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TO : Department of State

INFO: Amembassy, RIO DE JANEIRO

DEPT. PASS COMMERCE

FROM : Amconsul, SÃO PAULO DATE: November 14, 1969

SUBJECT : "Technology in Brazil and the Contribution of Foreign Capital Enterprises:" The Presentation of the American Chamber of Commerce of São Paulo Before the Escola Superior de Guerra

REF :

Ref : São Paulo A-235, Oct. 28, 1969; Brasilia 477, Nov. 1, 1969

The American Chamber of Commerce of São Paulo may have made a significant addition last month to the expanding discussion in Brazil over the role of foreign investment. A delegation from the Chamber journeyed to Rio de Janeiro October 10 to deliver a prepared study on "Technology in Brazil and the Contribution of Foreign Capital Enterprises" to faculty and students of the National War College (Escola Superiior de Guerra). The São Paulo Chamber's study attempted to answer criticism that foreign companies do not conduct research in Brazil and thus do not contribute to Brazil's technological development.

Government's Role. It cited figures that while in the United States the government pays some two-thirds of the cost of basic research, amounting to 3 percent of the U. S. national income, Latin American countries overall spend only 0. 2 percent of their GNP's on basic research. Moreover, the study said that in comparison with 200, 000 scientists and a million engineers in the United States, Brazil had only 3, 000 scientists and 40, 000 engineers.

Imported Technology. Under these circumstances, the study concluded, "It has often become easier, more economical and more practical for foreign enterprises, as well as the domestic consumer, to import foreign technology, skipping steps and absorbing at a reduced cost what the more advanced countries have been able to develop." It went on to concede that borrowed technology must be used in concert with "creative" technology.

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Research in Brazil. The study noted several examples of research being done in Brazil by foreign firms at a cost of millions of dollars. It claimed, however, that their greatest contribution to Brazil's technological development was made through the training of personnel. Members of the São Paulo Chamber representing 32 firms reported that 4,613 of their 79,000 employees had been given specialized training in Brazil (not counting on-the-job training and seminars) and 253 had been sent abroad for training. This training was a necessary part of most firms' policies to "Brazilianize" their operations by substituting Brazilians for Americans.

Yet the Chamber estimates that 3,000 American technicians and managers are presently in Brazil and points to these men as a "brain drain in reverse" whose frequent rotation provides a continuous supply of new technology.

São Paulo Press Coverage. São Paulo papers gave extensive, if inside, coverage to the São Paulo Chamber's presentation.

Joelmar BETING, writing a Sunday article in the Fôlha de São Paulo treated the Chamber's views fairly, without specifically endorsing the paper, and added:

> "It is no sin to import technology. But it is necessary to be alert and adjust the imported technology to the peculiarities of a country. The import of technology is the first step on a never ending path of modernizing and renovating. This renovation is the price paid for importing technology."

An unsigned article in the Diário de São Paulo quoted at length from the Chamber's paper without comment.

Comment. Leaders of the São Paulo Chamber considered their invitation to address the Escola Superior de Guerra an important opportunity to get their views before an audience with significant influence on public policy. They chose to discuss the contribution of foreign capital enterprises to Brazilian technology to make known this important contribution and to combat certain assertions that foreign investment is adverse to Brazil's interest. The Chamber's effort was well received both at the college and in the press.

Criticism of foreign enterprises in Brazil seems to come most often from ultra-nationalists who are convinced that foreign investment necessarily exploits Brazil and the Brazilian people; it comes also from Brazilian businessmen who dislike the competition from foreign companies; and it comes too from technocrats who, while understanding that foreign investment can benefit Brazil, would like to see improvements in the operation of foreign enterprises here. For their own reasons, each of these groups may continue to criticize foreign companies for not doing enough research and development in Brazil. The technocrats are apt to argue specifically that on-the-spot research will become more important as Brazil's industries try increasingly to export their manufactured products. The latest techniques may not be required, for example, in an industry that is manufacturing for domestic consumption in an economy shielded from international competition by substantial tariff barriers. International trade, of course, is usually more competitive, and manufactured goods may have to compete with goods from countries where substantial research and development is being done. Under those circumstances, to rely entirely on imported technology may relegate a "borrowing" country to a secondary competitive position.

We can expect this line of reasoning to seem more and more relevant to Brazilians as their country's manufacturing industries go beyond the stage of import substitution, where they had been concentrating on domestic sales, and move into a program of export promotion in which Brazil's industrial progress will be judged by its success in international competition.

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