141.2	128.9	145.9	150.8	151.9	151.9
US, domestic market	\$/000M3	121.0	197.8	212.7	229.8	227.3	250.0	355.0	447.0	490.8
Coal										
Australian	\$/MT	27.1	27.7	54.7	55.7	53.0	52.9	50.2	47.0	44.9
South African	\$/MT	26.0	30.0	54.7	58.2	47.8	46.8	49.1	46.6	43.3

<sup>1</sup> Preliminary numbers since 2004<sup>2</sup> Average Petroleum Spot Price

Source: IMF

Table 21 - Economic Indicators

Currency Quotations (in R\$)			
Month	US \$	Euro €	UK £
jan/04	2,85	3,60	5,20
feb/04	2,93	3,70	5,46
mar/04	2,91	3,57	5,32
apr/04	2,91	3,49	5,26
may/04	3,10	3,71	5,52
jun/04	3,13	3,81	5,73
jul/04	3,04	3,74	5,60
ago/04	3,00	3,67	5,48
sep/04	2,89	3,54	5,20
oct/04	2,85	3,57	5,17
nov/04	2,79	3,63	5,20
dec/04	2,72	3,65	5,26
jan/05	2,69	3,55	5,07
feb/05	2,60	3,39	4,92
mar/05	2,70	3,57	5,16
apr/05	2,58	3,35	4,90
may/05	2,45	3,14	4,59
jun/05	2,41	2,94	4,40
jul/05	2,37	2,86	4,16
ago/05	2,36	2,90	4,23
sep/05	2,29	2,82	4,16
oct/05	2,26	2,71	3,98

Source: Central Bank of Brazil and BNDES.

Table 22 - Economic Indicators

Currency Quotations (in m.u./US\$)					
Month	Peso (Argentina)	Peso (Chile)	Peso (Colombia)	Peso (Mexico)	Peso (Uruguay)
jan/04	2,87	572,38	2.749	10,93	29,39
feb/04	2,91	584,31	2.718	11,01	29,53
mar/04	2,88	603,91	2.671	11,00	29,65
apr/04	2,81	608,19	2.636	11,25	29,65
may/04	2,90	635,76	2.719	11,51	29,75
jun/04	2,94	643,18	2.717	11,38	29,74
jul/04	2,96	632,39	2.654	11,47	29,43
ago/04	2,99	635,93	2.599	11,40	28,95
sep/04	2,97	616,20	2.552	11,49	28,04
oct/04	2,95	607,28	2.581	11,39	27,17
nov/04	2,93	596,72	2.530	11,39	26,64
dec/04	2,95	576,17	2.417	11,21	26,53
jan/05	2,92	576,17	2.363	11,26	25,53
feb/05	2,90	573,58	2.340	11,15	24,81
mar/05	2,91	586,38	2.354	11,13	25,47
apr/05	2,88	580,61	2.350	11,13	25,18
may/05	2,87	578,03	2.339	10,99	24,45
jun/05	2,86	585,22	2.327	10,83	24,21
jul/05	2,85	575,77	2.324	10,69	24,58
ago/05	2,88	546,61	2.306	10,67	24,32
sep/05	2,90	536,00	2.295	10,79	24,07
oct/05	2,96	535,88	2.292	10,84	23,62

Source: BCRP and Mecon

Table 23 - Economic Indicators

Month	Interest Rate (annual percent change)					
	TJLP	Selic <sup>(1)</sup>	TR <sup>(2)</sup>	Libor <sup>(3)</sup>		
				6 months	12 months	60 months
jan/04	10,00	16,32	1,55	1,19	1,40	3,56
feb/04	10,00	16,30	0,64	1,12	1,41	3,46
mar/04	10,00	16,19	1,97	1,16	1,33	3,17
apr/04	9,75	15,96	1,11	1,26	1,56	3,66
may/04	9,75	15,77	1,87	1,50	1,97	4,31
jun/04	9,75	15,80	2,13	1,78	2,32	4,40
jul/04	9,75	15,77	2,26	1,89	2,33	4,24
ago/04	9,75	15,86	2,32	1,94	2,30	4,11
sep/04	9,75	16,09	2,09	2,08	2,35	3,87
oct/04	9,75	16,41	1,41	2,21	2,46	3,82
nov/04	9,75	16,96	1,45	2,46	2,76	3,96
dec/04	9,75	17,50	2,66	2,70	3,00	4,05
jan/05	9,75	17,93	2,28	2,87	3,20	4,04
feb/05	9,75	18,47	1,36	3,02	3,35	4,15
mar/05	9,75	18,97	3,06	3,26	3,65	4,57
apr/05	9,75	19,32	2,55	3,38	3,75	4,56
may/05	9,75	19,61	3,07	3,46	3,74	4,36
jun/05	9,75	19,75	3,48	3,60	3,81	4,19
jul/05	9,75	19,72	3,13	3,82	4,03	4,38
ago/05	9,75	19,75	3,86	4,01	4,26	4,58
sep/05	9,75	19,61	-	4,03	4,20	4,42
oct/05	9,75	19,25	-	4,33	4,55	4,75

Source: Central Bank of Brazil and BNDES.

Note: (1) Basic interest rate, annual average - 252 days; (2) Referencial interest rate - first day of the month; (3) Monthly average

Table 24 - Economic Indicators

Month	Stock Index (basis points)					
	Bovespa (Brazil)	Dow Jones (USA)	Nasdaq (USA)	Merval (Argentina)	IPSA (Chile)	IPC (México)
jan/04	8.192	10.488	2.066	407,6	12,5	845
feb/04	7.480	10.584	2.030	382,3	12,5	897
mar/04	7.546	10.357	1.995	422,0	12,5	917
apr/04	7.508	10.229	1.920	407,5	12,3	941
may/04	6.085	10.188	1.987	327,2	11,3	859
jun/04	6.465	10.435	2.048	313,8	11,4	893
jul/04	7.146	10.140	1.887	327,5	12,2	875
ago/04	7.423	10.174	1.838	316,2	12,6	883
sep/04	7.850	10.080	1.897	350,0	13,5	929
oct/04	8.206	10.027	1.975	402,7	14,3	977
nov/04	8.612	10.428	2.097	423,8	14,8	1.046
dec/04	9.422	10.800	2.178	431,8	15,6	1.116
jan/05	9.066	10.490	2.062	454,1	15,2	1.132
feb/05	10.181	10.766	1.052	512,0	15,7	1.220
mar/05	10.203	10.504	1.999	496,9	15,9	1.187
apr/05	9.895	10.193	1.922	470,3	16,1	1.105
may/05	10.137	10.467	2.068	497,3	15,9	1.159
jun/05	10.543	10.275	2.057	504,0	16,1	1.236
jul/05	10.638	10.641	2.185	503,1	16,8	1.311
ago/05	11.442	10.482	2.152	527,4	18,1	1.365
sep/05	13.012	-	-	561,9	18,4	1.428
oct/05	13.238	-	-	546,8	18,7	1.417

Source: Central Bank of Brazil and Mecon.