



Dept. of External Affairs  
Min. des Affaires étrangères  
OCT 27 1995  
RECEIVED  
RETOURNER A L'ÉMISSION DE LA BIBLIOTHÈQUE

## OPPORTUNITIES FOR CANADIAN INVESTMENT IN BRAZIL

### Background

Canadian firms have had a long history of investing in Brazil. Strong links were forged between Canada and Brazil when the first Canadian businessmen came to Brazil in 1889 to develop concessions granted for the development of electricity, electric street cars, a telephone system and gas and water utilities in Rio de Janeiro and São Paulo. Before World War I, Canada competed for the first position as top foreign investor with the United Kingdom and the United States. Although Canada's profile has diminished since 1979 with the sale of Brascan's utility operations, Canadian investment in Brazil has grown and expanded into various sectors of the economy including the mining and chemical sectors, and in 1994, Canadian direct investment amounted to 4% of total foreign investments in Brazil.

In 1994, Canada ranked **seventh** among the top ten foreign investors in Brazil with over US\$2.2 billion in accumulated investments (see table 1). Of this, 23% was in the chemical sector and 16% in the electric and electronic equipment sector. Other important sectors included mining and metallurgy and representatives of consortia (see table 3). Since 1990, Canadian investment has exceeded US\$2 billion reaching a high of US\$2.2 billion in 1994 (see table 2).

Furthermore, with recent changes in government policies concerning foreign investment and privatization, notably in mining and communications, Canadian investors have shown a renewed interest in doing business in Brazil. In the mining sector, many well known Canadian companies such as Barrick Gold Corporation, Cominco Ltd., Inco Ltd. and Alcan

have a foothold. Prime Minister Jean Chretien's visit to Brazil in early 1995, accompanied by a large delegation of Canadian business persons, reflects Canada's increased interest in intensifying relations with Brazil and Latin America in general. Since 1984, Canada has had a Double Taxation Agreement with Brazil. Canadian investment has been diverse, many well known and respected Canadian companies are represented and with the right investment climate, many more may expand their holdings in Brazil.

### Overall Investment Climate

The Real Plan has so far removed the problem of hyperinflation in the economy. Since its implementation in July 1994, it is now formally recognized abroad as a successful initiative. It has managed to bring down inflation rates from 50% a month to somewhere between 1 and 2% monthly. Forecasts for 1996 are that consumption should remain stable and that the presence of foreign products will offer competition to Brazilian goods, reduce prices and further help incorporate low income families into the consumer economy. Rising consumption should be met with goods supplied by an expanded private sector. Predicted growth rates for GDP are 2.5 to 3% for 1996.

New government policies are geared to increase medium and long-term foreign investment. This past year the Congress has approved several constitutional amendments (such as those which ended the discrimination between Brazilian and foreign companies, and began opening the telecommunication, energy, transportation and mining sectors to private investment). Over the past few years, the Central Bank improved

96495145