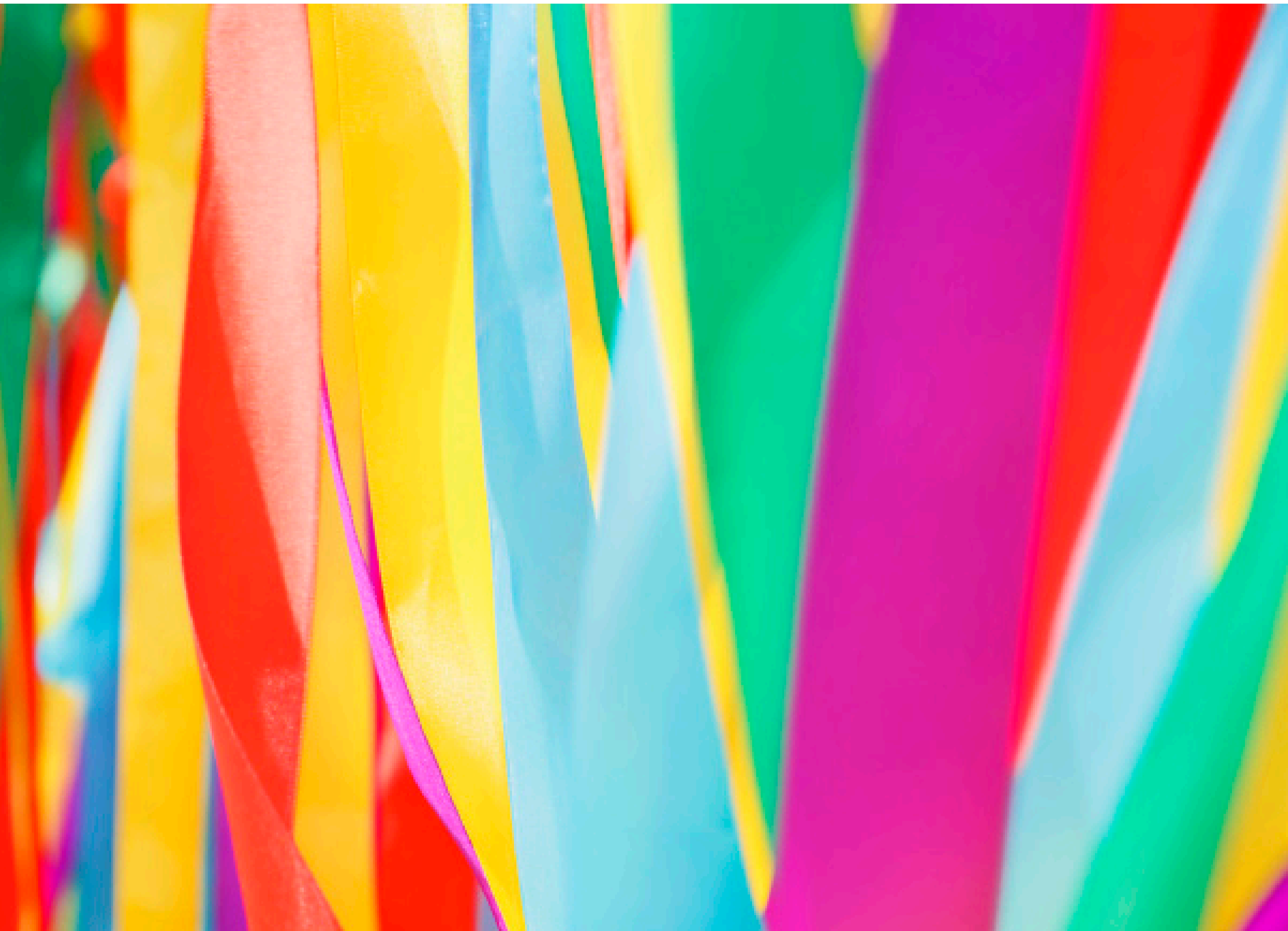
RESPONSIBLE BUSINESS CONDUCT

Responsible Business Conduct Country Fact Sheet

BRAZIL



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This publication was prepared within the framework of the Project on Responsible Business Conduct in Latin America and the Caribbean. Launched in 2019, this project promotes smart, sustainable and inclusive growth in the EU and Latin America and Caribbean by supporting responsible business conduct practices in line with the UN, ILO and OECD instruments. It is jointly implemented by the OECD, ILO, UN Office of the High Commissioner for Human Rights and the European Union.

RBCLAC
Responsible Business Conduct in Latin America and the Caribbean

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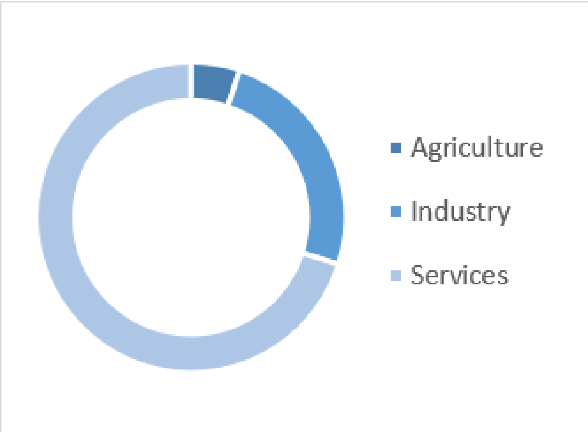
1. Country Overview

The OECD, in partnership with the International Labour Organisation (ILO), the Office of the United Nations High Commissioner for Human Rights (OHCHR), and the European Union (EU), has launched a four-year programme (2019-2022) to promote and enable Responsible Business Conduct in Latin America and the Caribbean (RBCLAC) in nine partner countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama and Peru). Under this programme, the OECD will contribute its expertise on Responsible Business Conduct to strengthen government policies for RBC, help business to conduct due diligence in priority sectors, and strengthen access to remedy by reinforcing National Contact Points for RBC (NCPs). This note provides background information and data on Brazil's trade and investment situation, with a focus on the agriculture, mining/extractives and textiles sectors.

Brazil is the largest and most populous country in the Latin American and Caribbean region. The economy is classified as upper middle income by the World Bank, but Brazil remains one of the most unequal countries in the world in terms of income distribution. Half of the population receives 10% of total household incomes, while other half holds 90% (OECD, 2018[1]).

Brazil is rich in natural resources and raw materials, has a large domestic market of 210 million people and geographic access to several Latin American countries (Santander, 2020[2]). In 2018, the economy was dominated by services (70.1%), industry at 25% of the GDP and agriculture representing 5% of GDP (United Nations, 2019[3]).

Figure 1. Value added by activity (2018)



Source: United Nations Statistics Division (UNSD) (2017), Brazil Economic Indicators, http://data.un.org/en/iso/br.html

Brazil experienced high growth between 2003 and 2013 that allowed the country to achieve significant reduction in poverty lifting 29 million people (14% of the population) out of poverty (World Bank, 2019[4]). From 2010 onwards, economic growth declined, particularly due to a negative external environment. Growth declined from an average of 4.5 percent in 2006-10 to 2.1 percent in 2011-14, followed by contractions of 3.8 percent and 3.6 percent in 2015 and 2016 (World Bank, 2019[4]). Growth resumed at the beginning of 2017. A stronger government commitment to fiscal sustainability and several structural reforms improved confidence, industrial production and credit (OECD, 2018[1]).

Table 1. GDP trends (2000-2017)

	2000	2005	2010	2015	2017
GDP (current bn USD)	655	891	2200	1802	2056
GDP (PPP) (current bn USD)	1528	2047	2803	3225	3241
GDP Growth (%)	4.1	3.1	7.5	-3.5	0.9
GDP per capita (current USD)	3,739	4,770	11,224	8,750	9,821

Source: World Bank (2018), World Development Indicators, https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2017&locations=BR&start=2000

Investment has been on a steady decline since 2013 and is low compared to OECD countries and other emerging economies (OECD, 2018[1]). Looking ahead, investing in infrastructure is of particular importance. Brazil ranks 78 out of 141 countries on infrastructure quality in the latest World Economic Forum survey (World Economic Forum, 2019[5]).

Brazil's low investment reflects difficulties in accessing finance but also an unfavourable business climate that raises costs and curtails returns on investment. Areas where reforms could significantly improve the business climate include red tape and licensing procedures, legal uncertainty, tax compliance costs, labour costs and improvements in workforce skills (OECD, 2018[1]). Although major challenges remain, recent reform efforts have been carried out to seek to improve the business climate, such as the Labour Market Reform of 2017 (Government of Brazil, 2017[6]) or the Social Security Reform of 2019 (Government of Brazil, 2019[7]).

In Brazil, nearly two thirds of businesses, 40% of GDP and 35% of employees are informal (Ulysseay, 2018[8]). The informality rate is more marked for youth, and is particularly accentuated when taking into account ethnicity: for white and Asian workers, the average proportion of informal workers as of 2013 was 41.2%, while for black, mixed-race, and indigenous workers, it increased 15 percentage points to 56.3% (ILO, 2015[9]).

Brazil's ranking in the World Bank Ease of Doing Business scores has fallen from 129 in 2009 (its record high) to 124 in the 2020 ranking[1] (its record low). Some areas of the Ease of Doing Business ranking receive relatively high scores: 'getting electricity', 'protecting minority investors' and 'enforcing contracts'. In contrast, low scores are obtained in 'paying taxes' (184th globally) and 'dealing with construction permits' (170th globally) (World Bank, 2020[10]).

[1] The 2020 indicators cover information collected throughout 2019

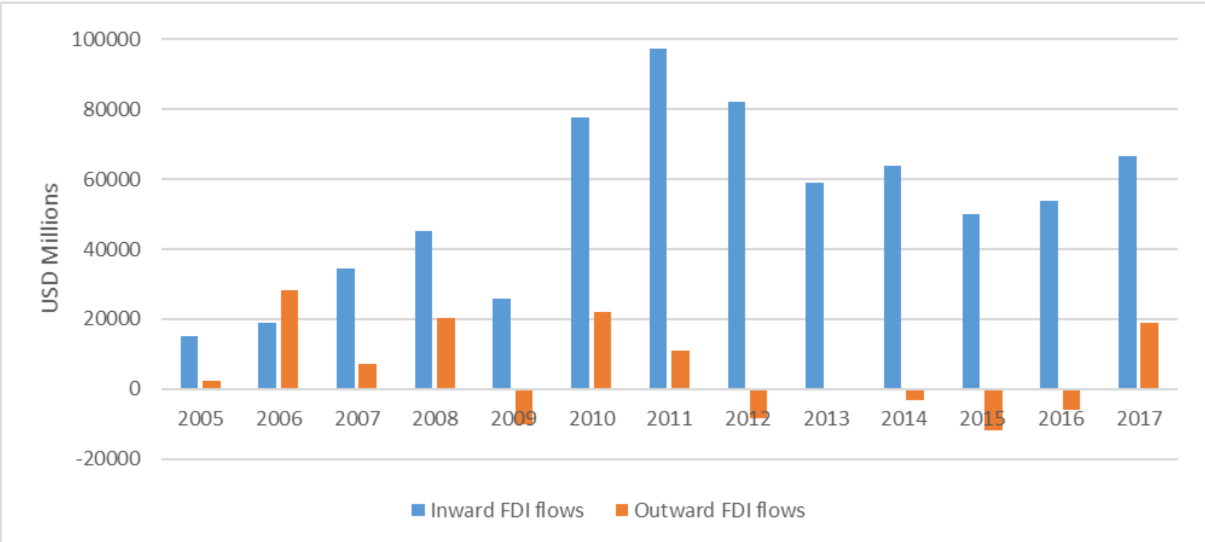
2. Investment

The Brazilian economy is fairly open to international investment flows. Statutory barriers to FDI, as measured by the OECD FDI Restrictiveness Index,[2] are comparable with the OECD average. Particular restrictions are concentrated in a few sectors such as transport and media services (OECD, 2018[1]). Brazil is a popular destination for international investment, mainly in sectors such as oil & gas, agribusiness, automotive and energy (Santander, 2020[2]).

In recent years, Brazil received more than half of South America's total incoming FDI (US Department of State, 2020[11]). Inflows of FDI picked up particularly in 2010 and reached a peak of USD 97 Billion in 2011. After that year, FDI inflows remained substantial but slowed down and settled at lower levels (3% of GDP in 2017). Outflows in 2017 settled at USD 19 Billion, approximately 1% of GDP.

In 2017, FDI to Brazil increased by 8% to USD 66 billion (OECD International Investment Statistics).

Figure 2. FDI flows, 2005-2017



Source: OECD International Investment Statistics

In 2017, the biggest foreign direct investors in Brazil were the Netherlands representing a quarter of Brazil's inward FDI stock, followed by the USA (17.2%), which was historically the top FDI partner in Brazil (Santander, 2020[2]). The Netherlands and Luxembourg belong to the network of around 30 countries that have double taxation prevention treaties with Brazil. While the actual level has yet to be estimated, a considerable portion of investment coming from these two countries is believed to be round tripped Brazilian investment, partly through Offshore Financial Centres (World Bank, 2017[12]).

[2] The FDI Regulatory Restrictiveness Index (FDI Index) measures statutory restrictions on foreign direct investment in 22 economic sectors across 69 countries, including all OECD and G20 countries.

Table 2. Major foreign direct investors (2017)

	USD million	As a share of total inward FDI stock %
Total inward FDI stock	635,124	100
Netherlands	158,420	24,9
United States	109,611	17,2
Luxembourg	60,116	9,4
Spain	57,978	9,1
France	33,304	5,2
United Kingdom	26,543	4 ,1
Switzerland	22,364	3,5
Japan	22,082	3,4
British Virgin Islands	14,859	2,3
Germany	13,626	2,1

Source: IMF Database, Coordinated Direct Investment Survey CDIS, http://data.imf.org/regular.aspx?key=61227424

3. Trade

With exports and imports accounting for less than 25% of its GDP, the Brazilian economy is significantly less integrated into international trade than other emerging market economies of similar size, and other LAC economies (OECD, 2018[1]).

Brazil's economy is vulnerable to external shocks, and sensitive to the price fluctuations of raw materials. In 2017, about 37% of exports were agricultural and food products like soybeans, sugar and coffee, 20% were mineral products like iron ores and concentrates or petroleum oils, and copper. Other important export categories were transport equipment (9%) and metals (7%). In terms of imports, a quarter were machines, followed closely by chemical products (21%). Brazil also imported mineral products, including refined petroleum (16%), and transport vehicles (9%) – especially car parts. (WTO, 2019[13]).

Figure 3. Composition of exports (2017)

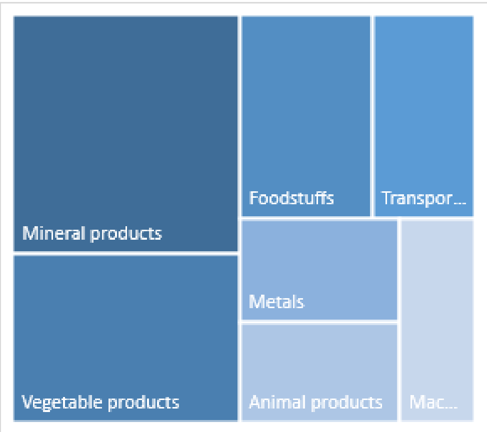
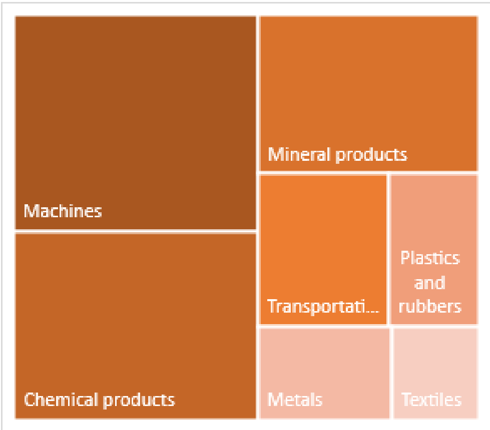


Figure 4. Composition of imports (2017)

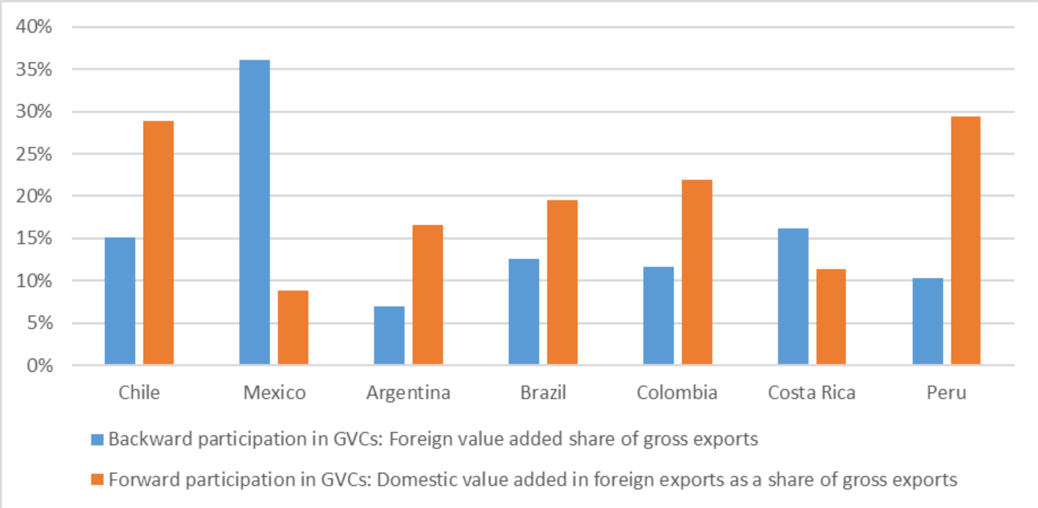


Source: The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development (2019), Brazil, https://atlas.media.mit.edu/en/profile/country/bra/

Brazil has kept a protectionist approach to trade, with high tariffs and limited openness (Gallas, 2018[14]). China, the United States and Argentina are the recipients of more than half of Brazil's total exports (World Bank, 2018[15]). Brazilian trade has become tightly linked with China as 22% of Brazilian exports go to China and 18% of imports originate in China, especially as China's demand for agricultural products such as soybeans has boosted Brazilian exports (Margolis, 2018[16]). Brazil's largest import partners mirror the trend for exports with China, followed by the United States (16%) and Argentina (6%).

Brazil's integration into Global Value Chains (GVCs) is low compared to the region with 13% in 2015 of foreign content share in exports, as per the recent Trade in Value Added statistics.[3] The country imports high technological goods but relies on agricultural products or mining for exports, and particularly on one single partner, China (OECD/WTO, 2015[17]). Brazil's participation in GVCs is thus somewhat higher in forward terms.[4] Brazil makes limited use of foreign intermediate goods and services (OECD, 2018[1]).

Figure 5: Backward and forward participation in GVCs, 2015



Note: Data for Panama and Ecuador are not available.
Source: OECD TiVA 2018.

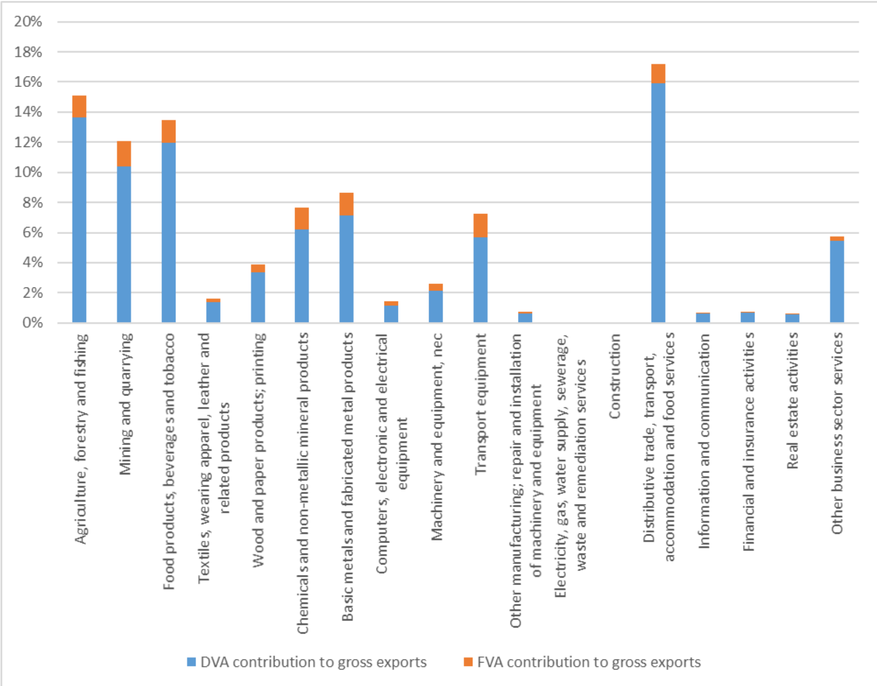
Several important industries are prominent in terms of forward participation: these are agriculture, forestry and fishing, mining, some manufacturing products such as chemicals and metals, and transport equipment.

[3] The 2018 update of the OECD's Trade in Value Added (TiVA) data provides a new suite of indicators to better understand complex trade relations and global supply chains that create value throughout the production and distribution process.

[4] Economies can contribute to global value chains by importing foreign inputs for producing the goods and services they export (backward GVC participation) and also by exporting domestically produced inputs to partners in charge of downstream production stages (forward GVC participation). These degrees of participation are measured empirically through ratios. Forward GVC participation corresponds to the ratio of 'domestic value added sent to third economies' to the economy's total gross exports. It captures the domestic value added contained in inputs sent to third economies for further processing and export through value chains. Backward GVC participation refers to the ratio of the 'Foreign value added content of exports' to the economy's total gross exports.

Figure 6: Industry shares of domestic and foreign value-added content of gross exports

As a percent of total gross exports, 2015



Source: OECD TiVA 2018

Box 1. EU-Brazil Trade Relationship

Brazil and the EU have negotiated a free trade agreement as part of the EU's Association Agreement negotiations with the Mercosur countries. In 2016, Brazil made up about a third of the EU’s total trade with Latin America. For Brazil, the EU is its second biggest trading partner accounting for 18.3 % of its trade in 2016. The EU mainly imports primary products placing Brazil as the first exporter of agricultural products to the EU, especially foodstuffs, beverages and tobacco (16.3% of EU imports from Brazil), followed by vegetable products (17.8%) and mineral products (21.8%). EU's exports to Brazil consist mainly of machinery and appliances (26.6%), chemical products (23.6%), and transport equipment (13.6%) (European Commission, 2020[18]).

Table 3. Top 10 export partners (2017)

Ranking	Country	Exports USD (2017)	
		USD billion	% total exports
1	China	47,48	21.81
2	United States	27,14	12.47
3	Argentina	17,61	8.09
4	The Netherlands	9,25	4.25
5	Japan	5,26	2.42
6	Chile	5	2.31
7	Germany	4.91	2.26
8	India	6,65	2.14
9	Mexico	4.51	2.07
10	Spain	3.84	1.76

Table 4. Top 10 import partners (2017)

Ranking	Country	Imports USD (2017)	
		USD billion	% total exports
1	China	27,32	18.12
2	United States	25,11	16.66
3	Argentina	9,43	6.26
4	Germany	9,22	6.12
5	Korea	5,23	3.48
6	Mexico	4,23	2.81
7	Italy	3,95	2.63
8	Japan	3,72	2.50
9	France	3,72	2.47
10	Chile	3,45	2.29

Source: *World Bank (2019), WITS, Brazil,*
https://wits.worldbank.org/CountryProfile/en/Country/BRA/Year/2017/TradeFlow/Import/Partner/by-country

4. Responsible Business Conduct

In 1997, Brazil adhered to the OECD Declaration on International Investment and Multinational Enterprises (Investment Declaration) and to the OECD Guidelines for Multinational Enterprises (which are part of the Investment Declaration). The National Contact Point for Responsible Business Conduct -officially created in 2003- is currently regulated by Decree No. 9.874 of 27 June 2019 (Government of Brazil, 2019[19]) and its coordination is located at the Secretariat of International Affairs of the Ministry of Economy (See Box 2). Brazil has also adhered to all Council Recommendations on the OECD Due Diligence Guidances, including the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2012); the Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector (2016); the OECD-FAO Guidance for Responsible Agricultural Supply Chains (2016); the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (2017); and the OECD Due Diligence Guidance for Responsible Business Conduct (2018).

Box 2. Brazil National Contact Point at a glance

National Contact Points for Responsible Business Conduct (NCPs for RBC) are agencies established by governments. Their mandate is twofold: to promote the OECD Guidelines for Multinational Enterprises, and the related due diligence guidance, and to handle cases (referred to as "specific instances") as a non-judicial grievance mechanism.

The Brazilian NCP, established in 2003, is an inter-ministerial committee coordinated by the Executive Secretary of the Foreign Trade Board in the Ministry of Economy. The National Investment Committee of the Foreign Trade Chamber of the Ministry of Economy is in charge of overseeing the activities of the National Contact Point. Currently the NCP is headed by one senior official and supported by two additional staff members.

The Brazilian NCP has received so far more than 30 specific instances (the highest number in the LAC region). The NCP of Brazil website is available at http://www.pcn.economia.gov.brhttps://www.gov.br/fazenda/pt-br/assuntos/atuacao-internacional/ponto-de-contato-nacional.

Despite not having a specific public policy or programme relating to RBC, different initiatives have been undertaken by the Government. These include a database maintained by the Special Secretariat of Social Security and Labour, listing employers employing workers in slave-like conditions (Government of Brazil, 2019[20]), the Child Labour Eradication Programme (PETI) of the Special Secretariat for Social Development (Government of Brazil, 2015[21]) and the Brazilian Inclusion Law for persons with disabilities and its regulations with rules for accessibility, diversity and other rights referring to business activities. Additionally, several programmes focused on business integrity are carried out by the Comptroller General of the Union (CGU), such as Pro-Ethics, which aims at promoting the adoption of integrity practices among companies and provide recognition to those that already have a substantial integrity program in place (Comptroller General of the Union, 2020[22]), or the obligation for companies negotiating leniency agreements with the government to create and/or improve their integrity programs, which are then monitored by CGU (Government of Brazil, 2015[23]).

In 2016, the UN Working Group on Business and Human Rights carried out a visit to Brazil (UN Working Group on Business and Human Rights, 2017[24]). The Group considered that despite having a legal system and institutions to protect against human rights abuses, it was necessary for the country to build on and better protect human rights in practice, particularly in the context of economic activities. The Working Group also encouraged Brazil to develop a National Action Plan (NAP) on business and human rights.

Brazil does not have a NAP, but in 2018 the Government published the National Guidelines on Business and Human Rights (see Box 3).

Table 5. Adherence / ratification of international instruments

Instrument	Ratification or adherence
OECD Guidelines for Multinational Enterprises	Y
9 Core UN Conventions on Human Rights	8/9
UN Convention against Corruption	Y
Fundamental ILO Conventions	7/8
Extractives Industries Transparency Initiative (EITI) Member	N
Voluntary Principles on Security and Human Rights	N

Table 6. Rankings in global indices

Indicator	Country ranking	Number of countries
WEF Global Competitiveness Index (2019)	71	141
World Bank Doing Business (2020)	124	190
ITUC-CSI Global Rights Index (2019)	Rating 5	145
Yale Environmental Performance (2018)	69	180
Freedom House Freedom of the Press Index (2017)	94	198
RSF World Press Freedom (2019)	105	180
Global Slavery Inde5 (2018)	142	167
WEF Global Gender Gap Index (2020)	92	153
Transparency International Corruption Perception Index (2019)	106	180
World Justice Rule of Law Index (2020)	67	128

Box 3. National policy and/or legal frameworks enabling RBC

The *National Guidelines for Businesses and Human Rights* (Decree 9,571 of November 2018) represent the most recent initiative to incorporate RBC in government policy.

The central purpose of the Decree is to give publicity to actions taken to promote human rights within business operations, and to adopt active transparency measures, such as the disclosure of supplementary and periodic information resulting from the internal audit system and risk management. The Guidelines apply to medium and large companies (with annual gross revenue of more than R$4,800,000.00), including multinational companies operating in Brazil.

The Decree expressly calls on companies to use international RBC instruments such as the **OECD Guidelines for Multinational Enterprises,** the **United Nations Guiding Principles (UNGPs)** and the **International Labor Organisation (ILO) Conventions**.

Chapter IV of the Decree refers particularly to access to reparation and remediation mechanisms, and highlights the need to promote the development of mechanisms for mediation and conflict resolution between public administration, communities, citizens and businesses and to ensure transparency, information and technical support, in order to reduce the asymmetry that may exist between the company and the victims. The Decree also broadly encourages the use of mediation, resolution or other extrajudicial procedures compatible with human rights.

Building on various international and national legal instruments, and as a complement to put into practice the Decree 9,571/2018, the National Human Rights Council of Brazil (Conselho Nacional dos Direitos Humanos) recently released the National Guidelines for the adoption of a Public Policy on Human Rights and Business (Diretrizes Nacionais para uma Política Pública sobre Direitos Humanos e Empresas) trough Resolution No. 5 of 2020 (National Human Rights Council of Brazil, 2020). This instrument aims to guide and assist policy makers in the application of national and international standards for the protection of all human rights in the framework of business activities, and also to raise awareness in the private sector.

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5. Target Sectors

5.1. Agriculture

Brazil is the region's largest agricultural producer, and the world's third largest agricultural exporter globally accounting for 5.7% of global agricultural exports (FAO, 2018[26]). Agriculture encompasses about 5% of GDP and employs about 10% of the population (United Nations, 2019[3]), but the agribusiness sector (agriculture inputs, transformation, production and distribution), represented 20% of Brazilian economy as of 2016. Small-scale family agriculture accounts for 77% of the agricultural production units, employs 67% of the farm labour force and is responsible for 23% of agricultural production (IBGE, 2017[27]).

Brazil produces a large variety of goods and enjoys an abundant supply of natural resources as well as a favourable climate, contributing to Brazil's position as a major agricultural exporter. The country has become one of the world's largest producer of soybeans, sugarcane, coffee, tropical fruits, frozen concentrated orange juice, and supports the world's largest commercial cattle herd at 213 million head (ABIEC, 2019[28]; IBGE, 2018[29]). Moreover, Brazil is also an important producer of corn, cotton, cocoa, tobacco, and forest products (World Bank, 2017[30]).

Between 2000-2013, agricultural productivity rose by 105% as a result of investments in innovation and technology coupled with trade liberalisation (World Bank, 2017[30]). According to a 2016 OECD/FAO report, by 2025, South America and particularly Brazil will account for the biggest food surplus globally (OECD/FAO, 2016[31]).

Brazil's most pressing challenge is to combine agricultural growth with sustainability, important infrastructure developments and poverty alleviation. Globally, agriculture is one of the main sectors responsible for climate change. Between 2007 and 2016, the sector contributed approximately 12% of global greenhouse gas emissions and was responsible for an additional 9% of global GHG emissions each year from changes in land use (OECD, 2019[32]). In 2010, Brazil emitted an estimated 52% of Latin America's GHG emissions, representing around 7% of total global emissions (World Bank, 2017[30]). In 2016, CO2 equivalent emissions from the agricultural sector contributed 33.6% towards Brazil's total emissions, with a 2.3% rise in emissions as compared to 2015 (Ministry of Science, Technology, Innovations and Communications, 2019[33]).

The agricultural sector (particularly cattle ranching) has been an important driver of deforestation (Seymour and Harris, 2019[34]). It is estimated that 8.6 million hectares have been lost since 2006, and 36.9 million hectares since 1996 (INPE, 2019[35]). Although the annual deforestation rate in Brazil's Legal Amazon has declined by 65% between 2004 and 2019, it increased by 30% between 2018 and 2019 (INPE, 2019[36]).

Brazil took a leading role in the 2015 Paris Agreement climate negotiations, and submitted its first NDC (Nationally Determined Contribution) in 2016. The NDC includes a target of reducing emissions by 37% from 2005 levels by 2025, and a reduction of 43% by 2030. As part of Brazil's commitments and programmes to achieve this goal, the NDC also includes commitments to strengthen the Low Carbon Emission Agriculture Program (ABC) as the main strategy for sustainable agriculture development, and to enhance cooperation initiatives with other developing countries including on low carbon and resilient agriculture (Government of Brazil, n.d.[37]).

Relevant Initiatives

There are various national and international initiatives for responsible agriculture in Brazil.

Brazil has been investing in research and technology development for the sustainability of its agricultural sector for the past five decades. In this context, the National Plan for Low Carbon Emission in Agriculture (ABC) Plan was established in 2011 as one of the government's tools to promote sustainable agricultural practices throughout the country. The ABC Plan promotes the establishment of production systems toward increasing productivity and profitability, as well as resilience and adaptive capacity of national agricultural systems, with the integration of soil, water and biodiversity conservation strategies. The systems and related technologies developed in this ongoing project seek to increase food production in a while keeping increases areas under farming activity and GHG emissions under control. To date, over 49 million hectares were transformed under the ABC Plan (Ministry of Agriculture, Livestock and Food Supply, 2012[38]).[6]

The Soy Moratorium is a voluntary trade pact that was made in 2006 by the Brazilian Association of Vegetable Oil Industries (*Associação Brasileira das Indústrias de Óleos Vegetais*, ABIOVE) and the Brazilian Cereal Exporters Association (*Associação Nacional dos Exportadores de Cereais*, ANEC) with the government and CSOs. The aim was to cease sourcing from and financing of soy producers in areas that were deforested in the Amazon Biome after July 2008. The Moratorium uses satellite monitoring and has contributed to reducing deforestation in the soy industry and expanded the soy industry in areas that were free from deforestation.

Established in 2007, the Greener Ethanol Protocol (*Protocolo Etanol Mais Verde*) is a protocol ratified by sugar cane companies in the State of Sao Paulo that establishes social and environmental standards (e.g. Social and Environmental Responsibility and Certifications and soil conservation for the production of sugar cane) (Government of Sao Paulo, n.d.[39]).

In regard to livestock production, the Beef Conduct Adjustment Term (O Eco, n.d.[40]) is a civil society initiative created a decade ago that foresees that meatpackers exclude suppliers who practice illegal deforestation, do not have environmental licensing, fail to respect labour rights, and are located in indigenous areas.

Another example is the Brazilian Roundtable on Sustainable Livestock (GTPS) launched in 2007 with the aim to lead and discuss best practices for building sustainable, fair, environmentally sound, and economically feasible livestock value chains. Among else, GTPS membership includes producers, CSOs and retailers.

5.2. Textile

The Brazilian fashion industry is gaining attention and has become an important sector for the country and internationally. Sao Paulo's fashion week is known as an international gateway into Brazil's latest trends and several brands are becoming key figures of the

[6] Brasil. Ministério da Agricultura, Pecuária e Abastecimento. Plano setorial de mitigação e de adaptação às mudanças climáticas para a consolidação de uma economia de baixa emissão de carbono na agricultura: plano ABC (Agricultura de Baixa Emissão de Carbono) / Ministério da Agricultura, Pecuária e Abastecimento, Ministério do Desenvolvimento Agrário, coordenação da Casa Civil da Presidência da República. – Brasília: MAPA/ACS, 2012. 173 p. https://www.gov.br/agricultura/pt-br/assuntos/sustentabilidade/plano-abc/arquivo-publicacoes-plano-abc/download.pdf.

industry (Runde, 2016[41]). Since the 2000s the textile and garment industry in Brazil has been increasing its revenues accounting for USD 65 billion from 30.000 companies using mainly cotton and leather and employing 1.5 million people, of which the majority are women (Mendes, 2018[42]).

Brazil is the fourth largest textile producer and is self-sufficient in cotton production. Brazil produces 10 billion garments per year, being a worldwide reference in some segments such as denim (ABIT, 2015[43]). The Brazilian textile industry faces obstacles to further develop as a result of the high labour cost of production in addition to the closed trade environment. Production targets mainly the domestic market (The Guardian, 2012[44]).

The industry is historically known for its responsible business approach, but recent cases of unfavourable social and environmental practices, and of opaque supply chain traceability have attracted attention (Mendes, 2018[42]). In 2017, the International Labour Organization (ILO), the Brazilian Association of Textile Retail (ABVTEX), the Brazilian Association of Textile Industry (Abit), Instituto C&A (the Brazilian office of C&A Foundation), Instituto Lojas Renner and Zara Brazil established a partnership to promote decent work in the textile and apparel sector of São Paulo, (C&A Foundation, 2017[45]).

5.3. Extractives/Minerals

Brazil ranks among the world's leading mineral producing countries. It has abundant and diverse reserves of minerals, especially metallic minerals, as well as oil and gas. Brazil is the largest producer of niobium worldwide, the second largest producer of iron ore and manganese, and is among the top producers of bauxite and tin (KPMG, 2015[46]), (EIA, 2019b[47]), (MDNP, 2017[48]). Brazil has the world's 6th largest mining industry, producing and exporting about 80 mineral products, and ranks high in mineral production and reserves at the global level. One particular feature of the industry is that unlike other LAC countries, it is led by domestic champions. One firm, Vale, accounts for 80% of total Brazilian production of iron ore market. Few other (both domestic and foreign) players produce the remaining 20% (OECD, 2017[49]).

Artisanal and small-scale mining (ASM) plays an important role in the Brazilian mining sector. As of 2014, there were an estimated 467,500 ASM operators in Brazil (IGF, 2017[50]). The metal most frequently mined on a small-scale is gold (ASGM). An estimated 12 to 15% of the gold mined in Brazil originates from ASM (Kolen, de Theije and Mathis, 2014[51]). Illegal mining is also widespread in Brazil. According to the Amazon Socio-Environmental Geo-Referenced Information Project (RAISG), out of 245 illegal mining areas in the countries sharing the Amazonian basin, Brazil alone counted 132 areas (RAISG, 2019[52]).

The mining sector is capital-intensive, hence typically a small employer when considering it on the aggregate national level. In 2010, total direct formal employment in the mining sector was estimated at less than 1% of the occupied labour force in Brazil. However, at the sub-national level, the mining sector can have substantial impacts depending on the stage of operations. Taking the (Amazonian) state of Para, as example, during the construction phase, the sector generated up to 20% of jobs. A study[7] shows that the multiplier for job creation is 1:13 in the mining sector (OECD, 2017[49]).

[7] Study conducted by the Ministry of Mines and Energy's Secretariat for Geology, Mining and Mineral Processing. Source IBRAM, 2012

Following the collapse of a tailings dam in January 2019 at Vale's Córrego do Feijão (Brumadinho, State of Minas Gerais)iron ore mine, which led to the death of 272 people and toxic contamination that inflicted surrounded land and river systems, , the Government announced stricter regulations for tailings dams, and daily inspections of upstream tailings dams, the update of emergency action plans, the prohibition of upstream dams and their decommissioning until 2021 (The Guardian, 2019[53]), (Sion, 2019[54]), (Freire, 2019[55]). Extractive activities are intrinsically linked to forestry activities and deforestation. As access to mining concessions has recently ramped up, indigenous land and particularly forests have been object of abuses and encroachment by miners, loggers and farmers (UN High Commissioner for Human Rights, 2019[56]).

Relevant Initiatives

The Brazilian large-scale mining sector, through the Brazilian Mining Association, announced that it would adopt the Towards Sustainable Mining Initiative (Mining Technology, 2019b[57]). Following the tailings dam failure in Brumadinho, the International Council of Mining and Metals, Principles for Responsible Investment and United Nations Environment Programme announced the introduction of an independent review of mine tailings storage facilities (ICMM, 2019[58]), while Vale established the Extraordinary Independent Consulting Committee for Dam Safety (CIAESB), an expert advisory body for dam safety (Vale, 2019[59]). Civil society is also active through country and regional initiatives in the mineral sector. For example, the Latin American Network on Extractive Industries has a campaign called "EITI Consciente" with the goal of expanding EITI to include environmental, social and climate change considerations (RLIE, 2019[60]). Other NGOs have provided maps on illegal mapping activities in the Amazon region in 2018 (Chow, 2018[61]).

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