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FIRST MEETING ON INDUSTRIAL INVESTMENT PROMOTION
New York, 26-27 June 1967

**INDUSTRIAL INVESTMENT PROMOTION ACTIVITIES OF THE
UNITED STATES OFFICE OF THE
BRAZILIAN GOVERNMENT TRADE BUREAU**

submitted by

The Brazilian Government Trade Bureau

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

NOTES ON BRAZILIAN INVESTMENT PROMOTION

Promotion of trade, not of investment as such, has been the basic function of the Brazilian Government Trade Bureau. Now operating as part of the Consulate General of Brazil in New York, under the Ministry of Foreign Relations, the Bureau has promoted trade through direct contact and through publications and correspondence.

Promotion of investment and also of travel has been a recent addition to the Bureau's activities, although it has carried on an informative function in both these fields ever since it was founded in 1936. This is true also of the 38 other similar offices set up by the Brazilian Government in world economic centers, most of them with a smaller staff than the Bureau in New York.

As a government office, the Trade Bureau cannot operate along the lines of the usual investment promotion agency. It does not charge for services. It works under a fixed budget covering all its activities. Thus it cannot undertake the usual kind of promotional campaign.

What the Bureau does, within its various limits, is to keep in touch with and serve as much as possible, in its work, the Brazilian business community with interests in the United States and the American business community with interests in Brazil.

In the course of this work, the Bureau tends to learn

the investment needs of individual Brazilian enterprises and the investment potential or interests of American firms. As this happens, the Bureau staff does its best to bring needs and interests together.

There has been some success in many instances. After consultations with the Bureau, American firms have gone into Brazil with capital and know-how, with good results. But until recently the Bureau acted only upon requests, some of them suggested, most of them more or less spontaneous, by the Brazilian enterprise in need of capital or know-how. Only after that did it try to find an adequate source among American firms. Also, the Bureau waited for the American firm to ask before it looked for an appropriate Brazilian outlet. This is because it had neither the staff nor the funds for an all-out hunt for investors and their counterparts.

Now, despite its small and limited facilities, the Bureau does try to stimulate investor interest directly, by occasional advertising in the American press to present Brazilian opportunities in various fields, noting our tax and other special incentives, by reporting on the growth of specific markets and industries and by offering to supply specified information on request.

We have various publications, including a monthly "Brazilian Bulletin" of economic news, which reaches some 20,000 readers. We have begun to send out business press releases now

and then, tied to specific Brazilian development in the economic area, some of which may tend to stimulate investor interest. The Brazilian Embassy in Washington has played an important role, not only in overall investment promotion, but also by issuing publications such as the Guide to Investing in Brazil, now being republished, and an annual Survey of the Brazilian Economy.

The impact of these publications, for investment promotion purposes, is hard to judge, because the nature of the Bureau's operations has tended to make this somewhat of a shotgun approach; that is, our pellets of information are scattered. The Bureau's problems in investment promotion come out of this unavoidable fact that our function is wider than the investment field. For this reason especially Brazilian business will benefit from establishment by the United Nations Industrial Development Organization of a special program for helping agencies such as the Trade Bureau.

There are many ways in which UNIDO could be helpful. Perhaps its greatest assistance would be to function as a go-between, as a mechanism for bringing together potential investors of capital and know-how and Brazilian enterprises needing such participation, so that both parties can work together for their mutual benefit and for faster economic growth in Brazil, particularly in the less developed regions.

The American Agency for International Development has done much preliminary work along these lines and no doubt its new

offspring in the field, the Interamerican Investment Development Center, will do more, but the ground has barely been touched. Certainly UNIDO could broaden this work, both in the sense of reaching more interested enterprises and especially in widening the scope to include, as participants, the capital and know-how of the developed world outside the United States, for attracting which very few agencies now exist.

In creation of a climate for application of capital and know-how from abroad, Brazil has taken big steps and is about as advanced in such measures as any country in the world.

Agencies like SUDENE, the Superintendency for Development of the Northeast, have pioneered in creating good investment climates in those Brazilian areas where investment is most needed. Working sometimes with AID, SUDENE now has some 2,000 experts helping local and outside enterprise work up investment proposals and forms of "feasibility studies" on the basis of which the agency may grant specific incentives. These include ten-year income tax exemptions for new enterprises in the Northeast, with an extension of another five years in some cases, or, for firms already operating in the area, a 50 per cent exemption, on condition that amounts exempted are invested in the region. SUDENE may also give exemptions from import duties on needed equipment. A further inducement is that any firm operating in Brazil may discount from its income tax up to 75 per cent of the amount it buys in SUDENE's investment bonds, from which capital for the

Northeast is built up. Similarly, any firm in Brazil can deduct up to 50 per cent of income tax for reinvestment in specific Northeast projects. These incentives have led to good progress in the Northeast and the new Superintendency for Development of the Amazon, SUDAM, is now beginning to operate along the same lines.

Tax and other incentives for investment in many other fields are also offered by the Brazilian Government. The Ministry of Industry and Commerce has set up an Industrial Development Commission under which teams of experts operate to judge, within each field of economic activity, which investors should be granted tax or customs exemptions or easy financing, particularly through the National Economic Development Bank (BNDE). But a key phase in these procedures, the working up of feasibility studies, has still not been well formulated. This suggests a possible contribution by UNIDO.

Proof that Brazil has done a great deal to promote both foreign and domestic investment is the presence in Brazil of three to four billion dollars in foreign investment, of which about 40 per cent is from the United States. But Brazil is a big country with uneven development.

In greater São Paulo is one of the world's biggest single industrial complexes, which in great part is a product of foreign investment, both in people and in capital and know-how. But with all its growth, São Paulo needs more and more investment

to meet the demands of a market which is growing fantastically. This area is also the gateway to Brazil's Middle South, on the threshold of tremendous development as the Urubupungá power project, largest in the Western world, nears completion. Thus both in the underdeveloped Northeast and in the developed South, opportunities for investment of capital and technique multiply daily.

UNIDO has asked for suggestions. There are many ways in which Brazil's objectives in the investment field could be furthered by organizations like UNIDO. Some of these ways would be:

1. Experts from UNIDO might tour Brazilian centers where there is special need for more investment and technical services. Guided by the regional investment agencies or by the Industrial Development Commission of the Ministry of Industry and Commerce, or by the technicians of the National Economic Development Bank, they could meet with heads of local enterprise and regional officials and put together a catalog of main investment possibilities.

2. As investment possibilities, however attractive intrinsically, cannot be acted on by investors unless a full range of factors, including market, labor, production facilities, transportation and others are analyzed and a feasibility study produced, it would seem advisable for UNIDO experts to help train Brazilian personnel, when necessary, in the preparation of such studies and

working with the existing organization for this purpose.

3. Because of the tremendous shortage of capital in all developing areas, including Brazil, it might be advisable for UNIDO to consider ways of making "seed" financing available for training local personnel in the preparation of feasibility studies and other activities related to making investment possibilities known.

4. After feasibility studies are ready for presentation to potential investors, a mechanism should exist for transmission. Banks and existing agencies will do this now, of course, in the case of large projects; but smaller though also vital enterprises will often need help not only in preparing a study but in transmitting it.

5. This implies that UNIDO will prepare the equivalent of a catalog of potential investors, not merely those in the United States but in all countries with capital and know-how to export. Thus through its own channels and other appropriate ones UNIDO could funnel these investment opportunities to the right sources of capital and technique.

6. It is probable that the most immediate results could be obtained in Brazil through establishment of close working relations with the National Bank for Economic Development, the Industrial Development Commission of the Ministry of Industry and Commerce, the regional agencies like SUDENE and others who could offer both guidance and facilities.

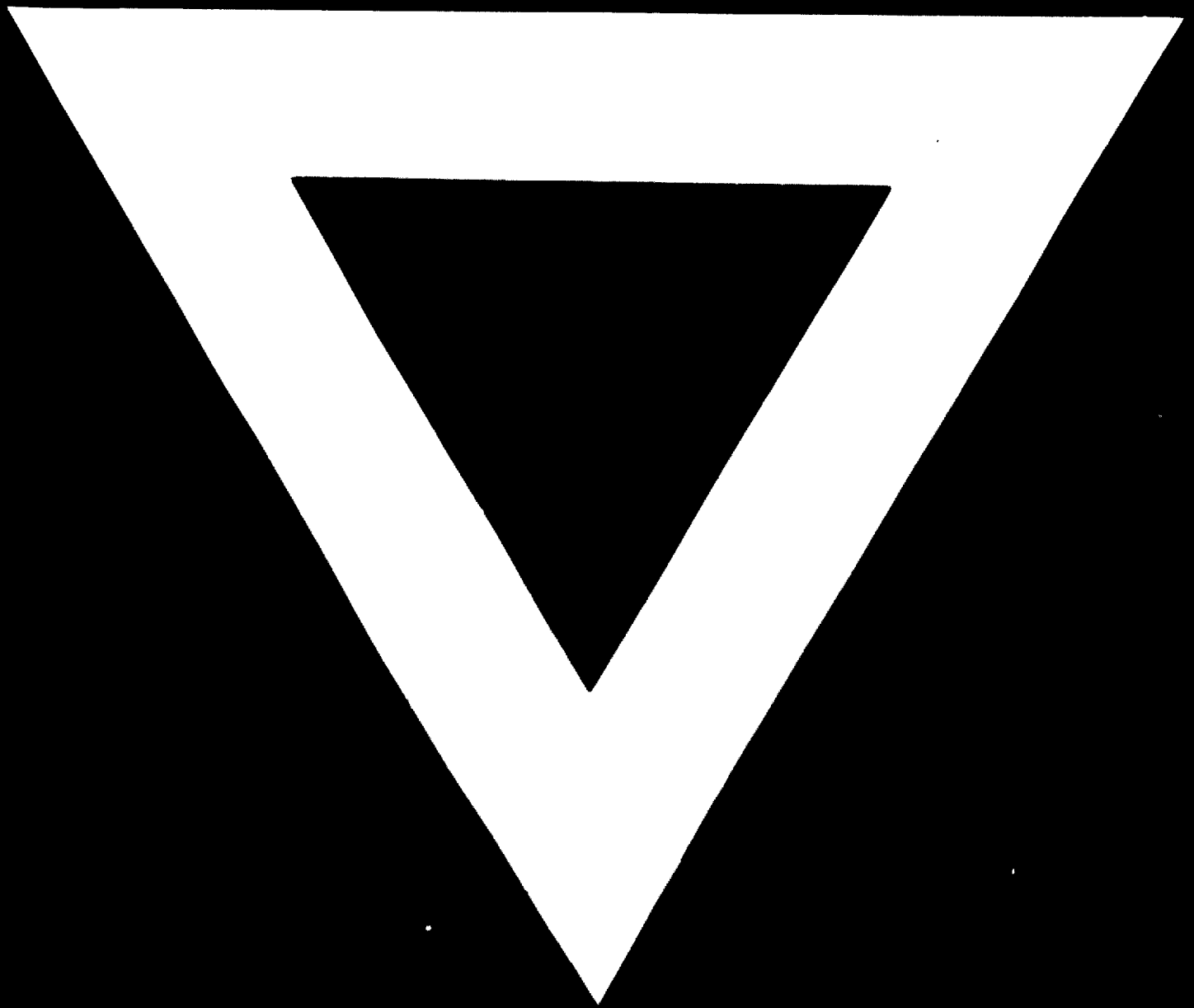
7. As one of the biggest concentrations of development in Brazil in the coming years will be in the agroindustrial field, the modernization of agriculture and the processing at the site of the products of farming and stockraising, it is suggested that UNIDO develop experts in this type of investment. In this field lies the key to food production, basic in all underdeveloped countries, and to solution of the pressing problem of "the flight to the cities" by the farming population, which is disrupting the economy of many countries and causing unrest and misery among the uprooted. Brazil has some pilot enterprises in operation in this field, including one for complete utilization of sugarcane by-products and waste, which might be studied.

8. Close cooperation with existing investment agencies connected with the governments concerned, with the various international banks and development organizations and also with the private associations in the field would enable UNIDO to exert a synergic effect. All, working together, could no doubt speed the way to mutually desired results.

9. It would be hoped that UNIDO, working with existing agencies - and keeping in mind the basic jurisdiction of the International Trade Center of GATT - could also help the less developed countries to market industrial products which now cannot find proper outlets. Some of these have tremendous potentials on the world market but suffer from lack of rationalization of production, standardization and other factors which need expert study.

10. There should be wide publicity of UNIDO's work as it is accomplished, through newspapers, magazines, correspondence, brochures and personal contact, so that the opportunities and services it affords become widely known. In this way it should be able to tap all the worldwide sources of capital and know-how rather than merely continue to concentrate, as has been the case with most agencies, on those sources which for so long have borne nearly the whole burden.





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