



Free Enterprise and International Cooperation

FREE ENTERPRISE AND INTERNATIONAL COOPERATION

BRASILINVEST

**FREE ENTERPRISE AND
INTERNATIONAL
COOPERATION**

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INDEX

Foreword	11
Cooperation, Interdependence, Sovereignty (Mario Garnero)	15
Brazilian Economy and Foreign Investments (Mario Henrique Simonsen)	21
The Need for a Good Will Policy (Henry Kissinger)	33
Brazilian Economy and its Perspectives for the Next Few Years (Karlos Rischbieter)	41
Internal Inflation and the Weakness of the Dollar (William Simon)	59
A Successful Pioneering Experience (Affonso Armando de Lima Vitule)	67
Investment Banking Transactions in Brazil-A Profile (Alvaro Pinto de Aguiar Jr.)	75
List of Persons and Companies that Participated	87

FOREWORD

FOREWORD

This book contains the addresses given during the lunch sponsored by Brasilinvest in Washington D. C., on occasion of the International Monetary Fund meetings, with the presence of well known members of the international business community and of political personalities from the governments of friendly nations.

Also included you will find the speeches made at the meeting of the Advisory Council of our institution held in the morning of the day of the luncheon meeting.

Reading these contents, you will observe that they form an up to date document on the Brazilian economy and on worldwide political-economic problems, the latter analyzed by representative personalities, such as ex-Secretaries Henry Kissinger and William Simon. The former Minister of Finance and present Minister of Planning, Mario Henrique Simonsen, and the former President of the Banco do Brasil and present Minister of Finance, Karlos Rischbieter, projected, in turn, a concise picture of Brazilian reality and perspectives, which greatly aids in understanding the policy adopted by the Brazilian Government at this important stage of the country's life.

We wish to thank all those who attended the luncheon, which was organized for the purpose of strengthening the ties between businessmen from abroad and those from Brazil, with a hope of reaching mutual and beneficial reciprocal results.

MARIO GARNERO

**COOPERATION,
INTERDEPENDENCE,
SOVEREIGNTY**

**MARIO GARNERO
PRESIDENT OF BRASILINVEST**

COOPERATION, INTERDEPENDENCE, SOVEREIGNTY

It is a great pleasure for me to welcome you today. The presence of such a distinguished group of businessmen and politicians is in itself an eloquent demonstration of our common respect for cooperation and friendship as a tool to improve relations between countries and individuals. We are proud to witness that Brazil can raise such an interest, which certainly stems from its growing importance in the world's economic context.

In fact, the Brazilian aspirations are becoming a reality, in spite of the obstacles created sometimes by biased or incomplete appraisals.

Some of our industrial and commercial policies have met unexpected reactions. This is the case of export incentives, temporary import restrictions, and the various programs to reduce the degree of indebtedness of the Brazilian corporations.

The Brazilian Nuclear Program has also caused emotional reactions. I am convinced that, in none of those issues, there are sufficient reasons for retaliation.

What should really be regarded with attention is Brazil's adherence to its historical tradition, which,

throughout its 150 years of autonomous political life, has always been the practice of dialogue, political life and international cooperation.

In yesterday's speech, President Carter stated his conviction that progress is the common aspiration of all peoples, and not of only a few nations. We all agree with him, but wonder why obstacles are constantly being raised against the fulfillment of the aspirations of the lesser developed countries. Commercial protectionism is one of them. The protectionist wave is even more appalling when we realize that only 2% — only two percent — of the manufactured products consumed by industrialized countries come from the lesser developed nations. This was stated by Mr. Robert McNamara in his last report to the Board of Governors of the World Bank.

For a country like Brazil, as for most of the lesser developed countries, import restrictions adopted by their industrialized partners are a major factor of hindrance to their economic development. Your support, and that of the American business community in particular, would be most valuable, especially in the context of the upcoming GATT negotiations.

Brasilinvest was created by a group of entrepreneurs who are firm believers in the free enterprise system. From the very inception we received the backing of the Brazilian authorities. This has come from all levels of the Government hierarchy, particularly from Minister Mario Henrique Simonsen, whose patriotism and professional integrity have merited recognition and acclaim in Brazil and abroad.

In expressing our appreciation for the presence of over 100 chairmen and presidents and of top level executives of 200 international and Brazilian cor-

porations, I would like to emphasize once more my firm belief in the free enterprise system.

We want to keep in Brazil the same freedom of action that has made the United States a great country. I believe that only in a free market society we can take the wisest economic decisions. This is also the only way we can move ahead to meet and overcome the challenges history imposes on us.

THE BRAZILIAN ECONOMY AND FOREIGN INVESTMENTS IN BRAZIL

**MARIO HENRIQUE SIMONSEN
MINISTER OF FINANCE OF BRAZIL**

THE BRAZILIAN ECONOMY AND FOREIGN INVESTMENTS IN BRAZIL

The most remarkable aspect of Brazil's economic performance in the last fifteen years has been the sustaining of high growth rates, despite episodic balance of payment problems and chronic inflationary pressures. Between 1963 and 1977 the gross domestic product increased 201 percent in real terms (8.2 percent per year, average) and reached last year \$ 164 billion. The country's population grew 48 percent in this period and increased to 113 million people. Per-capita gross domestic product more than doubled in this period, growing at an annual average rate of 5.2 percent, and rose to \$ 1,450 in 1977. Such an accelerated growth was based on a high and increasing percentage of the gross domestic product being directed to fixed capital formation, which increased from 19 percent in 1963 to 22 percent in 1977.

In these fifteen years the annual rates of growth have, of course, oscillated, although there has not ever been any period of real recession. In the golden phase from 1968 through 1973, annual growth rates had been customarily above 10 percent, and even after the oil crisis the average annual rates were maintained at above 6.5 percent per year. Projections for the next decade indicate that they should remain on the order of 7 percent annually.

The level of employment increased, on the average, 3.6 percent per year between 1963 and 1978, and the average annual increase registered in the urban sector was 5.7 percent. There has been much talk about the acute individual income differentials in Brazil, usually evidenced by the increase in the Gini coefficient from 0.50 to 0.57 between 1960 and 1970. In fact, there are major income differentials in Brazil, not only among individuals but especially among regions, and these somehow seem to be associated with the substantial growth of population. In some part, however, these differentials derive from a most sound characteristic of the Brazilian society, namely, its ample vertical mobility. In 1970, the average income of workers in the bracket of 40-50 years of age was almost three times that of entrants to the labor market, and this was unfavorably reflected in traditional measures of income concentration. On the other hand, between 1960 and 1970 the poor classes improved substantially their per-capita income. The increase in concentration took place only in relative terms, inasmuch as the improvement of the poorest was percentually smaller than that of the 20 percent richest. Moreover, there are indications that even the traditional coefficients for the evaluation of income inequalities have begun to improve as of 1972.

Some indicators show clearly that Brazilian economic development, far from being a mere statistical success, was translated into a considerable improvement of the standard of living of the society. In 1963 only 24 percent of Brazilian residences had water supply facilities, which percentage increased to 53 percent in 1977. In this same period, from 1963 to 1977, the percentage of residences with refrigerators increased from 15 to 46 percent; the percentage of

residences with radios, from 41 to 81 percent; with TV sets, from 7 to 51 percent; and with automobiles, from 4 to 19 percent.

Furthermore, the number of students increased between 1963 and 1977 from 11.1 million to 24.5 million, which shows the governmental emphasis in investing in human resources so as to improve growth and income distribution. The rate of adult illiteracy declined in its turn, from 36 to 16 percent, and total enrollment in universities increased from 124 thousand to more than one million and one hundred thousand students. Great progress was also achieved in the expansion of social security benefits, which now favor 92.6 percent of Brazil's population.

With respect to the energy balance, 60 percent of the energy consumed in Brazil is produced domestically, and 40 percent is imported from abroad. This high percentage of domestic energy production is due to a great extent to the country's hydro-potential, which generates 90 percent of the electric power consumed in the country. The transport system, however, relies heavily on roads, and domestic oil production is at present less than 20 percent of consumption. It was therefore most natural that the oil crisis severely affected the economy, both in terms of inflation and balance of payments, thereby requiring a revision of investment priorities.

Structurally, the most dramatic initial impact of the oil crisis was the appearance of a huge disequilibrium in the balance of payments, similar to what occurred in most developing countries. Until 1973 Brazil had traditionally presented a trade balance near equilibrium and a current account deficit of the magnitude of the deficit in services, that is, \$ 1.7 billion dollars in 1973. The inflow of foreign loans and equity

investments were usually larger than this deficit; and therefore, the country could accumulate foreign exchange reserves, which amounted to \$ 6.4 billion at the end of 1973. The oil crisis provoked in 1974 a trade deficit of \$ 4.7 billion, a current account deficit of \$ 7.1 billion, a virtual doubling of the net foreign debt and a loss of \$ 1.2 billion in foreign exchange reserves.

The major endeavor undertaken by the current Brazilian government was intended to adjust the balance of payments via export promotion, control of domestic demand and import substitution. Moreover, these adjustments would, in their turn, have to be conditioned to two important constraints: a country whose population grows at 2.7 percent per year can stand reductions in its growth rates, but it is very little tolerant of a recession; and a country that imports only raw materials and capital goods has usually to face the problem of the inelasticity of import demand.

The results obtained along these lines in four years of adjustment efforts can at least be considered very expressive. In current U. S. dollars, imports declined from \$ 12.6 billion in 1974 to \$ 12.0 billion in 1977, which means a substantial reduction in real terms and even more as a percentage of the gross domestic product. Exports not only increased in volume and in value but also were substantially diversified in the direction of larger sales abroad of industrialized products. Thus, contrary to a trade deficit of \$ 4.7 billion in 1974, Brazil was able in 1977 to show a small surplus of \$ 140 million in the trade balance. The improvements in the current account deficit were slower due to the increase in interest payments and other income commitments payable abroad, the legacy of former current account deficits. Nevertheless, even so,

the current account deficit fell from \$ 7.1 billion in 1974 to \$ 3.9 billion in 1977.

Statistical data for 1978 will be unfavorably influenced by a drought of extraordinary proportion which occurred in the country at the beginning of the year and which, among other consequences, has caused a loss of 5 million tons in the crop of soybeans and 3 million tons in corn. For 1978, it can be estimated a transitory trade deficit on the order of \$ 700 million and an increase to \$ 5.2 billion of the deficit in the current account. Capital inflows, however, particularly through loans, have continued at levels high above the disequilibrium in the current account, promoting the continuous increase of foreign exchange reserves since mid 1976. At the present time these reserves are above \$ 9.5 billion.

Since climatic disasters are not likely to be repeated every year, it is fair to expect for 1979 a reasonable trade surplus and some new reduction in the current account deficit. Several scenarios can be designed for the future, and the results will obviously depend upon the domestic policies adopted. Probable horizons suggest, however, a satisfactory adjustment of the balance of payments and a progressive improvement in the ratios between foreign indebtedness and exports.

The oil crisis has made import substitution and export promotion natural priorities for investments in Brazil. Obviously, these priorities are not exclusive, since a developing economy must invest in all areas to prevent the emergence of bottlenecks. Also, the import substitution and export expansion program which is desirable for the country is the one that may be implemented on internationally competitive terms. It is clear, however, that investment policy in Brazil is and

will continue to be for many years conditioned to the solution of the problems of balance of payments.

To the outside observer, the most intriguing characteristic of the Brazilian economy is its ability to grow with chronic inflation. Inflation reached in 1976 a level above 46 percent, and in 1977 it was still at 39 percent. In order to understand this enigma, it becomes necessary to accept the principle that, in a system of widespread indexation as it is practiced currently in Brazil, inflation becomes less pathologic than in a conventional scenario. Inflation is not bad because price increases offend our esthetic sense, but because of the distortions it produces in the economy, and indexation neutralizes at least a major portion of these distortions. Inflation is considered detrimental, *prima facie*, because it hurts those who live on fixed incomes, such as retired wage earners, bearers of debt securities, public utility companies with remuneration on the basis of historical costs, and so forth. But in Brazil all nominal incomes are proportionally adjusted to the rate of inflation at least once a year. Moreover, inflation is also condemned because it produces an overvaluation of the exchange rate and generates distortions in the balance of payments. However, this is no longer the case in Brazil, where the exchange rate is devalued at short intervals according to the difference between domestic and international inflation along the system of minidevaluations in use since 1968. The harmfulness of inflation is also identified in the fact that it distorts corporate balance sheets, producing illusory profits; that it disorganizes the fiscal system and leads to taxation of these false gains; that it unfairly moves individuals to the upper brackets of progressive income tax. However, in Brazil the progressive brackets of income tax are annually adjusted to inflation. The so-called inflation accounting which

tries to distinguish in total corporate profits the real profit and the price adjustment component is more than tolerated in Brazil; it is legally imposed.

One should not conclude that indexation has transformed Brazil into an inflationary paradise. Even with many distortions neutralized, rates of inflation near 40 percent annually cannot be tolerated permanently. Indexation, on the other hand, institutionalizes a feed-backing of inflation. Inflation tends to be repetitive since prices will rise in each period simply because they increased in the former period. Even if the necessary care is taken to restrict monetary and fiscal policy, one cannot expect the rate of inflation to fall abruptly in an economy widely indexed. Under indexation the control of inflation becomes a continuing exercise of gradualism. In Brazil, incidentally, since 1976 we have tried to index the economy not for all of the past inflation but for approximately 85 percent of inflation so as to reduce feedback effects.

As already mentioned, the oil crisis, certain measures for adjustment of the balance of payments and several cost pressures raised the Brazilian inflation to a little more than 46 percent in 1976. In 1977, however, due to the cooling of the economy and certain income policies, it was possible to reduce the rate of inflation to a little less than 39 percent. In 1978, the rates of price increases have continued to decline in the industrial sector, but have increased substantially in the agricultural sector mainly as a result of the drought in the south of the country earlier this year. Thus, from August 1977 to August 1978 industrial prices increased less than 34 percent, but agricultural prices increased more than 51 percent. Due to the weight of agricultural prices in the formation of the price index, it is probable that inflation in 1978 will

remain at the same level as in 1977. Improvements due to economic policy were offset by bad luck in agricultural crops. As I have already said, climatic disasters are not usually repetitive and the mere normalization of crops will in itself allow for a significant reduction of the rate of inflation in 1979.

As a developing country, Brazil has adopted a deliberate policy of attracting foreign investments in order to supplement domestic savings, in order to bring in modern technology, and in order to help finance the current account deficit in the balance of payments. Rules and regulations applicable to foreign investments in Brazil seem to be sufficiently pragmatic so as to attract foreign capital, and yet sufficiently prudent so that they may be politically stable. Every foreign investment and related reinvestments must be registered with the Central Bank and profit remittances above 12 percent per year after deduction of withholding taxes are subject to supplementary progressive taxation. However, this is clearly a precaution rather than a restriction, because in practice it is extremely rare the case where a company would distribute net dividends higher than 12 percent per year on capital plus reinvestments after taxes. The reality is that the average annual rate of profit remittances has regularly remained below 6 percent.

There are some other restrictions, such as limitations for the acquisition of equity participation in financial institutions and the rule that governmental banks can only extend long term maturity loans to enterprises controlled by domestic capital. These restrictions, however, aim at building up a scenario which can assure stability to the rules on foreign investments. I believe that we would all agree that more important

than having too liberal rules is to operate under stable legislation.

As in most countries, the Brazilian economy today has its own problems. The dynamism of its growth, the mobility of its society and the stability of its institutions do constitute a valuable asset, of which Brazilians are rightly proud. In this climate Brazil has always endeavored to be an attractive country for investment, both domestic and foreign.

Thank you.

THE NEED FOR A GOOD WILL POLICY

**HENRY KISSINGER
FORMER SECRETARY OF STATE OF THE U.S.**

THE NEED FOR A GOOD WILL POLICY

Mr. Chairman, The Minister, Ladies and Gentlemen

I cannot tell you how much I appreciate, Mr. Chairman, your introducing me as Secretary Kissinger. It reflects exactly the views of my father, who writes a letter of protest to "The New York Times" every time that they refer to Mr. Band, the Secretary Band. It is also a great privilege for me to speak here. I know that you can hardly wait to hear my view on the developing economic situation and, no matter what I achieve with respect to the rest of the audience, the humiliation of Secretaries Shultz and Simon sitting here in front of me at an economic gathering and having to listen to me makes this day worthwhile. Both of them used to propagate the theory when we were in office, that my knowledge of economics was one of the best arguments against universal suffrage they had ever seen, and if Mr. Simon will forgive me, I formed certain views of his knowledge of politics when he called the Shah of Iran a nut and when I called him up, to point out that this was not the precise language that is used in diplomatic relationship, he said he would take care of it, and then he put out a statement saying that he had been quoted out of context. So I want you to know that the government in exile that is represented here

has gone through many experiences together and I really take a very great pride in my association with these two distinguished Secretaries of the Treasury. Now I have been asked to make some very brief closing remarks which is in part to ensure that all of you can go home and say that you were present at an historic occasion. For somebody of the Truman background, brevity is not a national tradition, in fact placing a verb in the five minutes that I said I would talk is going to be quite a dramatic feat. Let me say a few words about the relationship between Brazil and the United States, a relationship which means a great deal to me and should mean a great deal to all of us. Partly for political reasons, partly for economic reasons, partly for sentimental reasons, because nobody can visit Brazil and know the Brazilian people without having a sense that here is a country where, in the day to day conduct of life, tolerance is practiced and freedom is a way of life, independent of what the political forms may be from period to period. For the United States, the problem of interdependence and cooperation with likeminded nations is one of the central problems of our period.

We have never had to conduct foreign policy in the traditional sense until the last decade. Even in the immediate post-war period, when we engaged in the great initiatives of the Marshall Plan, and other programs, what we were really doing was projecting domestic policy onto an international scale. Until very recently we thought that almost every problem could be solved by American resources, and almost every neglect could be made up later on by redoubling our efforts. But if you look at the proportion of the world economy represented by the United States, it is shrinking with every decade. We are still the most powerful

country in the world, still the strongest country, but it is essential for us now to create international structures, political and economic, that reflect the necessities of participation in making decisions. Now with respect to Latin America, the United States faces the problem, but we think we know Latin America very well. Every administration that has come into office has always announced some great Latin American initiative, and, in fairness, every initiative has foundered on the difficulty of finding a coherent expression for nations as varied as those of Latin America. And yet, the fact remains that here are countries that share so much of our own historical experience, come from a similar tradition, with whom cooperation ought to be relatively easy to achieve.

Now as far as Brazil is concerned, it is a continental nation like the United States. It classes itself as a developing nation, but I think the time has come to recognize that this category of developing nations is by no means homogeneous, and that the gap between a country like Brazil and the poorest nations is enormous. Indeed I have come to believe, that the process of development the world should pay special attention to is this middle class of nations, of which Brazil is one, Mexico is another, of which in fact the greatest number is located in Latin America, because they can serve as a bridge between the most advanced developed nations and the poorest developing nations, and it is important to remember that all of these nations have moved into the what I have called the middle class of nations, by following principles of the market economy, and that no nation that I'm familiar with has moved into that category by following systems of rigid planning. But the process of development involves issues not only of how to move nations to a higher

degree of economic activity, and not only the conventional issues of transfers of capital, and technology, it also involves a fundamental issue for the developed nations which is that, as countries like Brazil increase their economic activities, inevitably competition will develop between its activities and some of the more backward elements in the most developed nations and the process of development therefore, requires substantial willingness to have structural changes on the part of the developed nations within their economies. If they are not willing to do this, they will be driven into increasing temptations of protectionism, to which Minister Simonsen referred, and which will then have the paradoxical result that, as the interdependence of the nations grows objectively, their temptations to protect themselves grow with it. This is a problem that primarily needs to be addressed by the countries of Europe and increasingly also by the United States, if we are serious about seeing the process of development move forward. As we look around the world, we always hear about the dangers of Communism and the spread of Soviet power. The fact of the matter is, however, that if one looks at the economic resources and if one looks at the lineup of the countries, all the major powers of the world, and all the significant developing countries of the world, are on the side of the free peoples. Anybody coming from Mars, looking at where the lineup is, would have to conclude that the Soviet Union is standing practically alone. All it has is significant military power. We have the economic resources, we have the reality of growth, we have the technology, and the only way we can fail is if we do not have the imagination to find means of cooperating as partners, and if we do not have the imagination to adjust our economies to the very success that development brings with it. I am convinced that we will find

these forms of cooperation. I believe strongly that Brazil, a country with no complexes, and the United States, a country with many complexes, will find a relationship of partnership, and that the issue of the relationship between the very developed countries and the developing countries can be worked out between our two societies in a creative manner and as an inspiration for the wider community in which we each have to find our place. And this is why I would like to express my appreciation for having been asked to speak here and to make a few closing remarks which turned out to be twice as long as I was allowed.

Thank you very much.

BRAZILIAN ECONOMY AND ITS PERSPECTIVES FOR THE NEXT FEW YEARS

**KARLOS RISCHBIETER
PRESIDENT OF THE BANK OF BRAZIL**

BRAZILIAN ECONOMY AND ITS PERSPECTIVES FOR THE NEXT FEW YEARS

Introduction

I would like to emphasize my satisfaction in being able to talk to you regarding the perspectives that are being outlined for Brazilian economy.

The subject proposed — which is most up to date — can also be placed within the overall strategy for the channeling of new investments in priority sections of our economy.

Brasilinvest has been very effective in this particular, awakening interest in businessmen and publicizing the immense potentiality of the country.

However an approach of this kind should be preceded by some considerations regarding the position occupied by Brazilian economy in the worldwide context, in order to reach a better result.

BRAZILIAN ECONOMY ***Industrial Production***

Let us start with what is happening in the industrial area, that has reached the most expressive results obtained throughout the country in its development process.

After showing high rates of growth since the beginning of the decade, the Government decided, for monetary and political reasons, to gradually decelerate the rhythm of economic activity. Even so, during 1977, the Industrial Product grew by 3.9%, a more adequate rate in the economic circumstances that began to prevail.

The program of slowing down being finished, during which strict control was maintained to avoid the risk of recession, the country would then return to the rates of growth which, until that time, had been characterizing its industrial rise.

During the first semester, the transformation industry increased 6.4% in relation to the same period last year, and we should stress the 12.6% expansion verified in the manufacture of material for transportation, 15.6% in products made with plastic materials and almost 10% in the chemical and pharmaceutical industries. The mechanical industry was able to reverse the negative tendency of the first four months, closing the semester with a growth of 2.8%.

The production of capital goods, greatly assisted by the Government, already participates with approximately 76% of the total of machines and equipment foreseen for the large projects approved by the Industrial Development Council, whilst the participation of national industry, up to 1973, was only 36%.

Regarding the offer of electric energy, a significant data to understand the impact of the transformations that the country has gone through, the Government is giving special attention to the construction of large hydroelectric plants, without damage to other nonconventional resources.

Itaipu alone would be sufficient, the largest plant in the world in its category, with a potency of 12.6 million KW, with the start-up foreseen for 1983, to justify the wisdom of the decisions made. The massive concentration of technology and capital made the generating capacity of our plants increase to 24 million KW., of which 20 million are of hydraulic origin.

The increase of 13% in the use of electric energy, in 1977, was practically unaltered during the first semester of this year, showing however, a slight tendency to increase which should be consolidated up to the end of the year.

Regarding steel works, an activity that has a notable multiplying effect, the outstanding position occupied by Brazil today in the international field should be recognized.

For the present year, just as promising, or even more so than former years, preliminary estimates show that production should be around 13 million tons of steel ingots, which would mean a 16% increase over the results in 1977.

The recent inauguration of the petrochemical pole of Camaçari shows the notable success of the tripartite formula adopted there with an integral and harmonious relationship between national private enterprise, the state resources and the foreign capital, which will provide a probable economy of foreign exchange credits in the order of 800 million dollars annually.

These points give only a pale idea of the enormous potential that the country offers, where the maturation of investments progresses in a rhythm that it would be difficult to reach by other nations in the same stages of development.

Brazil, without a shadow of a doubt, is the nation of the Third World that can offer the best advantages to the investor from abroad, either to the political stability and satisfactory remuneration of the capital applied or, especially, by the marked preoccupation of the Government in not surprising them with sudden changes of philosophy or legislation.

However, please let me affirm, that the great solution for Brazilian capitalism lies in finding an adequate way for a better relationship between the small and medium size companies and the great national and multinational companies.

For this to occur, constant simplification of the tax bureaucracy is necessary, in order to permit a lower cost of administration for the small and medium size companies, and that the international capital becomes more partner and less creditor, through an increase in the entry of risk capital and consequent reduction of loans and financings.

Rural Production

Regarding farming, an activity of great importance in generating national riches, I would say that it develops in a continental country where the changes in climate make it possible to raise tropical products as well as those that are characteristic of temperate regions.

1977 was especially favorable for rural activities and closed with an excellent rate of growth for the area, reaching almost 10%, a rate that has only been surpassed, during the last thirty years, in 1965 and 1971.

The coffee plantations, that are of great importance in the calculation of the Agricultural Product,

should be credited with a considerable influence on the expansion registered as, although they have not as yet, totally recovered from the disastrous frosts in 1975, had an increase of 170% over the production of coffee in 1976.

In its turn, the absolute record reached in the harvests of the principal grains, such as corn and soy beans, should be emphasized, as the joint production added up to approximately 32 million tons.

These results reflect the policy of incentives to farming, object of attention from the Government, which is convinced of the part that the country should play in the world supply of food and raw materials of rural origin.

The credit stimuli reflected incisively on the degree of modernization shown by the area which, in the period from 1970 to 1977 saw the national consumption of fertilizers triplicate and the production of agricultural tractors grow by almost 250%.

In this particular, one can see the efforts made by Brazil to improve its rates of productivity which, for various reasons, are still very low.

The results of this initiative are showing an increase in the average yield of some cultures, especially soy beans.

The break in crops that we are going through now, as a consequence of the drought and frosts that occurred in the south of the country, far from causing disillusion and weakness, should be absorbed and amply surpassed in the next agricultural year.

However, Brazil presents peculiarities that deserve redoubled governmental attention.

Besides the large rural company, that possesses modern techniques and equipment, with its production intended for outside markets, the small property, which generally produces staples that are indispensable for popular food, should coexist.

This preoccupation is reinforced in view of the aggravation of the social problem caused by the constant migratory flux from the fields to the periphery of the large cities, without the second and third areas of the economy being able to absorb this additional offer of non qualified labor.

Therefore, the growing modernization of Brazilian agriculture cannot afford to forget the existence of the small property, through permanent technical assistance and a coherent policy that conciliates adequate credit and stimulating prices.

Trading abroad

Significant changes that occurred during the last decade, have widened the limited field that Brazil disputed, and, as a consequence, have substantially altered our commercial relationships abroad.

The United States, at that time, absorbed approximately 40% of our exports, and today not more than 18%. However, there has been a notable expansion in business with the European Economic Community, as well as with Latin America and other less developed areas.

In the same way, commercial relations with the socialist countries have increased, after surmounting the eventual blockades of an ideologic nature, incompatible with the new reality and with an essentially pragmatic focalization that prevails today in international business.

The total transactions between Brazil and those nations managed, for the first time, in 1977, to surpass the one billion dollar mark, which represents a 560% growth in ten years.

On the other hand, trade abroad maintained the same rate during the past 4 years, and the roots of this behavior are connected with the oil crisis, the prices of which, reflecting the cartel policy of OPEP have quadrupled in a very short space of time.

Our acquisitions of petroleum jumped from a little over 700 million dollars in 1973, to almost 3 billion dollars in the following year, about 22% of the total imports.

Brazil, until that time had maintained a relative equilibrium in its trade balance, but it then awoke to the high deficit registered in 1974, which had to be contained at short term, under penalty of being harmed in its plans for growth.

At first, a gradual reduction in the entry of imports was thought of, but the decision to emphasize the importance that was being attributed to the efforts to export prevailed.

The results were not delayed. Last year, after successive deficits, a relative equilibrium was registered in the exchange of goods with foreign countries, shown by a superavit of 140 million dollars. Industrialized goods presented the most significant contribution, with almost 40% of the country's exports.

I would also like to point out, as an important aspect, the gradual change occurring in the list of exports, in which, for the first time, industrialized goods have been able to supplant the primary products, and are on the way to consolidating the position assumed at this time.

Up to last June, industrialized goods had reached the 2.88 billion dollar mark, against 2.85 billion dollars of basic products, in spite of the restrictions that threaten to transform themselves into insuperable barriers for the penetration of our manufactured goods in various developed countries and especially the United States.

It can be observed that the intensification of criticism of our export policy is more closely connected with the new recuperation of the rhythm of growth expected from the industrialized nations, than of the harm it might do to other countries.

Even so, Brazil has shown its willingness to discuss with its associates — either in isolated contacts or through GATT — the intensity of the stimuli put into practice and, on the other hand, making concessions with a view to rendering its foreign trade less difficult.

What seems to me to be irrelevant is to discuss the philosophy of these stimuli. It is very well known that under the Brazilian tax system the larger part of the taxes incide on the production phase. Therefore, the objective of the incentives is to return part of these taxes as a premium for export activity, and under no hypothesis can this be judged as a deliberate intention to harm the interests of friendly nations.

FOREIGN DEBT AND AMOUNT OF RESERVES

The country's net foreign debt, at the end of last year, was around 25 billion dollars, 27% more than in 1976. However, it should be explained that this amount would undergo a reduction of the order of 13 billion dollars, if Brazil, like the majority of countries,

did not account for the total private debt of the foreign debt.

For the present year, the first forecasts show that the levels of indebtedness are being maintained a little above those observed in 1977.

It is relevant to emphasize, however, that its absolute value has not caused any great preoccupation to the international financial community, because it is perfectly compatible with the state of development reached by the Brazilian economy and with the perspectives of growth in exports.

As a matter of fact, the country is enjoying the benefit of excellent credibility in the business world, where a favorable change in behavior can be observed, mirrored in the considerable dilation of grace periods and quittance and reduction of spread of the loans contracted lately.

With this, our international reserves jumped from 7.2 billion dollars, at the end of 1977, to 9.7 billion dollars in August of this year.

However, the obtainment of resources has been processed in a rhythm greater than the requirements, a circumstance which led the Government to freeze for 150 days, the loans entering the country as of August 14, 1978.

This shows the special care taken by the Brazilian authorities in controlling our accounts abroad, who do not allow themselves to be illuded by the relief that an expressive balance of debts might bring.

INTEGRATION OF THE BANCO DO BRASIL IN THE EFFORT OF THE EXPORTERS

This adult and conscientious position within the complex world of international business would, perhaps, not have occurred without the firm and decided actuation of the Banco do Brasil, which is today one of the most solid supports that the country can count on to attract investments and stimulate exports.

Since 1941, with the start-up of operations of the agency in Paraguay, the Banco do Brasil has accumulated a wide international experience in the treatment of the most varied financial problems.

The recent inauguration of the Caracas Agency, a financial pole of great projection in the Caribbean and in a large area of the Andean countries, brought our foreign network up to 48 agencies, throughout all the continents.

Due to our excellent relationship with similar institutions in the most varied regions of the world, the Banco do Brasil has not encountered any difficulties in becoming associated with first class entities for the constitution of powerful multinational credit agencies.

The first effort was the formation, in 1972 of the European Brazilian Bank Limited (EUROBRAZ), with headquarters in London, in which the Banco do Brasil participates with around 32% of its capital.

Other associations occurred rapidly, so that today the Bank participates, in various ways, in eleven more institutions of the same kind, in spite of the short time that has elapsed.

PERSPECTIVES FOR THE SUBSEQUENT YEARS

Expansion of Industrial Production

Keeping to the subject, I should now speak about the perspectives for the subsequent years as, in view of the existence of such expressive figures, the growing participation of Brazil in the discussion to revise the present standards of behavior of international economy, gains in importance.

Its voice tends to be heard more and more, as the programs for the substitution of imports are completed, and the projects incentivated by BEFIEEX, — the department of tax policy that conditions certain benefits to be destined for markets abroad of a substantial part of the goods produced — acquire volume.

New and substantial increases should occur in the production of steel within the next 3 years, when the expansion programs of the great state enterprises — Volta Redonda, Cosipa and Usiminas — are completed, and the operations of Açominas and the Companhia Siderurgica de Tubarão start-up, the latter being the result of a trinational undertaking, in which Japanese and Italian capital participate.

In order to attend to the probable internal demand of 27 million tons of steel products annually, in 1968, an ambitious program was outlined for increasing the installed capacity, consubstantiated in the Steel Master Plan, the implementation of which has already started, and should be concluded by the end of that period.

No less promising is the performance in the area of non-ferrous metals, the goals of which will probably be reached within the next four years. Its almost total auto-sufficiency, with the exception, perhaps, of

aluminium which, at that time should be situated at about 86% of the national consumption.

Regarding the generating of electricity, recent projections from ELETROBRÁS forecast an installed potential of approximately 40 million KW by 1982, of which, no less than 86% will be of hydric origin. We would like to state that within this total Itaipu and Tucuruí are not included, neither are the units foreseen under the Brazilian nuclear program.

I would also like to add, that the energetic area, tends to reduce our outside dependence with regard to the supply of petroleum, keeping in mind the strengthening of the current that sees in agroenergy the way to the solution of the problem.

The National Alcohol Program — PROALCOOL —, set up in 1975 to encourage its extraction from various raw-materials, especially manioc and sugarcane, made our production quintuplicate in only three years, increasing to about 2.5 billion liters with the present crop.

This program will also unleash extensive supplementary advantages of a socio-economic nature, that will be noted in the expansion of the agricultural frontier, a concentration of investments in national equipment, generate a larger income in the rural area and a reduction in the migratory flux from field to city.

There is no doubt that this is the most serious world alternative in terms of energy supply, a circumstance which leaves our country in the technological vanguard of such an important conquest, which is a great honor for one who has hardly started to make deeper inroads into the area of research and scientific experiments.

GROWTH OF THE INTERNAL MARKET

On the other hand, firm perspectives of an accelerated growth in the Brazilian internal market can be felt, not only by the action of the free forces of economy, but also by reason of decisions of a political nature.

This aspect is of great importance at the present time, due to the potential that emerges in a country of 115 million inhabitants, and in which a considerable contingent still remains separated from the productive system.

The per capita income, that has evolved significantly during the past few years, is today around 1.500 dollars, but presents some distortions, such as an exaggerated concentration in some segments of the population, a fact that is common in other countries that are in the same stage of development.

However, it should be noted that an effort is being made to correct the profile of the distribution of the national wealth, by gradually reducing the deviations inherent to the speed of the expansion of the economy.

Various studies have shown the convenience of sponsoring the industrial decentralization of the country, concentrated along the focal point RIO/SÃO PAULO, where, at present, 60% of our industrial production is to be found.

A prudent and gradual application should have a favorable repercussion on the formation of the Gross Product, diluting regional imbalances, that will be manifested in an immediate expansion of the internal market and of the employment level.

The present situation, at which we have arrived thanks to the success of the strategy adopted as of 1974, when the oil crisis led the Government to revise priorities and fix new directives, already allows a more liberal approach in some aspects of the socio-economic model implanted in the country.

It is not difficult to conciliate the present policy of increasing exports with a more accelerated expansion of the internal market, but there is no doubt that this objective will be more easily reached if we opt for a development of areas that operate processes of intensive use in labor.

However, this decision should not imply the adoption of outworn technology, as this would lead to an uncompetitive production, that would be capable of obstructing development and would compromise employment expansion.

The opportunity of granting priority to programs directed towards the areas of mass consumption, especially food and clothing, thus facilitating access by low income groups, should not be forgotten.

It would be desirable for a good part of these investments to be channelled to the small and medium size firms, especially those located in the less developed regions, inasmuch as these have a high rate of employment and are less demanding with regard to infra-structural investments.

RETURN TO POLITICAL NORMALITY

I would like to state that the period of political reform that the country is going through and the change in Government that will occur at the beginning

of next year, should not be a cause for worry in the international community.

On the contrary, the degree of political maturity reached by the country will provide adjustments that will allow a greater participation of all segments in national decisions, the ideal manner to reduce social tensions and ensure the continuity of our development.

I am certain that the reforms will guarantee that the next Government will have sufficient conditions to improve the economic policy, by an adequate choice of new mechanisms that will better distribute the benefits of development.

Therefore, the perspectives are optimistic and should be realized as Government, businessmen and workers all aspire for a politically open and socially just society.

INTERNAL INFLATION AND THE WEAKNESS OF THE DOLLAR

**WILLIAM SIMON
FORMER SECRETARY OF THE U.S. TREASURY**

INTERNAL INFLATION AND THE WEAKNESS OF THE DOLLAR

I will talk for a few moments this morning about the U. S. economy from my perspective, and its outlook, as well as on the world economy. I will also deal with the problems of the U. S. dollar, and I think that perhaps my comments may be a little contradictory to some of the optimistic forecasts that people are hearing at the International Monetary Fund meetings.

As far as the U. S. economy is concerned, inflation is going to continue due to an overexpanding fiscal and monetary policy. I am sure that this policy, besides interfering negatively with private market sector decisions, will keep the inflation going and increase expansion. This tendency seems to be confirmed by the 7 to 8% increase in money supply which prevailed in this country for about two years.

In retrospect we should remember that during the first 6 months of this year the inflation rate was back in the U. S. in double digits. This specific persisting force of inflation, along with the increase in the structure of market interest rates, is slowly dragging our economy into a period of retardation.

Against this background, the inflation expectation, which is so deeply ingrained in the American

society, has serious connections with the eventual quality of the economic outlook.

The election year combination of high inflation and of course, rising unemployment, significantly raises the possibility of formal wages and price control in the U. S., an outcome that will take place even sooner if the level of frustration of our policy makers and politicians rises more quickly.

In spite of the increased declarations referred to as the new fight against inflation in the U.S., the administration has yet to demonstrate its political willingness to confront it effectively. Therefore, a lot of courage is required to sufficiently reduce the pace of Government spending in order to mount a truly inventive long range anti-inflation effort.

I was surprised when a widely read columnist here in America called George Will, wrote recently on the President's new battle against inflation and stated that the moral equivalent of war on inflation is that no prisoners will be taken. But, unfortunately, the first victim of the skirmishes was the Commander in Chief and he was shot with the declaration that it is a myth that Government can stop an inflation.

Indeed one of the most disturbing aspects of the present policy that exists, is the cruel predilection of the Administration's economists in fixing directives for the market and imposing controls on the economy. This approach is known in economic literatures as the optimal control period and suggests that only the government bureaucrats have the necessary willingness to control the so-called structure of imbalances that occur.

This unfortunate notion of federal interference in private sector decisions, is not a new one. Yet, each

success of the Administration seems to take matters a step forward, despite the accumulation of barriers and ever rising protests in the private sector and, of course, worse economic performance.

I also have a judgement that may be somewhat controversial, but I happen to believe that we are not going to return to the relatively stable and somewhat predictable environment that we enjoyed here, and really the world did, in the 1950's and 1960's. Of course, man is basically an optimistic beast and likes to think that everything is going to get better from now on, but if you look at history, you will find that history is on the side of that argument.

I believe that a new wave of world inflation that is presently under way, originated in my country in a string of expansionary and monetary fiscal policies in late 1976 and continues to go on. But if we take a longer view, here in my country, we see that basically the trend in prices has been rising, beginning 40 years ago when the Government first started to go into debt substantially. And that tells me that any reduction in inflation will only be temporary.

Therefore, the possibility exists of acute and cyclical economic swings, with the fear that the next downturn will be sharper, deeper and more profound.

High inflation and recessions always increase the pressure on government to do something. And governments invariably set up controls, thus setting the stage always for the next upswing or downswing.

While I am certain that the recession will occur, the timing and magnitude will depend on a political decision, and the decision will be political, not economic, because economic policy making in government is nothing more than a set of economic alter-

natives wrapped in a political basket. So these decisions that are now being made in the U. S. and other nations are going to depend on this.

Exchange rates are going to continue to fluctuate sharply, and of course exchange rates reflect inflation, and the conditions we have seen in recent months are not going to go away.

On a longer term base however, these same strong currency countries (the dollar is unlikely to strengthen against the more stable currencies like the D-mark or the yen) will not be able to isolate themselves completely from our inflation. Also they are unlikely to be able to resist to pressures from exporters, as well as abroad from the US.

The U. S., and to a degree the U. K. and some other countries, continue to pressure Germany and Japan to reflate and to join the inflation parade. This is called the locomotive spirit and it is the centerpiece of our domestic and international economic policy.

Free trade in my judgement is also on a decline around the world, despite what we read in all the optimistic forecasts from GATT.

I see the trend towards protectionism with all of the economic problems we have today increasing, not decreasing, in the foreseeable future, including the use of more insidious protections. Moreover, the nationalistic zeal of many countries around the world is growing, and that is going to spell some trouble for multinational corporations.

Much arguing is going on in this country and around the world about the current state and deployment of the U. S. dollar in world markets. Detailed analyses and control solutions are given which, in my

judgement, continue to focus on the symptoms, instead of the fundamental cause of the problem.

The decline continues, despite sporadic short market rallies. The decline in my judgement is going to continue until Americans in industry and Wall Street see and recognize that we cannot repeal the fundamental law of economics that, unless we move fast and unless we move correctly, we will not see a stronger, stable dollar in the near future.

I had the opportunity for four and a half years to serve on the front lines of this country's attack on its energy as well as its international monetary problems. They are of course related, but by no means are the former the principal cause of the latter.

Regarding the monetary problem, our dollars are declining on exchanges around the world because we produce too many of them. Our monetary authorities have steadily and spectacularly exploited the money supply well in excess of our economy's long run capacity to grow without inflation. This policy has overstimulated our domestic economy.

In view of the supply of goods and services on the international market, Americans naturally increase their demands from clothes to liquors, with the result that they supply the rest of the world with more dollars than it wants. The result, our dollar is being cheaper as relative to other currencies.

To increase the deficit of our balance of trade we have the problem of our purchases of oil. It surely would be in surplus, if it were not for our oil. The U.S. oil payments to the OPEP are largely felt financially. OPEP's American investments and bank deposits, security purchases, real estate business ventures, have made this so.

Yet it would be folly, perhaps even monetary suicide, to throw up our hands citing oil imports as the sole problem, and not address the fundamental cause of the dollar's deval. It is essential in our view that the policy makers recognize at long last that the driving inflation and declining dollar are essentially monetary phenomena and, quite simply, to stop the dollar's flow we have to stop producing excess dollars. We have to control the unwanted increase of the money supply, and let our credit markets reflect this. And allow our interest rates to seek their natural levels, the effects of which will be preferable to a high rate of inflation as a result of overly expansive policies.

Let this happen, and our businessmen will borrow abroad. Foreign banks will be only too happy to accommodate them. Foreign investors will send additional funds scurrying here to take advantage of our higher interest rates.

The next year (1979) is going to be our last chance to rein in the horrendous deficit which is a driving force in excess monetary creation and which virtually will fall on our reserve system to be what it has been, financing of inflation.

Although we want to turn our country toward real growth and full employment, and stable prices with a strong dollar, we need the political courage to address these problems. And if this does not occur, it will most assuredly take us down the path toward worldwide depression in a very few short years, and then we are all going to pay the price, as the implication of this reaches far beyond merely economic issues.

**A SUCCESSFUL
PIONEERING EXPERIENCE**

**AFFONSO ARMANDO DE LIMA VITULE
GENERAL DIRECTOR OF BRASILINVEST**

A SUCCESSFUL PIONEERING EXPERIENCE

**MR. CHAIRMAN
MEMBERS OF OUR BOARD
COUNCILLORS AND SHAREHOLDERS OF
BRASILINVEST**

A brief report on the company's actions, operations and results was given to the councillors for their review prior to the meeting.

We feel that the company is attaining its original goals set forth by its founders three years ago, reaching, at the same time, satisfactory financial results. The company has attained the objectives established for its first two years of operation and is now on its way to accomplishing the objectives set up for its third year.

This year's total profit should exceed the forecast presented at the meeting held on February 2, 1978.

Brasilinvest's main objective, however, goes beyond the achievements of a sound financial result, and that is the scope of my presentation to you.

In a classical capitalistic structure, the main objective of a company is to achieve positive financial results; nowadays, good financial results alone are no longer representative of the socio-economical functions of a corporation.

It is in that sense that the actual role of Brasilinvest in the national and world business community, will deserve some of our attention. If one returns to the eve of 1975, it is easy to remember the objectives of the experience initiated at that moment:

1. To promote a constant and effective flow of business opportunities through Brasilinvest, aiming at increasing the economic ties between Brazil and the various countries represented on its list of shareholders.
2. To strengthen contacts and create new business opportunities for the Brasilinvest shareholders themselves, as representatives of the leading national and international companies operating in Brazil.
3. To help implement through the right mix of capital, technology and management, new ventures in Brazil, in accordance with the Brazilian development plans.

BRASILINVEST'S STOCKHOLDER STRUCTURE REFLECTS, TO A GREAT EXTENT, THE COMPANY'S OBJECTIVES. ITS PRESENT PATTERN FOLLOWS THIS MIX OF VOTTING SHARES:

- 1/3 owned by Brazilian official institutions
- 1/3 owned by private Brazilian companies
- 1/3 owned by international corporations.

As far as the total capital is concerned, there is a 50/50% distribution between Brazilian and foreign ownership.

Our shareholders have operations in practically all sectors of the economy and a geographical coverage

that encompasses all the regions of the so-called Western world. Its shareholders give Brasilinvest the capability of splitting the risk of its projects between Brazilian and international capital, and allow equity control to be put in hands of Brazilians (private and official), as well as private entities (Brazilian and non-Brazilian).

As a result of his multifaceted structure over the last two years, more than 350 business opportunities of 25 different sectors were analyzed by our economic department.

Brasilinvest projects concentrated on the following industries: service, food, chemicals, electro-mechanical and metal works, and electrical and electronic projects.

In spite of the worldwide extent of Brasilinvest's shareholders activities, all their headquarters are located in 13 countries, as follows:

Belgium	4	Holland	1
Canada	2	Italy	3
England	2	Japan	1
Finland	1	Spain	2
France	9	Switzerland	4
		U. S. A.	13
Germany	4	Brazil	34

Up to now, 90% of the countries represented on our shareholders list have already completed successful projects promoted by Brasilinvest. The sole country still missing has 2 projects near completion.

An analysis of our Brazilian shareholders on a geographical basis will show that 34 of them come from 11 different states, besides the Federal District of Brasilia.

As far as projects already undertaken, and being negotiated, are concerned, we ought to point out that they are located in 11 states of Brazil.

All these States, taken as a whole, represent about 73% of Brazil's geographical surface and include 81% of its population, and generate 80% of the GNP.

The projects that the company has accomplished so far, belong to diversified sectors of the country's economy and as a rule, have received the contribution of at least one stockholder in the stages of analysis and implementation. As examples of types of projects Brasilinvest has accomplished to date we can mention:

- Computer and electronic data processing equipment
- cinematographic production
- leasing
- banking
- petrochemical industry
- telecommunications
- textile industry
- agro industry
- marketing research
- heavy machinery industry
- insurance brokerage

The quantitative expression of what was described in the previous paragraphs shows that total investments in projects promoted by Brasilinvest amounts to US\$ 800 million.

For the purpose of comparison it is worth mentioning that this amount is the annual investment generated by the leading State Development Bank of Brazil.

In order to complement BRASILINVEST's function as a private development agency, with a flexible source of debt capital, an Investment Bank was created which began operating this year. This financial entity has already provided US\$ 300 million of debt capital to projects sponsored by Brasilinvest.

With the continued backing of the Brazilian government, Brazilian private enterprise and international companies with interests in Brazil, we trust that we will achieve even higher performance goals in the future.

**INVESTMENT BANKING
TRANSACTIONS IN BRAZIL —
A PROFILE**

**ALVARO PINTO DE AGUIAR JR.
FINANCIAL DIRECTOR OF BRASILINVEST**

INVESTMENT BANKING TRANSACTIONS IN BRAZIL — A PROFILE

Investment banking was introduced into Brazil during a major restructuration of the capital market, which took place in 1965.

It is therefore a relatively recent activity. The British, French and American experiences were taken into account to arrive at the Brazilian model, which is original in its conception and well adapted to the environment in which it operates.

The private investment banks were designed to provide medium term financing to firms and corporations; to manage mutual investment funds and fiscal investment funds; to promote public issues of bonds and corporate stock; to engage in underwriting operations and to act as business promoters fostering the establishment of venture capital companies, and arranging mergers, acquisitions and reorganizations.

The nature and terms of these types of operations require sophisticated management and an adequate source of funds.

The management factor is constantly being improved by intensive training and by practical experience of bank officers who are screened by the Central Bank.

Funding comes from four main sources:

- Capital and reserves
- Medium term deposits
- Foreign borrowings
- Government agencies.

Besides the financing of fixed and working capital requirements of its customers, in cruzeiros or in foreign currencies, investment banks can also provide export financing and a variety of warranties and guaranties.

There are 38 investment banks operating in the country today. According to Central Bank's policy, this number cannot be increased and new banks can only come into existence through reorganizations of existing banks. The majority have a foreign participation, which is allowed by law: up to 33% of voting stock and up to 50% of total capital stock. This is, therefore, a distinct characteristic of Brazilian investment banks vis a vis commercial banks, in which this participation is forbidden. The few exceptions consist of "grandfather's clause" situations which date back to prewar days.

Brasilinvest S. A. Banco de Investimento (BBI) is one of the recent entries into the market and was licensed to operate last May. It was incorporated by Brasilinvest S. A. Investimentos, Participações e Negócios and its shareholders, using the charter of former Banco Intercontinental de Investimentos which is now under liquidation. Its initial capital of Cr\$ 60 million was totally subscribed and paid-up by the following shareholders:

Alvali Agro Mercantil Ltda

Amsterdam Rotterdam Bank N. V.

Banco Economico S. A.
Banco do Estado de São Paulo S. A.
Banco do Nordeste do Brasil S. A.
Brasilinvest Adm. Cor. Seg. S/C Ltda.
Brasilinvest S. A. Invest. Partic. Negócios
Brown Boveri & Company Ltd.
Cimento Santa Rita S. A.
Cia. Indl. Coml. de Produtos Alimentares-
NESTLE
Cia. Cacique de Café Solúvel
Cia. Hansen Indl.
De Smet do Brasil Com. Ind. Ltda.
Dresdner Bank A. G.
Dumez S. A.
E. F. Hutton
Fermal Ltda.
Fiat do Brasil S. A. Participações
Inds. Químicas Eletro Cloro S. A.
International Bank of Detroit
Liquipar S. A. Empreendimentos e Participações
Massey Ferguson do Brasil S. A. Ind. e Com.
Mercedes Benz do Brasil S. A.
Rhodia Inds. Químs. e Texteis S. A.
Saint-Gobain S. A. Assessoria e Administração
Salles/Inter-Americana de Publ. S. A.

Sobloco Construtora S. A.
 Société Générale de Banque S. A.
 Standard Ogilvy & Mather Publicidade Ltda.
 Swiss Bank Corp. (Luxembourg) Ltd.
 The Nippon Credit Bank Ltd.
 Vale do Embauba Reflorestamento Ltda.
 Valmet do Brasil S. A. Ind. Com. Tratores
 Varig S. A. Viação Aérea Riograndense
 Volkswagenwerk A. G.
 William E. Simon & Co.

In less than five months of operation, BBI has grown impressively. It has reached a turnover of almost US\$ 340 million, which is broken down as follows:

Cruzeiro loans	US\$ 25 million
Res. 63 loans	US\$ 20 million
Private placements	
Foreign currency	US\$190 million
Cruzeiros	US\$100 million
Guaranties	US\$ 3 million
	<hr/>
	US\$338 million

This performance demonstrates the bank's ability to raise public savings in the form of Certificates of Deposit issued in cruzeiros and to use its foreign bank relationships to borrow foreign funds under Resolution 63.

It also indicates a new type of activity which is to act as a coordinator in large loan placements for Government agencies such as ARSA — Aeroportos do

Rio de Janeiro S. A. (Rio Airport Authority) and SUDENE (Superintendency of the Development of Northeast Brazil), in the international and domestic markets.

The interaction between BBI, Brasilinvest and the shareholders gives rise to many opportunities in which the bank can exercise its function as a financial intermediary. In some cases it can act just as a financial consultant, but in many others it can also devise sound project loans and syndicate them in the domestic and international markets.

Because of its close association with several State Development banks, it can have access to many top-priority projects and help bring them into existence, thus acting as a private development bank. This is the case of the petrochemical, mining, metals and minerals, energy and manufacturing industries.

According to a board decision, in addition to its normal deposit and loan business the bank will act as a financial support to Brasilinvest's project development activities. In its capacity as a merchant bank BBI will:

- 1 — be a permanent panel for examination of investment opportunities in the Brazilian economy. As such, Brasilinvest in its marketing capacity through the sponsoring of business seminars in Brazil and overseas, is constantly circulating investment opportunities bringing investors and entrepreneurs together to judge and implement them.
- 2 — be a private development agency. In this capacity, Brasilinvest fosters the definition and implementation of these opportunities

channelling investments to underdeveloped areas and sectors, and designing new strategies for operating companies, always in tune with the policies and directives of the Government for economic planning and the strengthening of the private sector.

In this joint effort with State Development Banks, Brasilinvest's major tasks are:

- to divulge specific investment opportunities in each region;
- to make known the geo-economic characteristics of the State;
- to report regional development projects and programs;
- to identify new sources of financing;
- to locate technology and capital resources to be used in new or existing economic activities;
- to stimulate the use of local natural resources;
- to promote the contact of local businessmen with their foreign counterparts.

In the following tables we present a list of investment banks in Brazil and of the foreign banks with equity in Brazilian financial institutions, as well as some basic figures of the commercial and investment bank market.

FOREIGN BANKS WITH EQUITY INVESTMENTS IN BRAZILIAN FINANCIAL INSTITUTIONS

ARGENTINA

Banco de la Nación Argentina, Buenos Aires

AUSTRIA

Creditanstalt-Bankverein, Vienna

BELGIUM

Société Générale de Belgique, Brussels

CANADÁ

Brascan Ltd., Toronto

Canadian Imperial Bank of Commerce, Toronto

Royal Bank of Canada Ltd., Montreal

ENGLAND

Barclays Bank Ltd.

Baring Brothers & Co. Ltd.

Deltec International Ltd., London

Hill, Samuel Group Ltd., London

Lloyds Bank Ltd.

FRANCE

Banque de l'Indochine et de Suez

Credit Lyonnais

Banque de Paris et des Pays-Bas

Société Générale, Paris

GERMANY

Bayerische Vereinsbank A. G., München

Commerzbank A. G. Düsseldorf

Deutsche Bank A. G., Frankfurt

Dresdner Bank A. G., Frankfurt

HOLLAND

Algemene Bank Nederland N. V., Amsterdam

Amsterdam-Rotterdam Bank N. V., Amsterdam

ITALY

Banca Commerciale Italiana S. p. A., Milano
Banca Nazionale del Lavoro, Roma

JAPAN

Bank of Tokyo Ltd.
Dai-Ichi Kangyo Bank Ltd.
The Industrial Bank of Japan Ltd.
Kyowa Bank Ltd.
Mitsubishi Bank Ltd.
Mitsui Bank Ltd.
The Nippon Credit Bank, Ltd.
Nomura Securities Co. Ltd.
Sanwa Bank Ltd.
Sumitomo Bank
Yamaichi Securities Co.

LEBANON

Banque de Crédit National S. a. L., Beyrouth
Intra Bank S. a. L.

PORTUGAL

Banco Português do Atlântico S. a. r. L., Lisboa
Sociedade Financeira Portuguesa S. a. r. L., Lisboa

SPAIN

Banco Popular Español, Madrid

SWITZERLAND

Banque pour le Développement Commercial, Geneva
Crédit Suisse, Zürich
Société de Banque Suisse, Basel
Union de Banques Suisses, Zürich

UNITED STATES OF AMERICA

Bank of America National Trust and Savings, San Francisco
Capital First Corporation, Philadelphia

Charter New York Corporation, New York
 Chase Manhattan Bank N. A.
 Chemical Bank
 First National City Bank
 Continental Illinois Corporation, Chicago through Continental
 International Finance
 First National Bank of Boston
 Harris Trust & Savings Bank
 Manufacturers Hanover Trust
 Marine Midland Bank Inc.
 Mellon Bank, Pittsburgh
 Merrill Lynch, Pierce, Fenner & Smith Inc., New York
 Morgan Guaranty Trust Co.
 Philadelphia National Bank
 Security Pacific National Bank
 White, Weld & Co. Inc., New York

COMMERCIAL AND INVESTMENT BANKS

1977 Basic Data

Revista Visão

SOURCE: QUEM É QUEM

ITEMS	BANKS			
	Commercial		Development US\$	Investment US\$
	Official US\$	Private US\$		
Deposits	10.914,3	12.127,9	—	—
Net Worth	4.871,9	2.305,2	3.708,4	1.078,1
Loans				
Short Term	30.002,3	14.251,2	—	—
Medium and Long Term		—	13.654,1	8.662,2
Net Profit	1.724,6	759,4	872,7	254,0
Net Profit/ Net Worth %	35,40	32,94	23,53	23,56
Net Profit/ Deposits %	15,80	6,26	—	—
Net Profit/ Medium and Long Term Loan %	—	—	6,39	2,93
Number of Banks	26	78	15	38

**LIST OF PERSONS AND
COMPANIES THAT
PARTICIPATED**

LIST OF PERSONS AND COMPANIES THAT PARTICIPATED

ARGENTINA

NARCISO E. OCAMPO
President
Banco Ganadero Argentino
Buenos Aires

LEONARDO ANIDJAR
President
Banco Tornquist
Buenos Aires

BELGIUM

ALBERT SPEECKAERT
Managing Director
Banque Européenne pour L'A-
merique Latine S. A.
Brussels

BRAZIL

HENRI CLAUDE KOERSEN
Director
Banco Auxiliar de São Paulo S.A.
São Paulo

HORST TIEDEMANN
Director of the Exchange Dept.

Banco Auxiliar de São Paulo S. A.
São Paulo

FRANCISCO SANCHEZ
Vice President
Banco Brasileiro de Descon-
tos S.A.
São Paulo

LUIZ BARBOSA
Adviser to the Director of the Ex-
ternal Area
Banco Central do Brasil
Brasília, D. F.

FERNÃO CARLOS BOTELHO
BRACHER
Director of the External Area
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