
Policy challenges: the views of BRIC executives and government officials. The case of Brazil

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DEVELOPING EXECUTIVES AND COMPANIES

The issue

- All developed countries, and a number of emerging markets, have a policy and a series of instruments supporting OFDI by their firms.
- What about the BRICs and, especially, Brazil?
- Survey of MNE executives and government officials, early 2008

Why do Brazilian companies invest abroad?

Important factors for your firm to engage in OFDI	Average ^[a]	Mode ^[b]
Access to markets through a local presence	4.76	5
Increase competitiveness of your firm	4.57	5
Access to technology	3.86	5
Increase scale of production	3.81	4
Jump over tariff barriers	3.76	4
Access to know-how	3.52	5
Escape a high level of taxes at home	3.43	5
Access to skilled labor	3.05	4
Access to management skills	3.05	4
Escape a burdensome legal and regulatory framework at home	3.00	3
Access to better basic infrastructure (ports. airports. railroads etc.)	2.95	4
Acquire recognized brands	2.76	3
Access to cheaper labor	2.67	4
Take advantage of financial support provided through some type of development finance institution	2.67	3
Access to natural resources	1.90	1

Source: Survey by FDC in cooperation with CPII, Jan-March 2008 [a] Average on a scale of 1-5, with "5", being "very important" and "1" being "not important" [b] Most frequent observation on the scale .

- The motives of Brazilian MNEs reflect those of MNEs elsewhere

... and what do corporate executives think about the government's overall OFDI policy?

- 20 out of 25 companies think that the Brazilian Government does not have a well articulated policy regarding OFDI...
- ...although 18 of them think that the Government has made great improvements in this respect in the past five years, especially as far as intentions are concerned.

...especially when it comes to specific policies instruments and their effectiveness?

Instrument to facilitate OFDI	Importance		Effectiveness	
	Average ^[a]	Mode ^[b]	Average ^[c]	Mode ^[d]
Conclusion of double taxation agreements	4,68	5	2,2	2
Provision of fiscal incentives for OFDI: tax incentives, tax deductions, etc.	4,53	5	2,75	1
Conclusion of bilateral and regional treaties to protect investment abroad.	4,53	5	2,65	2
Providing insurance against political risk	4,16	5	2,29	2
Conclusion of bilateral and regional treaties to liberalize investment conditions in host countries	3,95	5	2,35	2
Conclusion of a multilateral framework for investment	3,95	4	2,24	2
Provision of private sector assistance through Chamber of Commerce, National Business Council or other	3,95	4	2,12	2
Provision of information about investment climate in foreign countries	3,84	4	2,29	2
Provision of match making services	3,74	4	3	2
One-stop government support agency for outward investment	3,74	4	2,07	2
Dissemination of information on investment opportunities through publications, databases, etc.	3,68	4	2,35	2
Provision of start-up support: feasibility studies, financial etc.	3,68	4	2,35	3
Provision of technical assistance: legal, training service & support, consultancy service	3,58	5	1,89	1
Official missions to targeted countries to find investment opportunities & meet with high level government officials	3,37	4	3,41	3
Relaxation of foreign exchange controls for direct investment	3,16	4	3,5	4
Take advantage of financial support provided through some type of development finance institution	2,67	3	2,39	2

Source: Survey by FDC in cooperation with CPII, Jan-March 2008.

[a] Average on a scale of 1-5, with "5", being "very important" and "1" being "not important" [b] Most frequent observation on the scale

[c] Average on a scale of 1-5, with "5", being "very effective" and "1" being "not at all effective" [d] Most frequent observation on the scale

- **Corporate executives see a clear need for a number of policy instruments to support OFDI and think that the effectiveness of the Government in using these instruments can be improved considerably** ⁵

... and what are public sector representatives doing?

- BNDES is helping in the internationalization of Brazilian firms, on a case-by-case basis
- Others (Ministry of Foreign Relations; Ministry of Development, Industry and Commerce) are assessing the situation, especially as regards:
 - Information for SMEs
 - The definition of priorities (regions and industries), aligning policies and policies instruments with the country's geopolitical interests.
- **While Brazil has a clear policy toward inward FDI, and instruments to support it, this is not the case when it comes to outward FDI.**
- **The Government should consider adopting a coherent policy on outward FDI, supported by a set of concrete policy instruments that reflect best practices elsewhere.**