



regulations for foreign investment by issuing a series of directives with the purpose of disclosing the rules which regulate the registration of foreign investment in Brazil.

There is a great need for effective infrastructure as a prerequisite for globalized industrial production which Brazil hopes to achieve. As a consequence of the financial crisis in the 80's, deterioration in transportation, energy and telecommunications sectors is now evident. As the government continues to struggle with the public deficit, funding for the necessary development in infrastructure is not readily available, and thus the government is counting on private-sector involvement, as seen in the recent privatization plans for the telecommunications and energy sectors.

Furthermore, with recent trade agreements and the trend towards regional economic integration, Brazil can serve as a gateway into Latin America as a whole. Mercosul, a common market created in 1991 covering Brazil, Argentina, Paraguay and Uruguay, has enhanced the growth prospects of the region and should lead to considerably more predictability in trade policies of all four countries. In 1995, Mercosul also advanced negotiations for the establishment of free trade zones with Bolivia and Chile and further negotiations to include other Latin American countries such as Venezuela, Ecuador and Peru are scheduled for 1996. The creation of this single large market warrants a serious look by business interest, particularly in the area of direct investments. Brazil, due to its size and importance in Latin America (i.e.: Brazil accounts for 62% of Mercosul's GNP and 71% and 66% of its agricultural and industrial production, respectively) provides an opportunity to penetrate this market.

Direct foreign investments in Brazil for 1995 reached US\$3.2 billion, one billion more than

for 1994. Most are long-term investments which demonstrate renewed interest in Brazil by the international business community. Minister of Industry, Commerce and Tourism Dorothea Werneck stated that "investment intentions" announced to the end of 1995, were in the order of \$27 billion up to 1999 and included multinational corporation projects in five different areas: automotive, metallurgy, petrochemicals, pharmaceutical and foodstuffs processing. German corporations have indicated that they may invest \$6 billion in Brazil up to the year 2000, and French, Japanese and British investors are not far behind. Central Bank president, Gustavo Loyola has declared Brazil the "new frontier" for financial, commercial and technological investment.

Lehman Brothers recently reported that Brazil is considered the best option for investment in the Latin American shareholding market, as investments made within the context of the Real Plan should show solid gains in profits for 1996. Mergers and acquisitions also offer great opportunity for investment as the numbers for 1996 are expected to be high. In 1995, the total volume of mergers and acquisitions increased 300%, from US\$1.045 billion in 1994 to US\$4.183 billion. Most investment banks believe that the market should grow another 50% to 100% this year, especially among favorite sectors like food products, autoparts, consumer goods and electronic goods. Future expansion of Canadian investments in Brazil, including participation in joint ventures and privatization exercises, is not only possible but, in some cases, may be inevitable - if Canadian companies want to maintain their positions in certain segments of the Brazilian market. This is particularly true in key areas of major opportunity, such as telecommunications and energy.