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Can foreign direct investment contribute to sustainable development? The role of Brazilian organisations involved in investment promotion (2002-2016)

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Orientador: Prof. Dr. Wagner Pralon Mancuso

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“The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere” (Marx & Engels, 2012, p. 77).

Abstract

In the last decades, flows of foreign direct investment have risen sharply. This type of investment is the main means used by multinational companies in their internationalisation processes. As a result of the greater presence of multinational companies in several countries, complex relationships have been developed between these actors and governments of the host locations.

Inasmuch as investments made by multinational companies have been associated with various benefits to the host economy, many governments have been adopting proactive measures to attract foreign direct investment. One of the forms used by governments to do so is the provision of services by investment promotion entities.

This study aims to evaluate the actions related to sustainable development taken by government organisations involved in foreign direct investment promotion in Brazil, considering the period between 2002 and 2016. Sustainable development is a concept derived from the idea that income indicators are necessary but not sufficient to measure the well-being of a society. An adequate use of natural resources and improvement in social conditions are also aspects necessary to guarantee good living standards. Governments may use policies to attract foreign direct investment as a tool to promote sustainable development in the locations they represent.

The main conclusion of this thesis is that Brazilian organisations involved in foreign direct investment promotion did have a relevant role in fostering sustainable development in Brazil, as strategies were adopted and activities were carried out to promote investments related to the concept, resulting in the facilitation of projects with potential to promote sustainable development. Still, additional measures could have been taken to foster sustainable development through foreign direct investment. These additional measures could have enhanced the potential impact of the investment promotion policy on sustainable development in Brazil.

Keywords: foreign direct investment; multinational companies; public policy; investment promotion; sustainable development.

Resumo

Nos últimos anos, aumentaram significativamente os fluxos de investimento estrangeiro direto, o principal meio utilizado por empresas multinacionais em seus processos de internacionalização. Como resultado da maior presença de empresas multinacionais em diversos países, relações complexas foram estabelecidas entre estes atores e os governos dos locais receptores.

Uma vez que os investimentos realizados por empresas multinacionais têm sido associados a vários benefícios para a economia receptora, muitos governos têm adotado medidas proativas para atrair investimento estrangeiro direto. Uma das formas utilizadas por governos para fazê-lo é o fornecimento de serviços por entidades de promoção de investimentos.

Este estudo visa a avaliar as ações de organizações governamentais envolvidas na promoção de investimento estrangeiro direto no Brasil em relação ao desenvolvimento sustentável, para o período entre 2002 e 2016. O desenvolvimento sustentável é um conceito derivado da ideia de que indicadores de renda são necessários mas não são suficientes para medir o bem-estar de uma sociedade. Um uso adequado dos recursos naturais e a melhoria das condições sociais são também aspectos necessários para se garantir um bom padrão de vida. Os governos podem utilizar as políticas para atrair investimento estrangeiro direto como uma ferramenta para promover o desenvolvimento sustentável nos locais que representam.

A principal conclusão desta tese é a de que as organizações brasileiras envolvidas na promoção de investimento estrangeiro direto tiveram um papel relevante no estímulo ao desenvolvimento sustentável no Brasil, uma vez que estratégias foram adotadas e atividades foram realizadas para promover investimentos relacionados ao conceito, resultando na facilitação de projetos com o potencial de promover o desenvolvimento sustentável. Entretanto, medidas adicionais poderiam ter sido tomadas para promover o desenvolvimento sustentável por meio do investimento estrangeiro direto. Estas medidas adicionais poderiam ter reforçado o impacto potencial da política de promoção de investimentos sobre o desenvolvimento sustentável no Brasil.

Palavras-chave: investimento estrangeiro direto; empresas multinacionais; políticas públicas; promoção de investimentos; desenvolvimento sustentável.

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List of Abbreviations and Acronyms

APEX	Trade Promotion Agency
Apex-Brasil	Brazilian Trade and Investment Promotion Agency
APEX-Brasil	Brazilian Trade Promotion Agency
CAMEX	Foreign Trade Chamber
CDM	Clean Development Mechanism
Coninv	National Committee of Investments
DPR	Department of Trade and Investment Promotion
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
Investe Brasil	Brazilian Network of Investment Promotion
Investment Office	Commission on Incentives for Private Productive Investments in Brazil
MDIC	Ministry of Industry, Foreign Trade and Services
Mercosur	Common Market of the South
MRE	Ministry of Foreign Affairs
PPI	Brazilian Investment Partnership Program
RENAI	Brazilian Investment Information Network
R&D	Research and Development
SDGs	Sustainable Development Goals
SECOM	Brazilian Commercial Service
SGEC	Undersecretariat General for International Cooperation, Trade Promotion and Cultural Themes
SIPRI	Investment and Technology Transfer Promotion System for Companies
SPPI	Special Secretariat of the Brazilian Investment Partnership Program

UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
WCED	World Commission on Environment and Development

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1 INTRODUCTION

One of the aspects related to the intensification of economic globalisation in the last decades is the increase in international flows of foreign direct investment[1] (FDI), the main means used by multinational companies in their internationalisation processes.

Greater presence of multinational companies in several countries has resulted in complex relationships between these actors and governments of the host locations. Multinational companies and their investments have been associated with various benefits to the host economy, and several governments have been adopting proactive measures to attract investments to the locations they represent. One of the forms used by governments to attract FDI is the provision of services to potential investors by organisations involved in investment promotion. These organisations may play a relevant role in the strategies adopted by governments to foster sustainable development.

Recently, Brazil has been one of the world's largest recipients of FDI, and the country has been adopting several measures to attract multinational companies' investments. Some of these measures have been taken by organisations responsible for developing activities such as advertising the advantages of Brazil as an investment destination and providing investors with advisory services to facilitate the implementation of their projects.

This thesis will seek to answer the following research question: did the government organisations involved in FDI promotion in Brazil adopt adequate measures to foster sustainable development in the country between 2002 and 2016? The period of time to be considered in the thesis spans the terms of Presidents Fernando Henrique Cardoso, Lula da Silva, Dilma Rousseff and Michel Temer, and takes into account important facts concerning the involvement of government organisations in FDI promotion in Brazil. In 2002, the first investment promotion authority to operate in Brazil was created and, in 2016, supervision of the Brazilian Trade and Investment Promotion Agency[2] (Apex-Brasil), hitherto exercised by the Ministry of Industry, Foreign Trade and Services[3] (MDIC), was transferred to the Ministry of Foreign Affairs[4] (MRE). The research question deals with a subject of high relevance to the present Brazilian reality, namely

[1] For the definition and concepts of foreign direct investment, please refer to Appendix A.
[2] In Portuguese, *Agência Brasileira de Promoção de Exportações e Investimentos*.
[3] In Portuguese, *Ministério da Indústria, Comércio Exterior e Serviços*.
[4] In Portuguese, *Ministério das Relações Exteriores*.

development, as in the last decades Brazil has not succeeded in converging towards the income levels seen in developed countries.

To answer the research question, the thesis will analyse the activities of the following government organisations and departments:

a) the Brazilian Network of Investment Promotion[5] (Investe Brasil);
b) the Commission on Incentives for Private Productive Investments in Brazil (Investment Office[6]);
c) Apex-Brasil;
d) the MRE and its Department of Trade and Investment Promotion[7] (DPR);
e) the Brazilian Investment Information Network[8] (RENAI), linked to the MDIC;
f) the Foreign Trade Chamber[9] (CAMEX); and
g) the Special Secretariat of the Brazilian Investment Partnership Program[10] (SPPI).

The thesis will attempt to answer the following questions in relation to these organisations:

- What actions did they develop to support foreign companies interested in investing in Brazil?
- Did the organisations adopt priority sectors in their strategies to attract FDI to Brazil?
- If so, what sectors were prioritised and what actions were taken to benefit them?
- What projects were advised by the organisations and what were their profiles?
- Did the organisations take into account the potential impact of investments on sustainable development?
- Did the organisations prioritise projects with greater impact on sustainable development?

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[5] In Portuguese, *Rede Brasileira de Promoção de Investimentos*.
[6] In Portuguese, *Comissão de Incentivo aos Investimentos Produtivos Privados no País* (*Sala de Investimentos*).
[7] In Portuguese, *Departamento de Promoção Comercial e Investimentos*.
[8] In Portuguese, *Rede Nacional de Informações sobre o Investimento*.
[9] In Portuguese, *Câmara de Comércio Exterior*.
[10] In Portuguese, *Secretaria Especial do Programa de Parcerias de Investimentos*.

In the thesis, the dependent variable is sustainable development in Brazil and the independent variable is the set of activities carried out by organisations involved in FDI promotion in Brazil. The thesis does not intend, however, to quantitatively measure the impact of the organisations' activities on sustainable development in the country. The goal of this piece of research is, instead, analysing whether the actions of the organisations were appropriate to promote sustainable development in Brazil, that is to say, whether they stimulated entry of investment projects with potential to contribute to the improvement of living standards in country.

This thesis is organised in six sections, in addition to Introduction. Chapter 2 provides an overview and contextualisation of the investment promotion activity and provides an introduction about its relationship with sustainable development. Chapter 3 presents major theoretical aspects regarding the complex issue of sustainable development, emphasising its characteristics according to the literature on the subject. Next, Chapter 4 presents the relationship between FDI and sustainable development. The contents of this chapter will provide an essential base for the analysis about the role of the organisations involved in FDI promotion in Brazil in fostering sustainable development.

After important concepts to the thesis have been presented, the following chapters will analyse relevant aspects about recent FDI activities and policies in Brazil. Firstly, Chapter 5 presents the profile of inward FDI in the country. During the period considered in the thesis, FDI played an important role in Brazil regarding its economic dynamics and international insertion. Hence, it is useful to contextualise the specificities of the Brazilian case. Finally, Chapter 6 analyses the activities of the organisations involved in FDI promotion in Brazil and Final Remarks presents the main findings of the thesis. The thesis will conclude that although Brazilian organisations involved in FDI promotion did have a relevant role in fostering sustainable development in Brazil, additional measures could have been taken to foster sustainable development through FDI.

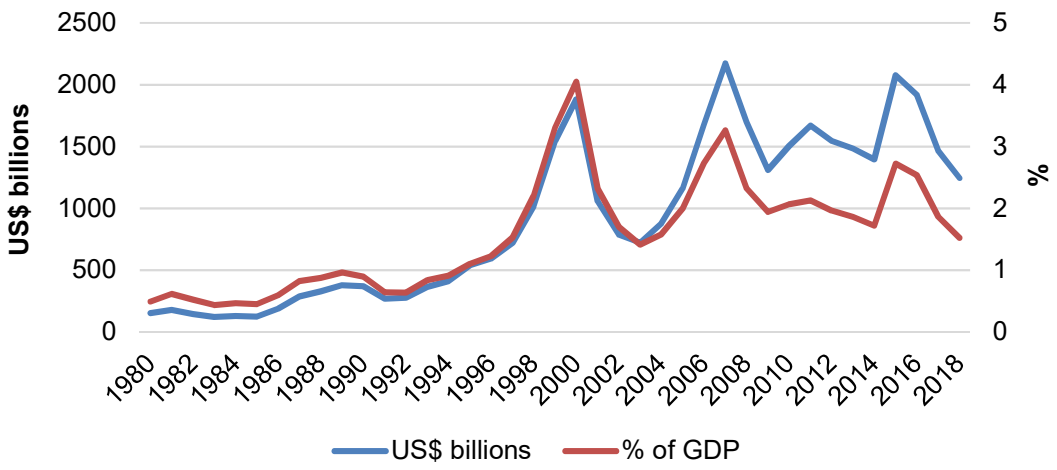
2 INVESTMENT PROMOTION AND SUSTAINABLE DEVELOPMENT: AN OVERVIEW

As stated in the epigraph of this thesis, the need for enlarged markets has driven the expansion of capital all over the world, resulting in the creation of ubiquitous links. Over the last decades, multinational companies have been expanding rapidly across borders, resulting in a significant influence of these actors on the economies and societies hosting their operations. Frequently, multinational companies (also called transnational corporations) make use of FDI in their processes of international expansion. Their resources have been considered highly relevant to accelerate economic growth and to provide capital to complement domestic savings in an economy.

According to the chart below, worldwide inward FDI[11] increased substantially between 1980 and 2000, particularly from the mid-1990s onwards. Inflows rose from US$ 152 billion in 1980 (in constant 2016 dollars) to US$ 592 billion in 1996, reaching US$ 1.9 trillion in 2000. Between 2001 and 2003, worldwide inward FDI flows decreased. From 2004 they rose again until reaching US$ 2.2 trillion in 2007, the peak in the series. Since 2008, worldwide annual inward FDI flows have generally stood around US$ 1.5 trillion. The variations in FDI as a percentage of the world's gross domestic product (GDP) tended to be closely related to the observed for the value in dollars.

[11] Foreign direct investment is measured in terms of both flows and stocks. Flows measure the changes of a variable during a certain period of time, while stocks measure the magnitude of a variable at a specific date, reflecting the accumulated value resulting from previous changes.

Chart 1 - Worldwide inward FDI flows in constant 2016 US$ and as % of the world's GDP, 1980-2018



Source: Own creation based on data from UNCTAD (UNCTADSTAT) and the United States Department of Labor

Considering the high rates of growth in FDI flows in the last decades, it is worthwhile trying to understand its impacts and consequences. The intensification of economic globalisation in the last decades and the international expansion of multinational companies have led to greater competition for the attraction of their investments, inasmuch as these investments are frequently considered, including by governments, to be associated with several benefits to the host locations and with the promotion of development. FDI is the main means used by multinational companies in their internationalisation processes.

In order to maximise the chances a location has to attract FDI, several governments across the globe have established organisations involved in investment promotion. Their activities include building the image of their locations as attractive investment destinations, carrying out actions to reach out to potential investors and rendering services to facilitate the investments made by multinational companies. These organisations are usually funded by public resources and are established as part of governments' policies to promote development.

Initially, the concept of development was, generally speaking, understood to be connected solely to economic progress, and development was gauged mainly through measures of income in per capita terms. More recently, a broader idea of development has emerged, which considers that economic progress is not sufficient to indicate the

level of development of a society. Social justice and environmental sustainability are also fundamental aspects of development. This broader view of development has been incorporated into the concept of sustainable development.

Investments made by multinational companies can provide relevant resources for the promotion of sustainable development, depending on the characteristics of these investments. Given that governments have set up organisations to attract FDI and that they have usually been established by governments in their efforts to promote development, it is worth analysing the roles of these organisations in the promotion of sustainable development. This thesis will do so for the case of Brazil, considering the period between 2002 and 2016.

This chapter aims to provide an overview about investment promotion and sustainable development, two major concepts of this thesis. The first section will provide an overview about FDI in Brazil and worldwide. Next, an introduction about relations between governments and multinational companies will be provided. Lastly, the third section will present introductory aspects about policies aiming to promote sustainable development through FDI.

2.1 Multinational companies and FDI: the international and Brazilian contexts

Multinational companies and production across borders are part of the contemporary world, in which capital and technology are highly mobile, although labour has a much more limited mobility (Gilpin, 1987). Differences in comparative advantages among countries, advances in communications and transport technologies and concession of incentives by governments have been stimulating the distribution of multinational companies' activities throughout the globe (Gilpin, 1987). As a result of the process of intensification of economic globalisation in the last decades and the increase of global FDI flows, multinational companies and governments have developed a complex network of relations (Gilpin, 1987, pp. 252–253).

FDI is considered to bring several benefits to the host location. The potential economic benefits attributed to FDI include transfer of technology and of managerial and operational knowledge, creation of jobs which in many cases require higher skills and pay higher salaries, generation of tax income, increase in competition levels and reversal of human capital flight (Bonelli, 1999; Carminati & Fernandes, 2013; Egan, 2015; Gasparian, 1973; Celio Hiratuka, 2008; J. A. de Negri & Acioly, 2004; Owen, 2016;

Pimentel, 2007; Silva, 2005). Inward FDI may also yield political rewards, once the investment of a multinational company can create a positive perception in the host location's public opinion and augment the likelihood that the incumbent politician or party succeeds in future elections (Owen, 2016). Due to these positive impacts which may arise from FDI, several governments, at national and subnational levels, have competed to attract investment projects of multinational companies (Cookson II, 2004; Guedes & Faria, 2002; Moraes, 2003; Moura Junior, 2010).

In the case of Brazil, competition among states resulted in the so-called fiscal war, in which, in many cases, subnational governments offer multinational companies generous tax incentives, including some controversial ones (Guedes & Faria, 2002; Nelson, 2002). Involvement in bidding wars for FDI may result in a situation in which the host locations suffer significant negative impacts (United Nations Conference on Trade and Development, 1992, p. 274). The likely outcome of the contests is the capture of rents by investors and home countries rather than by host countries (United Nations Conference on Trade and Development, 1992, p. 279).

Among the reasons for governments to engage in fierce disputes to host investment projects of multinational companies is the fact that FDI can be a relatively simple way of promoting economic modernisation and job creation (Rodriguez-Pose & Arbix, 2000). In addition, public officers may be concerned that the locations they represent are left out of an investment wave or that investments are directed to neighbouring locations, which could create a negative perception among the public opinion and cause negative political consequences (Rodriguez-Pose & Arbix, 2000).

Given the fact that potential host locations have been increasingly competing for FDI, often multinational companies have a good number of locational options to set up their investment projects. In some cases, multinational companies encourage locations to dispute their investments so that they obtain the most favourable investment conditions (Rodriguez-Pose & Arbix, 2000, p. 26). Hence, there is a perception that, in the relations between multinational companies and governments, the latter have lost bargaining power over the last decades (Guedes & Faria, 2002). With growing competition for the investments of multinational companies, the needs of host locations for the assets that these companies offer are bigger than the needs of multinational companies for the locational advantages offered by potential investment destinations (United Nations Conference on Trade and Development, 1999, p. 324).

Brazil has been historically an important destination of FDI flows, and in the last decades multinational companies have been playing an important role in the country's economy. Many political and economic factors have contributed to the entry of significant FDI flows in Brazil from the 1990s onwards. These factors include efforts to guarantee a more stable institutional environment for investments (including the creation of regulatory agencies and adhesion to international agreements for intellectual property protection), reduction in sector restrictions, trade opening and monetary stabilisation after implementation of the *Real* Plan (M. R. B. Costa, 2008; Economic Commission for Latin America and the Caribbean, 2005; Gonçalves, 2011; Antônio Corrêa de Lacerda, 2003; Mattos, Cassuce, & Campos, 2007; Wei, 2012). The process of privatisation of public enterprises and the regional integration promoted by the Common Market of the South (Mercosur) are also aspects considered to have contributed to high volumes of FDI inflows in Brazil (Devai & Dalla Costa, 2013; Economic Commission for Latin America and the Caribbean, 2005; Instituto de Estudos para o Desenvolvimento Industrial, 2003; Antônio Corrêa de Lacerda, 2003; Moraes, 2003; Moura Junior, 2010; Paula & Mazzetto, 2011; Wei, 2012). Large FDI inflows in Brazil and high degrees of internationalisation of the Brazilian economy are not new phenomena, as foreign capital has been playing a relevant role in the country's production processes since the beginning of its industrialisation (Celio Hiratuka, 2008).

A relevant share of the FDI entering Brazil does so to access its domestic market (Egan, 2015; Sabbatini, 2008; Sarti & Laplane, 2002). As a matter of fact, a significant part of foreign investments which have been directed to Brazil from the 1990s originated from the services sector (notably during the period in which a series of public enterprises were privatised) (Alencar & Strachman, 2016; Amal, 2016; Baer & Sirohi, 2013; Coelho, Fernandes, & Sampaio, 2008; Confederação Nacional da Indústria, 2014; M. R. B. Costa, 2008; Economic Commission for Latin America and the Caribbean, 2005; Instituto de Estudos para o Desenvolvimento Industrial, 2003; M. Laplane, Sarti, Hiratuka, & Sabbatini, 2001; Silva, 2005). For example, Brazil has received substantial volumes of FDI from firms operating in the financial services, utilities and telecommunications sectors.

Industrial sectors which have little engagement in export activities due to their intrinsic characteristics (such as beverages) or peculiarities in the Brazilian case (such automobiles) have also accounted for a substantial share of FDI entering Brazil during the period (Fernandes & Campos, 2008; Sarti & Laplane, 2002). It is worth noting that

despite greater trade liberalisation from the 1990s, many sectors of the economy still enjoy relevant levels of protection from international competition, such as the automotive sector, situation which stimulates tariff-jumping FDI[12] (Rodriguez-Pose & Arbix, 2000).

To a large extent, FDI into Brazil has had as a consequence a rise in imports of high value-added inputs necessary for the productive processes of multinational companies that invested in the country (Celio Hiratuka, 2008). Moreover, multinational companies generally account for a small share of exports of higher value-added products from Brazil (Economic Commission for Latin America and the Caribbean, 2005). Often, subsidiaries are oriented not to compete with their headquarters in export markets (von Doellinger & Cavalcanti, 1979). This may be the case for various subsidiaries of multinational companies operating in Brazil.

One notorious fact observed by researchers studying the profile of FDI into Brazil is the relative scarcity of cases in which multinational companies investing in the country did so to carry out research and development (R&D) activities (Baer & Sirohi, 2013; Egan, 2015; Celio Hiratuka, 2008; Moura Junior, 2010; Rodriguez-Pose & Arbix, 2000). Researchers also found that multinational companies have not contributed significantly to enhance Brazil's competitiveness and technological capabilities (Economic Commission for Latin America and the Caribbean, 2005; Jorge, 2008). It is important to note that "FDI can be effective in transferring the result of innovation, but not necessarily the ability to innovate" (Bruhn & Calegario, 2014, p. 39). Hence, developing countries cannot expect that their technological capabilities will be improved simply by opening up their territories to FDI (United Nations Conference on Trade and Development, 1999, p. 212).

In addition, when it comes to technology creation, usually multinational companies concentrate their R&D activities, and they rarely occur in developing countries (von Doellinger & Cavalcanti, 1979, p. 124). When investments in R&D centres are directed to developing economies, usually their destinations are Asian countries (Célio Hiratuka, 2005; United Nations Conference on Trade and Development, 2005b). Moreover, in many cases R&D investments to developing countries are directed at product adaptation and technical support (United Nations Conference on Trade and Development, 1999, p. 202).

Rarely do multinational companies delegate to subsidiaries in Brazil higher value-added activities within the value chains structured by these enterprises (Celio Hiratuka,

[12] Investments made by foreign companies to avoid import barriers which hinder access to the domestic market through trade are often called tariff-jumping FDI.

2008). Because of that, FDI in Brazil is considered to have little impact on the promotion of industrial competitiveness in the country (I. Costa & de Queiroz, 2002; Medeiros, 2008). According to some researchers, most of the FDI entering Brazil from the 1990s did not bring the benefits which had been expected by analysts who favoured greater liberalisation of the Brazilian economy (Celio Hiratuka, 2008; Medeiros, 2008).

A suitable strategy to promote FDI may be useful in changing the situation in which the benefits of the investments made by multinational companies are not as large as they could be. Although the internationalisation of the Brazilian economy has had as a consequence an unfavourable position in the international division of labour, this situation is not necessarily immutable (Furtado & Garcia, 2003, p. 244). An adequate development project has to take into account that Brazil's international economic insertion should be more active and less dependent (Furtado & Garcia, 2003, p. 244).

2.2 Relations between governments and multinational companies

Multinational companies and governments of host locations have been developing complex relationships, occasionally with divergent interests. In many cases, governments are interested in maximising the contribution a multinational company can provide to the societies they represent. An important challenge for policymakers is seeking to influence multinational companies' decisions, taking into account the potential impact of investments on development goals and the creation of conditions that make the location attractive to international capital flows (Antonio Corrêa de Lacerda, 2004). This challenge is even greater for developing countries, where the perception of risk by investors is bigger (Aguiar, Aguiar-Conraria, Gulamhussen, & Magalhães, 2012).

Different types of foreign investments have different impacts on the promotion of development. The benefits inward FDI may bring to a location are not automatic, and the foreign investment policy has a relevant role in the efforts to maximise the benefits a host location derives from the investments made by multinational companies. So that investments bring broad social benefits, governments should not only consider quantitative characteristics but also qualitative ones, including the capacity of investments to increase exports and raise local added value (Antonio Corrêa de Lacerda, 2004). The profile of FDI in a location influences its contribution to growth and development. As FDI can, in addition to benefits, have potential costs to the host location, it is important to consider its net effects (Medeiros, 2008). Taking into account that relations between

governments and multinational companies are complex, that FDI is considered to bring several benefits to host locations and that multinational companies' bargaining power is significant, the adoption of adequate strategies in relation to inward FDI is a great challenge to policymakers (Celio Hiratuka, 2008; Antonio Corrêa de Lacerda, 2004).

A strategic approach by governments interested in attracting FDI is crucial. Predatory competition among possible host locations in the attraction of investment projects may diminish governmental capacity to use them as a tool to promote development (Guedes & Faria, 2002). For example, generous tax incentives can compromise the financial capacity of governments to invest in areas such as education and infrastructure (Moraes, 2003; Rodriguez-Pose & Arbix, 2000), and there might be cases in which the environmental legislation is relaxed to augment attractiveness of a location to multinational companies (Owen, 2016). If policies are not proper, there may be waste of public resources to meet short-term political goals (Rodriguez-Pose & Arbix, 2000).

Public policies to attract FDI ought to consider potential costs and benefits of investments made by multinational companies. If such aspects are not taken into account, there is a risk that government policies are disproportionately favourable to multinational companies and to local political interests, to the detriment of the necessities of communities in the host location (Rodriguez-Pose & Arbix, 2000). Frequently, the interests of multinational companies may conflict with the policies necessary to promote development (von Doellinger & Cavalcanti, 1979). When it comes to international business, it is of paramount importance considering the interactions between the public and private sectors and the fragility of the idea adopted by several governments that FDI will automatically benefit the host location (Guedes & Faria, 2002).

FDI can be an adequate tool to promote development, as long as companies operating in a location raise exports, strengthen competitive advantages and increase production capacity, for example (Antônio Corrêa de Lacerda, 2003). A good number of researchers argue that governments should seek to attract, particularly, investments which will result in higher export levels (Carminati & Fernandes, 2013; Egan, 2015; Fernandes & Campos, 2008; Gregory & Oliveira, 2005; Antonio Corrêa de Lacerda, 2004; Antônio Corrêa de Lacerda, 2003; M. Laplane et al., 2001; Sarti & Laplane, 2002). Stimulating interactions between multinational companies and innovation systems is also considered appropriate, as it increases spillover effects (Medeiros, 2008). In addition, FDI promotion policies should not only consider the short-term impacts derived from

investments, such as creation of jobs and entry of financial resources (and the subsequent exit in the form of dividends and profit remittances), but also the potential long-term effects, such as the technology skills which could be transferred by multinational companies (I. Costa, 2003).

In addition to the adoption of adequate measures in relation to the foreign investment policy itself, another important factor for the maximisation of benefits from inward FDI by a host location is the integration of the investment policy with broader actions to promote development. Countries which succeeded in promoting development with the support of FDI adopted an active policy which combined investment attraction with the creation of locational advantages through, for example, investments in education and infrastructure, incentives to R&D activities, stimuli to investments in sectors considered to be strategic (including those with greater potential of linkages with the local economy) and adoption of policies to improve the business climate (Baer & Sirohi, 2013; Carminati & Fernandes, 2013; Celio Hiratuka, 2008; Jorge, 2008). Unfortunately, such cases are rare. Few developing countries have been able to ally their FDI strategy with their infrastructure and industrial policies (United Nations Conference on Trade and Development, 2003, p. 106).

2.3 The investment promotion policy as a tool to promote sustainable development

One topic absent from the discussion about the potential impacts of FDI entering Brazil is the contribution of this type of investment to sustainable development (P. da M. Veiga, 2004). Promotion of sustainable development through FDI could be a strategy adopted by governments, and various types of public policies may be adopted with that goal. In the last decades, the idea that economic indicators are not sufficient to gauge the development of a society has started to emerge, and environmental sustainability and social justice have also begun to be considered relevant aspects to measure the well-being of communities.

These ideas have been incorporated into the concept of sustainable development. Given that i) huge amounts of investments are needed to promote this type of development, ii) governments in developing countries have the difficult challenge to adopt policies which may foster the development of the societies they represent and iii) foreign capital may provide substantial amounts of investments which can supplement domestic savings, the investment promotion policy represents an opportunity to governments

willing to help their locations engage in a path of convergence towards the development levels of rich nations, at the same time that they adopt a development model based on better use of natural resources and on an enhanced focus on social issues.

Concerning sustainable development, an important landmark was the conclusion, in 2015, of negotiations which resulted in the adoption of the Sustainable Development Goals (SDGs), at the United Nations Sustainable Development Summit. The SDGs offer guidelines to national policies and to international cooperation, for the period of 15 years following adoption of the goals. The SDGs succeeded and updated the Millennium Development Goals, adopted for the period between 2000 and 2015. The SDGs were adopted by the world's nations to guide future development patterns in the world (J. Sachs, 2015, p. 3).

The SDGs are composed by 17 goals and 169 targets related to subjects such as poverty eradication, food security, health, education, inequality reduction, energy, sanitation, inclusive growth, infrastructure and industrialisation. The goals which comprise the SGDs are the following (United Nations Development Programme, n.d.):

1. No poverty: End extreme poverty in all forms by 2030;
2. Zero hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
3. Good health and well-being: Ensure healthy lives and promote well-being for all at all ages;
4. Quality education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
5. Gender equality: Achieve gender equality and empower all women and girls;
6. Clean water and sanitation: Ensure availability and sustainable management of water and sanitation for all;
7. Affordable and clean energy: Ensure access to affordable, reliable, sustainable and modern energy for all;
8. Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
9. Industry, innovation and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
10. Reduced inequalities: Reduce inequality within and among countries;

11. Sustainable cities and communities: Make cities and human settlements inclusive, safe, resilient and sustainable;
12. Responsible consumption and production: Ensure sustainable consumption and production patterns;
13. Climate action: Take urgent action to combat climate change and its impacts;
14. Life below water: Conserve and sustainably use the oceans, seas and marine resources for sustainable development;
15. Life on land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;
16. Peace, justice and strong institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; and
17. Partnerships for the goals: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

The SDGs aim at promoting economic growth that is socially inclusive and environmentally sustainable (J. Sachs, 2015, p. 3). Achieving the goals requires partnerships involving various social actors, such as governments, the private sector and the civil society, and the United Nations Development Programme supports governments in integrating the SDGs in their development strategies.

Advancing the agenda related to the SDGs calls for huge investment volumes, particularly in strategic sectors such as infrastructure, food security, sustainable energy, production capacity building, public health and education (United Nations Conference on Trade and Development, 2017b). As public investments are not sufficient to provide the resources necessary to achieve the targets, FDI and other types of international financing have an important role in filling the gap (United Nations Conference on Trade and Development, 2017b). In fact, many investment promotion entities were given the responsibility of promoting sustainable development through FDI (United Nations Conference on Trade and Development, 2017b).

Some investment promotion entities, such as the Nevis Investment Promotion Agency, the Zimbabwe Investment Authority and the Costa Rican Investment Promotion Agency, have stated their intention to attract FDI which can contribute to the promotion of sustainable development, without mentioning specific actions (COMESA Regional

Investment Agency, n.d.; Costa Rican Investment Promotion Agency, 2018; Nevis Island Administration, 2018). The Investment Development Authority of Lebanon has integrated sustainable development into its operations more explicitly. The organisation published a report with information on its activities to support the SDGs, specifying the actions taken regarding the goals related to the organisation's mandate (Investment Development Authority of Lebanon, n.d.). For example, the Investment Development Authority of Lebanon requires investors to submit studies presenting the environmental and socio-economic impact of their projects so that benefits can be provided. Incentives are also provided based on the region where the project will be located, as part of the organisation's efforts to promote development in the poorest areas of the country. Moreover, the organisation plans to implement measures to target investments which will contribute to the creation of high-value jobs.

Amongst the investment promotion entities seeking to use FDI to foster sustainable development which have been identified, Invest India is the organisation with the most comprehensive strategy. The organisation's website presents detailed information about its approach in the efforts to attract investments with potential to promote sustainable development (Invest India, n.d.). Invest India has selected 11 sectors with potential impact on the SDGs. Each sector has an investment promotion plan, focused on targeting and facilitation. Targets for the sectors are defined based on investment amount, job creation and other indicators. So as to define prioritisation of projects, 22 indicators related to sustainable development have been adopted (e.g. employment, infrastructure development, pollution controls, low carbon footprint and skills enhancement). To promote policies to achieve the SDGs, Invest India cooperates with government organisations and state authorities, and an online platform has been created to advertise opportunities of investment in projects across India, including projects in sectors associated with sustainable development.

A change in the profile of inbound Brazilian FDI may be supported by an adequate policy which induces investments with potential positive effects on sustainable development. For example, the sector composition of FDI in Brazil can be an important factor in determining the impact of investments on sustainable development.

Some of the measures which could help promoting sustainable development include the adoption of trade agreements aiming to open foreign markets, the improvement of the physical infrastructure and labour skills and the enhancement of the institutional environment (United Nations Conference on Trade and Development, 2012).

With regard to measures directly related to the foreign investment policy, governments could, for instance, focus on issues related to sustainable development when establishing international investment agreements (in the international dimension) and when defining the strategies of investment promotion authorities (in the national or subnational dimension).

Brazil has signed few international investment agreements. Between 1994 and 1999, the country signed 15 bilateral investment treaties. Six of them were submitted to Congress, but all of them were removed from the agenda in 2002. Among the reasons for this movement is the argument that these agreements could limit the Government's capacity to adopt policies of national interest (Alves, 2014).

Considering the difficulties encountered by many countries which established bilateral investment treaties, especially those concerning the mechanisms of dispute resolution between investor and state, Brazil has created an investment agreement template called Cooperation and Investment Facilitation Agreement[13] (Ministério das Relações Exteriores, n.d.-a). Until April 2019, 16 treaties had been signed but only two were ratified (those with Angola and Mexico) (Krüger & Rittner, 2019). It is worth mentioning that the countries with which Brazil has signed those agreements (such as Mozambique, Malawi, Chile, Peru and Colombia) account for a minor share of FDI flows into Brazil.

Furthermore, the fact that Brazil has been a large recipient of FDI even without having established a significant number of international investment agreements seems to strengthen the argument that they are not relevant in determining the investments of multinational companies in the country (Alves, 2014; Cotula, 2014; Picard, 2015; P. da M. Veiga, 2004). What is more, generally development is not a subject included among the contents of international investment agreements (United Nations Conference on Trade and Development, 2012). Therefore, international investment agreements will not be the means to attract FDI to be analysed in this study.

In addition to the signature of international investment agreements, the investment promotion policy may be another tool to promote sustainable development. When it comes to investment promotion, Brazil is considered to have engaged in the activity relatively late (the first Brazilian investment promotion entity started operating in 2002) (Egan, 2015). Several organisations have been involved in investment promotion in

[13] In Portuguese, *Acordo de Cooperação e Facilitação de Investimentos*.

Brazil, including Apex-Brasil; the MDIC, through RENAI; and the MRE, through the DPR. Considering the number of organisations involved in FDI promotion in Brazil, overlap in their activities may occur, which requires an adequate coordination. In the case of Apex-Brasil, its main focus is export promotion and the organisation is not as focused on investment promotion as many counterparts in other countries (Egan, 2015). Besides, despite an intention that Apex-Brasil should operate as a one-stop shop, in practice it does not take place (Egan, 2015).

So that the benefits of the investment promotion policy are maximised, coordination among government organisations is of utmost importance, as the promotion of development is an extremely complex matter, which represents a big challenge to many societies and which requires involvement of a broad range of social actors, above all in the public sector.

In conclusion, this chapter aimed to provide an overview about the main actors and concepts which are considered in this thesis. Before the thesis reverts to approaching issues related to FDI, the next chapter will present a central concept for the study: sustainable development.

3 MAIN CONCEPTS RELATED TO SUSTAINABLE DEVELOPMENT

3.1 History and main characteristics of the concept

The concept of sustainable development originated from the idea that economic variables are not sufficient to measure people's well-being. Initially, the concept of development was mostly related to economic variables such as GDP per capita and productivity growth, and little focus was given to social and environmental aspects (Tulder & Fortanier, 2009, p. 213). These aspects are of utmost importance in the efforts to secure present and future levels of life quality. Social development is related to people's well-being in both individual and collective terms, while environmental concerns arise from the awareness that human welfare is dependent on goods provided by nature (Munasinghe, 2001, p. 395). Economic growth may not have a direct positive effect on social development and on the quality of the environment. Despite the importance of economic growth, other aspects beyond income measurements ought to be considered in the idea of development (Sen, 1999, p. 14). Although the world economy has been growing rapidly, inequality within and between countries is significant and the current pattern of economic activity threatens survival on the planet (J. Sachs, 2015, p. 2).

The concept of sustainable development is linked to three main aspects: productive economic growth, social justice and environmental sustainability (United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004, p. 8). The concept is based on a belief that it is possible to ally long-term economic growth, improvement of social indicators and environmental preservation (Romeiro, 2012, p. 69). Although economic growth is a necessary condition, it is not a sufficient one, as a better distribution of income does not necessarily result from higher growth rates (hence, policies are needed to guarantee that most people benefit from economic growth), and economic growth may have a negative impact on the quality of the environment (thus, policies are necessary to promote ecological efficiency and mitigate losses of relevant natural resources) (Romeiro, 2012, p. 69). Also, high levels of poverty may lead to mismanagement of natural resources in order to meet short-term needs (for example, people in poor rural communities are often forced to use as fuel materials which could be applied in the regeneration of soils vulnerable to erosion) (International Union for Conservation of Nature and Natural Resources, United Nations Environment Programme, & World Wide Fund For Nature, 1980).

A different development model from the one generally adopted and pursued since the Industrial Revolution is recommended by advocates of sustainable development. The goal of achieving better living standards for present and future generations requires that the destructive logic based on depreciation of labour and environmental resources is avoided, favouring solutions which seek to get rid of growth attained through negative social and environmental externalities (I. Sachs, 2004, pp. 14–15). One of the main messages of the concept of sustainable development is the warning that the current scale of exploitation of natural resources threatens the well-being of future generations and perhaps even survival of humankind itself (J. Sachs, 2015, p. 34). Allying properly economic and environmental matters is an imperative, as natural sciences may be able to assess what is needed in terms of the Earth's sustainability, but it is the social sciences that will be better positioned to devise strategies aimed at achieving that goal (I. Sachs, 2002, p. 60).

Sustainable development is both a form of comprehending characteristics of the world and a way of devising solutions to its problems (J. Sachs, 2015, p. 1). A parallel with another stage of the history of capitalism could be a starting point in the reflections on possible solutions to the problem of sustainability. In the same way that gradually the first industrial societies started from roughly the 1880s to adopt policies to tackle problems arising from poor people being left behind in conditions prone to disease, hunger and crime (with potential consequences to society as a whole), approximately half a century ago many countries noticed that their natural resources needed to be managed more rationally so that the well-being of citizens could be guaranteed (J. Sachs, 2008, pp. 14–15).

The integration of economic, social and environmental aspects on a global scale is an important characteristic of sustainable development. The concept is a consequence of an increasing perception that environmental problems and socio-economic matters (such as poverty and inequality) are globally interconnected (Hopwood, Mellor, & O'Brien, 2005, p. 39). Although those aspects had already been analysed separately by academics for a long time, it was in the 1970s that they started to be considered in conjunction (Blanchard & Buchs, 2015, p. 699). Major theoretical aspects concerning sustainable development were defined in prominent international events and initiatives occurred between 1972 and 1992 (Drexhage & Murphy, 2010, p. 7).

In 1972, a report prepared by academics for a project carried out by the Club of Rome[14] developed an analysis which took into account issues of global concern (namely industrialisation, population growth, malnutrition, exhaustion of non-renewable resources and environmental deterioration), seeking to comprehend their causes, interrelationships and implications (Meadows, Meadows, Randers, & Behrens, 1972, p. 21). The report concluded that i) continuity in trends of industrialisation and depletion of natural resources would lead to exhaustion of the planet's capacity to sustain future growth; ii) it is possible to change these trends and adopt a model which is sustainable into the future and in which economic and environmental aspects are balanced; and iii) the sooner actions are taken, the greater the chances of success (Meadows et al., 1972, pp. 23–24).

Also in 1972, the United Nations Conference on the Human Environment, taken place in Stockholm, was an important step in the creation of the concept of sustainable development. That was the first major international event to discuss the issue of sustainability (Drexhage & Murphy, 2010, p. 7). Although the relationship between the environment and other issues related to development were not discussed in depth, it was suggested that the economic development model would have to be changed (Mebratu, 1998, p. 500). In the preparation for the Conference, two antagonistic positions were adopted: some considered that concern over the environment were inappropriate whereas others had apocalyptic views for the near future in case that growth in population or consumption levels was not halted (I. Sachs, 2002, pp. 50–51). Later, the extremist views were discarded in favour of an alternative between the stance focused solely on economic matters and the viewpoint which considered the environmental issue as the only concern of development (I. Sachs, 2002, p. 52).

Still, the final declaration of the conference warned of the potential consequences of mismanagement of natural resources. It stressed the potentially irreversible effects of human activities on the environment, and the need to alter the course of action so that humanity's present and future needs can be met (United Nations, 1972):

> A point has been reached in history when we must shape our actions throughout the world with a more prudent care for their environmental consequences. Through ignorance or indifference we can do massive and irreversible harm to the earthly environment on which our life and well-being depend. Conversely, through fuller knowledge and wiser action, we can achieve for ourselves and our posterity a better life in an environment more in keeping with human needs and hopes.

[14] Founded in 1968, the Club of Rome is an organisation of notable individuals from the public and private sectors which carries out research and organises events aiming to understand humanity's challenges and propose solutions to them.

After the United Nations Conference on the Human Environment, the first reactions of the United Nations consisted in supporting the idea that the economies of poorer countries needed to grow and in recognising that poverty was related to environmental degradation in these countries (Romeiro, 2012, p. 69). In addition, after the event, the idea that the economy and the environment could no longer remain in a state of conflict gradually began to emerge (Mebratu, 1998, p. 501). The ramifications of the United Nations Conference on the Human Environment provided an important basis for the origin of the idea of sustainable development. The expression sustainable development was probably used publicly for the first time in 1979 at the United Nations Symposium on the Interrelations between Resources, Environment, Population, and Development, taken place in Stockholm (J. E. da Veiga, 2008, pp. 190–191).

Another important event for the creation of the concept of sustainable development was the publication, in 1980, of the report World Conservation Strategy, a document prepared by the International Union for Conservation of Nature and Natural Resources[15], with cooperation and financial support of the United Nations Environment Programme and the non-governmental organisation World Wide Fund For Nature (formerly World Wildlife Fund). The Food and Agriculture Organization and the United Nations Educational, Scientific and Cultural Organization collaborated in the production of the document. The report contains important ideas related to the concept of sustainable development, such as the recognition that social and ecological factors, as well as economic ones, need to be taken into account in the promotion of development; the assessment that current patterns of consumption compromise availability, to future generations, of resources on which survival of humankind depends; and the importance of the relation between poverty and environmental deterioration (International Union for Conservation of Nature and Natural Resources et al., 1980).

Three years later, in 1983, the General Assembly of the United Nations approved the creation of a special commission which “should make available a report on environment and the global problematique to the year 2000 and beyond, including proposed strategies for sustainable development” (General Assembly of the United Nations, 1983). The commission, which later was named World Commission on

[15] The International Union for Conservation of Nature and Natural Resources is an international organisation which provides public and private organisations with knowledge and tools to promote human progress, economic development and nature conservation. The organisation is funded by governments, multilateral institutions, non-governmental organisations and the private sector.

Environment and Development (WCED), was chaired by former Prime Minister of Norway Gro Harlem Brundtland[16]. Members from developing and developed countries comprised the WCED (Drexhage & Murphy, 2010, p. 6).

Creation of the WCED resulted from increasing concerns over the state of the environment and over depletion of natural resources, in a period when developing economies were actively seeking to attain higher levels of GDP growth, a goal which could have negative environmental impacts (Burns, 2016, p. 883). In the negotiations taken place within the WCED, developed countries tended to emphasise the necessity of measures such as adoption of limits on emissions of toxic substances and improvements in the management of waste materials, whereas developing countries underlined their urge to develop their economies, even though this could lead to deterioration of the environmental conditions (Burns, 2016, pp. 884–885). The concept of sustainable development is considered to be a form of appeasing groups within the United Nations focused on the importance of economic growth (Castro, 2004, p. 196).

The concept gained prominence after publication in 1987 of the Report of the World Commission on Environment and Development, entitled Our Common Future and also known as the Brundtland Report. As the document was endorsed by the United Nations General Assembly, the term was invested with political renown (Drexhage & Murphy, 2010, p. 6). The Brundtland Report is considered to be responsible for setting a political and scientific agenda for sustainable development, and since its publication a great deal of debate on the issue has been held and various interpretations about the concept have arisen (Olsson, Hourcade, & Köhler, 2014, p. 5). The document (World Commission on Environment and Development, 1987) contains the most widely used definition of sustainable development: “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

The definition of sustainable development presented by the Brundtland Report (World Commission on Environment and Development, 1987) contains two major concepts: “the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs”. Sustainable development is considered to be a process of change which

[16] Gro Harlem Brundtland served three terms as Prime Minister (1981, 1986-1989 and 1990-1996).

aims to utilise an adequate exploitation of resources, investments and technological development as means to achieve a situation in which human needs and aspirations are potentially met in the present and in the future (World Commission on Environment and Development, 1987).

The Brundtland Report (World Commission on Environment and Development, 1987) contains important ideas which became intrinsic to the concept of sustainable development: the notion that poverty and inequity may result from ecological crises; the necessity of stimulating consumption standards that are within the limits of ecological possibilities and that most people can afford; and the recognition that although economic growth is necessary to promote development, it will not always result in lower poverty levels and better environmental conditions.

The report (World Commission on Environment and Development, 1987) also lists major objectives of policies aiming to promote sustainable development, which include: “reviving growth; changing the quality of growth; meeting essential needs for jobs, food, energy, water, and sanitation; ensuring a sustainable level of population; conserving and enhancing the resource base; reorienting technology and managing risk; and merging environment and economics in decision making”.

A relevant event for the consolidation of the concept of sustainable development was the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992. The conference had an important contribution in making sustainable development a widely known term, and although the event was not relevant in producing ideas about how to tackle environmental problems, the principles of the WCED were reaffirmed and strengthened by the endorsement of world leaders (Castro, 2004, p. 197). The nature of the preparations to the event had a significant contribution to spread the concept internationally, as in many countries they involved participation of relevant stakeholders at local levels (Mebratu, 1998, p. 502).

The Rio Declaration on Environment and Development, a document produced during the UNCED, listed the principles related to sustainable development (United Nations, 1992b), including: focus on the welfare of human beings, who have the right to a healthy life, in harmony with nature; right of present and future generations to development; necessity to consider environmental protection an intrinsic part of the efforts to promote development; recognition that poverty eradication is a requirement to attain sustainable development; and necessity of cooperation to curb relocation, to other

countries, of activities which may cause negative impacts on environmental conditions and human health.

The UNCED resulted in three important international treaties: the United Nations Framework on Climate Change, focused on man-made climatic changes; the Convention on Biological Diversity, focused on the effects of human activities on the massive extinction of species; and the United Nations Convention to Combat Desertification, aimed at guiding policies towards drylands (J. Sachs, 2008, pp. 24–25). One of the main results of the UNCED was the publication of Agenda 21 (United Nations, 1992a), an agreement on a global action plan to implement measures to reach sustainable development.

In 2002, ten years after the UNCED, another relevant summit was organised in which the challenges of sustainable development were discussed: the United Nations World Summit on Sustainable Development, taken place in Johannesburg. The Plan of Implementation of the World Summit on Sustainable Development reaffirmed the principles of the Rio Declaration on Environment and Development and the implementation of Agenda 21 and pointed out to the commitment to integrate the environmental, economic and social pillars of sustainable development as mutually reinforcing aspects of the concept (United Nations, 2002, p. 2). This approach based on the three-part view of sustainable development was restated in the outcome document of the United Nations Conference on Sustainable Development, held in Rio de Janeiro in 2012 (United Nations, 2012, p. 2). According to Sachs (2015, p. 5), as time went by the concept of sustainable development started to focus less on intergenerational equality and more on the practical aspect of integration of its three pillars.

In fact, an essential idea within the concept of sustainable development is the necessity of integrating economic, social and environmental issues in the attempt to promote development on a global scale. Hopwood, Mellor and O'Brien (2005, p. 48) argue that "the reality is that humanity is dependent on the environment, with society existing within, and dependent on, the environment, and the economy exists within society". Sustainable development is usually presented as a way of fitting its three pillars in harmony (Giddings, Hopwood, & O'Brien, 2002, p. 189). The concept of development contained in the Brundtland Report fundamentally embodies the notion that it is important to integrate the complex issues of environmental deterioration, low human development and poverty, indicating that all aspects mutually reinforce each other and that they should be tackled simultaneously (Robinson, 2004, p. 372). Ignacy Sachs (2004, pp. 15–16)

adds to the social, environmental and economic pillars the territorial and the political ones. The territorial pillar is related to the spatial distribution of resources and activities and the political pillar is concerned with the idea that democratic governance is a fundamental value. Jeffrey Sachs (2015, pp. 502–503) also adds another dimension to the three traditional ones, namely governance, which involves the public and private sectors, particularly multinational companies when it comes to the private sector.

Although sustainable development requires a balanced and integrated approach in relation to the economic, social and environmental pillars, in practice usually this does not occur. Considering sustainable development's three pillars, environmental and economic matters often predominate and are approached in an isolated fashion. This separation leads to diversion from and underestimation of the intrinsic relations between social, economic and environmental issues (Giddings et al., 2002, p. 189). According to Drexhage and Murphy (2010, p. 13) "climate change has emerged as the de facto proxy for addressing sustainable development issues". And, in terms of public policy priorities, usually economic issues rank higher than social and environmental ones (Giddings et al., 2002, p. 190), and the focus of governments regarding development policies has been directed towards promoting economic growth (Drexhage & Murphy, 2010, p. 17).

In fact, many consider the concept of sustainable development to be contradictory, due to the difficulties in reconciling economic growth with social justice and environmental sustainability (Robinson, 2004, pp. 369–370). Nevertheless, at the same time, dissatisfaction with traditional development models also seems to be mounting (Robinson, 2004, p. 377).

3.2 Measuring sustainable development

Although the relevance and necessity of sustainable development is widely recognised, actions taken so far were few and not enough resources and priority have been committed to adopt the measures necessary to result in a path towards the goals associated with the concept (Drexhage & Murphy, 2010). Implementation of the concept by national governments and international organisations has been difficult, given that deep-rooted, structural changes in the ways societies function are required, as well as a great deal of time and effort (Drexhage & Murphy, 2010).

In spite of significant evolution of the concept of sustainable development since its creation a couple of decades ago, the problems it seeks to address still exist, and

awareness of the environmental consequences of the present development model has not been translated into action (George, 2007, pp. 102–103). That leads to suspicion about the implementation of viable solutions to problems related to sustainable development. Particularly, there is scepticism about the possibilities of countries preserving an adequate level of natural resources at the same time that they attain higher levels of income per capita (Burns, 2016, p. 885).

Karlsson-Vinkhuyzen, Dahl and Persson (2018, p. 3) consider low implementation the Achilles heel of sustainable development governance, and comment on the frequent insufficient monitoring and reporting which could support evaluation of progress. Difficulties to implement policies aimed to promote sustainable development have various causes. Drexhage and Murphy (2010, p. 8) point out the difficulty in implementing policies outlined in multilateral agreements, as frequently local realities of the signatories are not taken into account in the negotiations. Moreover, some developing countries have claimed that lack of resources and unfavourable terms of trade have hampered their efforts in implementing policies to promote sustainable development (Drexhage & Murphy, 2010, p. 13). In the case of developing countries, there is a perception that economic growth brings immediate returns while environmental conservation seems to benefit mostly rich nations (Redclift, 2005, p. 214).

Despite the difficulties to implement measures to promote sustainable development and to monitor progress on the issue, there have been significant initiatives aimed at measuring sustainable development, and several indices have been created. Drexhage and Murphy (2010, p. 11) cite the following indices:

- the Human Development Index (produced by the United Nations Development Programme);
- the Gross National Happiness (used by the Government of Bhutan);
- the Living Planet Index (produced by the World Wide Fund For Nature);
- the Happy Planet Index (produced by the New Economics Foundation); and
- the BellagioSTAMP: Sustainability Assessment and Measurement Principles (developed by the International Institute for Sustainable Development and the Organisation for Economic Co-operation and Development).

Kates, Parris and Leiserowitz (2016) also mention the following indicators among the initiatives to measure sustainable development:

- the Well-Being Index (produced by the polling company Gallup and the healthcare application Sharecare);
- the Environmental Sustainability Index (produced by the Yale Center for Environmental Law and Policy, the Center for International Earth Science Information Network at Columbia University and the World Economic Forum); and
- the Ecological Footprint (produced by the research organization Global Footprint Network).

The analysis carried out by Rodrigues and Rippel (2015) on sustainable development measurements also considered indices which include:

- the Pressure-State-Response model (developed by the Organisation for Economic Co-operation and Development);
- the Barometer of Sustainability (developed by specialists linked to the international organisation International Union for Conservation of Nature and the research funding organisation International Development Research Centre); and
- the Dashboard of Sustainability (result of a project led by the think tank International Institute for Sustainable Development).

Although these indicators represent a relevant attempt to provide information on the scale of progress towards sustainable development, they are not as used and monitored as indices which measure income per capita, they generally do not consider the three pillars of sustainable development altogether and some of them have limited geographical reach, referring only, for example, to locations within countries. Rodrigues and Rippel (2015, p. 86) have concluded that, considering the indices analysed in their study, only the Pressure-State-Response model and the Dashboard of Sustainability encompass all of sustainable development's pillars, whereas the other ones (the Human Development Index, the Barometer of Sustainability and the Ecological Footprint) encompass one or two of them.

3.3 The concept of sustainable development: views, interests and results

An important characteristic of the concept of sustainable development is the fact that it is subject to various different interpretations, according to the individual or group making use of it. The history of the concept and the way it originated may have some influence on this fact. Burns (2016, p. 882) comments that the concept of sustainable development, rather than being conceived within academic environments, arose from developments of political and administrative character, and it is, just as the concept of development as a whole, subject to discord by various cohorts.

In addition, there is criticism concerned with the moment in which the concept emerged, with potential impacts on the formulation of solutions to address problems related to it. According to Castro (2004, p. 200), sustainable development is a concept constructed in a context in which prevailed the neoliberal agenda commanded mainly by businesses, with little attention to proposals of solutions beyond adoption of free trade.

The concept of sustainable development is considered to be one which has an excessive degree of flexibility, so that it can be used for different purposes and interests and can frequently be misunderstood. Since its conception, the term sustainable development has been used in several different forms, and representatives of the public and private sectors have been making use of the concept to justify or embellish their actions (Redclift, 2005, p. 213). Giddings, Hopwood and O'Brien (2002, p. 190) argue that companies, in addition to focus on the opportunities related to greater energy efficiency, have also considered the benefits of being associated with an environmentally friendly image. The concept of sustainable development may even be used to justify the adoption of unsustainable practices by governments and corporations worried about rising awareness of environmental and social issues, and the vagueness of its definition can make it easier such use (Robinson, 2004, p. 374).

However, its flexibility may also be a factor which helps the widespread use of the concept. Hopwood et al. (2005, p. 38) consider that "the widespread rise of interest in, and support for, the concept of sustainable development is potentially an important shift in understanding relationships of humanity with nature and between people". According to Veiga (2008, p. 192), the generalised use of the concept indicates the degree of awareness by a significant part of the elites in relation to environmental constraints. Hence, the definition of sustainable development presented by the WCED had a good deal of influence in the emergence of a different world view (Mebratu, 1998, p. 503).

This different world view is imbued with attributes which may drive change in mindsets and attitudes. Drexhage and Murphy (2010, p. 6) highlight three main

foundations regarding sustainable development: equity and fairness, which involve a willingness to improve conditions of the poorest people in the world and the preservation of rights of future generations; a view directed towards long-term results and focused on precaution; and a recognition of the interdependence between environmental, economic and social matters. Olsson, Hourcade and Köhler (2014, p. 6) consider that sustainable development has three advantages over previous interpretations of development: i) both short-term and long-term relations of society with the Earth are taken into account; ii) the welfare of future generations is a major concern; and iii) both developed and developing countries are urged to enter a transition to sustainable practices, whereas previous interpretations of development focused principally on developing countries. For poor countries, policies to promote sustainable development could represent an opportunity of allying economic growth with income distribution, at the same time that the pattern of environmental impacts seen in developed countries would be avoided (Romeiro, 2012, p. 69).

In addition to being an effort to integrate expansion of economic activities with a responsible use of resources provided by the environment, the sustainable development agenda defined by the Brundtland Report is also concerned with greater social equality and a better distribution of resources (Banerjee, 2003, p. 152). Present and future social justice is a fundamental part of sustainable development (Hopwood et al., 2005, p. 39). Sustainable development demands that all its components are sustainable, otherwise development will not be achieved (Lourenço & Carvalho, 2015, p. 12). The concept of sustainable development encompasses an ideal of continuing progress which, in addition to economic growth, also involves pursuit of advances in diverse areas including health, education and science (Meadowcroft, 2013, p. 989).

Intergenerational equity is also viewed by many as the focus of sustainable development (Kates et al., 2016). There is a perception that the biosphere is being submitted to unbearable pressures which may compromise development and living conditions (J. E. da Veiga, 2008, p. 187). The concept of sustainable development entails concern over the impact of present economic activities on the availability of vital natural resources to future generations (Munasinghe, 2001, p. 396). The environmental pillar of sustainable development is based on the ethics of solidarity with present and future generations (I. Sachs, 2004, p. 15).

The strengths of the concept of sustainable development have led some to consider it to be the predominant idea in the field of development. According to Castro

(2004, p. 195), “sustainable development is the dominant paradigm of development at the regional and local levels in the countries of the periphery as well as the center”. Drexhage and Murphy (2010, p. 11) state that “despite all these detractors, one could argue that sustainable development might be the only ‘paradigm’ of development left standing”, considering that faith has been lost in the model advocated by the Washington Consensus.

Moreover, several concrete actions have resulted from the creation of the concept of sustainable development. In the period of 20 years between the conferences taken place in Stockholm and Rio de Janeiro, significant developments in relation to the institutionalisation of environmental protection were achieved, in the form of, for instance, creation of the United Nations Environment Programme and the establishment of various international treaties (I. Sachs, 2002, p. 59). These developments contributed to a significant change in the idea of development (I. Sachs, 2002, pp. 59–60).

Actors in diverse realms have integrated sustainable development principles into their activities, including international organisations (such as the World Bank and the World Trade Organisation), the private sector (notably through corporate social responsibility) and international non-governmental organisations (such as Oxfam International and Friends of the Earth) (Drexhage & Murphy, 2010, p. 10). Great contemporary challenges, including environmental sustainability and poverty eradication have been receiving attention of the media internationally (J. Sachs, 2008, p. 24).

If compared to the situation prevailing a couple of decades ago, environmental issues have received greater priority in the agendas of governments and companies, and efforts to integrate the environment into the economic rationale have been made, such as the attempts to set prices on carbon emissions and the investments in green technologies aiming to diminish the impacts of environmental deterioration and reduce pollution levels (Drexhage & Murphy, 2010, p. 14). Product certification, through which more sustainable use of resources is recognised, is also one of the main corporate responses to sustainable development (Redclift, 2005, p. 217). Actions taken by international organisations to promote sustainable development include preparation of national strategies to foster long-term and integrated thinking on issues related to development and the environment and the establishment of advisory bodies on sustainable development (Meadowcroft, 2013, p. 989). An agenda concerned with shared global commitments, capable of providing guidance to a sustainable future, has been set (J. Sachs, 2008, p. 24).

Although the developments in the sustainable development agenda do not guarantee per se that socially and environmentally sustainable practices will be adopted, they represent an outstanding achievement in a short period of time (Robinson, 2004, p. 374). In addition, it is positive that the social dimensions of corporate activity have gained relevance, and even if steps towards greater environmental efficiency and corporate social responsibility have not been sufficient, these are prerequisites in the path towards a more sustainable world (Robinson, 2004, p. 376).

Advances in developed countries have been significant and include greater awareness by citizens of environmental issues and more frequent discussions on matters such as alternative transport and sustainable communities (Meadowcroft, 2013, p. 990). Kates et al. (2016) consider that one of the greatest successes of sustainable development was the achievement of a grand compromise which, besides involving those concerned with economic, social and environmental issues, engaged at global level developed and developing nations. Before this compromise was reached, developed countries viewed developing countries as threats to important natural resources while developing countries viewed environmental demands as factors which could hamper their capacity to promote economic growth. For example, the report Our Common Future was prepared deliberately as a political document aiming to establish an alliance with developing countries (J. E. da Veiga, 2008, p. 191).

Nevertheless, unsustainable practices continue to prevail in the production of goods and services. A significant proportion of the planet's area has become part of the production system developed by humans, raising awareness about the environment's capacity to cope with the pressures which have been made; the absolute consumption of natural resources is expected to continue expanding in the future; biodiversity is still decreasing and species continue to be pushed towards extinction; and the effects of climate change are expected to create several problems (Drexhage & Murphy, 2010, p. 15). Some of the advances in the environments of developed countries have been attained through transfer of manufacturing activities to developing ones, and environmental deterioration in large emerging economies such as China and India have risen significantly (Meadowcroft, 2013, p. 990).

Despite the evidence of conceptual and practical advances in relation to sustainable development, there is doubt whether they have been relevant in counterbalancing negative trends in indicators such as energy use, emissions and poverty (Robinson, 2004, p. 377). According to Meadowcroft (2013, p. 988), "while the

idea of environmental limits is in one sense ubiquitous, contemporary societies are only beginning to come to terms with its implications". The challenge is to translate weak global commitments into concrete solutions (J. Sachs, 2008, p. 24).

3.4 Variety of actors potentially involved

The implementation of measures aiming to promote sustainable development requires the involvement of various social actors, who will need to accommodate diverse and frequently antagonistic world views and interests (Kates et al., 2016). A global coordination effort focused on the resolution of problems in a relatively short period of time is also required (J. Sachs, 2015, p. 44). While science plays a fundamental role in assessing the limits the environment poses to human activities, the definition of these limits demands political negotiations, and the potential distribution of costs and benefits arising from them may galvanise resistance (Meadowcroft, 2013, p. 993).

A great deal of the necessary actions to promote sustainable development will have to be carried out by actors outside the environmental realm (in areas such as energy, trade and investment), and the participation of the private sector is crucial for the achievement of goals (Drexhage & Murphy, 2010). Although political leadership is needed to the successful implementation of the sustainable development agenda, it is not enough, and a strong involvement of bureaucracies and corporations is required (Drexhage & Murphy, 2010, pp. 20–21). In fact, governments alone do not have the necessary capabilities to attain sustainable development, and businesses need to be engaged in the efforts, through their capacity to innovate and generate income (Robinson, 2004, p. 378).

Agenda 21 (United Nations, 1992a), one of the main results of the UNCED, recognises the importance of corporations, including multinational companies, in minimising the environmental impacts of economic activities, through "more efficient production processes, preventive strategies, cleaner production technologies and procedures throughout the product life cycle, hence minimizing or avoiding wastes". The establishment of partnerships between governments and companies, including transnational corporations, is also recommended, with governments adopting, through dialogue with the business community, adequate laws and standards, so as to promote use of cleaner production methods by domestic and multinational companies (United Nations, 1992a). Other recommendations include promotion by governments of

intercompany cooperation related to cleaner production, implementation of measures to foster the establishment of venture capital funds focused on sustainable development and advisory by United Nations organisations and agencies aiming to promote environmental aspects in foreign investment (United Nations, 1992a).

In conclusion, the scale of the challenge of shifting towards a more socially inclusive and environmentally friendly model of development is huge. Taking this fact into account, the quest for solutions to problems related to sustainable development requires the involvement of various actors, including multinational companies. Their investments may provide relevant resources for the promotion of sustainable development. In order to achieve this goal, organisations involved in FDI promotion can play a relevant role in advertising their locations as business destinations, in reaching out to prospective investors and in facilitating the projects of companies interested in operating in the locations they represent.

Nonetheless, it is worth noting that the impacts of inward FDI on the host location are conditioned by the characteristics of the investment. The next chapter will discuss the positive and negative impacts that the investments of multinational companies may have on the societies hosting their operations, as well as the characteristics which may determine the positive contribution of FDI to the promotion of sustainable development.

4 IMPACTS OF INWARD FDI AND ITS POTENTIAL CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Several developing countries consider FDI an adequate form of getting access to resources necessary for the promotion of development (United Nations Conference on Trade and Development, 1999, p. xxvi). Relevant aspects responsible for promoting economic growth, including technology, human capital and organisational knowledge have been increasingly housed in systems operated by multinational companies (Dunning, 1997, p. 210). These companies have been perceived by governments as instruments to help them achieve greater competitiveness in domestic and international markets (Dunning, 1993b, p. 364). The next sections will attempt to verify whether this perception is valid.

4.1 Positive impacts of inward FDI

FDI is considered to bring several benefits to host locations. FDI provides resources in the form of capital investment which is generally more stable and which remains in the economy for longer periods of time vis-à-vis other forms of international financing such as portfolio investment and foreign corporate debt[17] (United Nations Conference on Trade and Development, 1999, p. xxvi). One of the main contributions of FDI to host economies is the provision of financial and physical capital, factors which are important to increase productive growth in developing countries (Bonelli, 1999, p. 309).

The resources provided by investments made by multinational companies allow countries to complement the resources provided by domestic savings (United Nations Conference on Trade and Development, 1999, p. 157). The injection of capital in an economy by multinational companies may result in higher levels of production and productivity through better use of existing resources or absorption of unemployed ones (United Nations Conference on Trade and Development, 1995, p. 144). In addition, in times of financial crises, FDI can be an important source of credit which can be used to sustain investment by firms with foreign ownership (Blalock & Gertler, 2005, pp. 102–104). What is more, multinational companies contribute significantly with tax revenues,

[17] Nonetheless, FDI may contain a short-term component, such as in “hot money” and investments in real estate (United Nations Conference on Trade and Development, 2014, p. 149).

especially in developing countries (United Nations Conference on Trade and Development, 2015b, p. 184).

Employment growth is also an important consequence of inward FDI (United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004, p. 10). For instance, multinational companies may contribute to job creation not only by hiring workers to its manufacturing units, but also through additional workers hired by its suppliers in response to higher demand caused by multinational companies' investments (Tulder & Fortanier, 2009, p. 216). Host locations can utilise the potential of multinational companies in job creation not only in terms of quantity, but also in terms of quality (United Nations Conference on Trade and Development, 1999, p. 261).

Technology transfer is another potential benefit of inward FDI. Technology transferred from abroad by multinational companies may result in more efficient production in the host location and in more efficient use of existing resources (United Nations Conference on Trade and Development, 1999, p. xxvi). The benefits of technology transferred by multinational companies arise from the following factors: in many cases these companies are the only entities which own specific technologies; investment by these companies may be the best way of getting access to the most advanced technologies; and they may have the necessary conditions of transferring and applying these technologies (Lall & Streeten, 1977, p. 69). As multinational companies tend to possess technology superior to the available to local companies, FDI may result in production at higher volumes or lower costs, possibly resulting in greater levels of welfare (Lipsey & Sjöholm, 2005, p. 24). Multinational companies can transfer technology directly to their overseas subsidiaries or do so in their relations with partners through, for example, joint ventures and sales of capital goods (United Nations Conference on Trade and Development, 1999, p. 203). They may also invest in local suppliers so that they improve their technological capabilities (United Nations Conference on Trade and Development, 1999, p. 212).

Multinational companies are repositories of another important factor responsible for the promotion of development: knowledge. FDI can result in transfer of knowledge and advanced techniques by the headquarters to foreign affiliates through skilled workers from abroad and through corporate training (United Nations Conference on Trade and Development, 1999, p. xxvi), and multinational companies may introduce in the host location new organisational techniques and managerial expertise. Multinational

companies are in the vanguard of organisational and managerial innovation (United Nations Conference on Trade and Development, 1995, p. 173). The benefits related to the managerial advantages owned by multinational companies arise from aspects such as higher levels of recruitment; entrepreneurial ability to develop new technologies suited to local conditions; externalities derived from employee training (employees may later leave the company and apply the knowledge acquired elsewhere); and the demonstration effect which may lead local competitors, suppliers and public organisations to adopt practices similar to the ones used by multinational companies (Lall & Streeten, 1977, p. 57).

Multinational companies usually provide training to a greater degree in relation to local companies, and the materials and techniques may be transferred from abroad for use in the host location (United Nations Conference on Trade and Development, 1999, p. 214). These companies tend to be more willing than domestic ones to prioritise corporate education, having usually advanced routines for training, using technologies and management systems which require intensive training and transferring tutors and employees throughout the company's international network for training (United Nations Conference on Trade and Development, 1999, p. 274).

The benefits of FDI may also be associated with the fact that multinational companies are often large enterprises which have to manage corporate networks spread throughout several countries or even several continents. Multinational companies may bring to host economies skills which can lead to improvements in storage and transportation and to progress in retailing and market research (Lall & Streeten, 1977, p. 76). These companies are also at the forefront when it comes to introduction of quality management standards and marketing methods (United Nations Conference on Trade and Development, 1999, p. 207).

Multinational companies may use their advantages in terms of logistics and reputation to increase exports from the host location (Lall & Streeten, 1977, p. 76). The advantages of subsidiaries of multinational companies in relation to domestic companies in export markets derive from aspects which include use of brand names, availability of distribution facilities and access to financing options (United Nations Conference on Trade and Development, 1999, p. 240). Import-substituting FDI is a way through which investments by multinational companies may impact positively the balance of payments (United Nations Conference on Trade and Development, 1999, p. 166).

Some of the benefits resulting from FDI are associated with greater competition in the markets of inputs and final goods. Inward FDI may also boost the efficiency of suppliers and competitors (Dunning, 1997, p. 215). In input markets, multinational companies may demand from local suppliers high-quality inputs and expose them to competition with international sources (United Nations Conference on Trade and Development, 1995, p. 162). In the markets of final goods, FDI is considered a factor responsible for enhancing market effectiveness, increasing both competition and competitiveness (Bonelli, 1999, p. 308). More competition could, for example, benefit consumers in the form of better product provision (Groot, 2014, p. 14).

FDI may accelerate learning processes by domestic companies (Dunning, 1997, p. 215). It can also stimulate local companies to invest in R&D to remain competitive, and multinational companies themselves frequently invest in a country so as to develop R&D activities locally (Baer & Sirohi, 2013, p. 58). Multinational companies may assist the development of innovation clusters and may contribute to deter migration of skilled workers from developing countries (Egan, 2015, p. 161).

Finally, FDI may also bring positive impacts to the manner in which natural resources are utilised in the host location. Use of environmentally efficient production methods developed abroad is considered to be some of the most notable benefits resulting from inward FDI, as multinational companies are also leaders in the development of environmentally friendly technologies and management systems (United Nations Conference on Trade and Development, 1999, p. xxvi).

4.2 Negative impacts of inward FDI

Inward FDI may also impact host locations negatively, or its benefits may not be as great as the expected by host governments and societies. For example, subsidiaries of multinational companies may not be as willing to engage in R&D and in export activities as host governments would wish (Gray, 1972, p. 133). When multinational companies invest in markets protected from foreign competition and are required to meet high domestic content requirements, the effects of FDI are likely to be harmful to the host economy, as competition is stifled and prices of the goods produced tend to be higher than in other markets (Moran, 1999, p. 5). Foreign investments in protected markets may also boost an alliance between multinational companies and domestic forces which can oppose trade and investment liberalisation (Moran, 1999, p. 6).

Socioeconomic characteristics of developing countries may be a factor which limits the potential positive impacts of inward FDI. The kinds of activities carried out by multinational companies in developing countries may not have the level of added value expected by their governments and the types of technologies transferred by foreign companies may not be suitable to their realities (Dunning, 1993b, p. 366). There is a concern that the technologies owned by multinational companies, usually developed in advanced economies, are not sufficiently adapted to the conditions prevalent in developing countries (Caves, 1996, p. 241). Countries and firms differ in their capacity to benefit from the superior technology of multinational companies and there might be cases in which local countries and companies are unable to learn from multinational companies (Lipsey & Sjöholm, 2005, p. 40). In the case of corporate education, the benefits of training provided by multinational companies may not be absorbed locally because the practices adopted by foreign enterprises could be inadequate to the realities of local companies (Lall & Streeten, 1977, p. 57).

Moreover, many believe that the development of capabilities by local companies may result in greater returns to the domestic economy than transfer by foreign companies, as linkages with local companies and partnership with local institutions are more intense in the case of domestic companies (United Nations Conference on Trade and Development, 1999, p. xxix). Domestic companies may make use of the benefits of innovation within the local economy to a greater extent than affiliates of multinational companies, which may exploit the knowledge developed locally elsewhere (United Nations Conference on Trade and Development, 2003, p. 104).

Conditions of the host location and corporate strategies may also influence the type of relationship that investors have with the local and international economies. The strategies adopted by multinational companies in their internationalisation processes may result in a situation in which use of domestic suppliers and engagement in export markets are less intense than the levels wished by host governments (Dunning, 1993b, p. 366). Gaps in the capabilities of local suppliers and uncertainty about the levels of these gaps may compromise the disposition of multinational companies to source locally (United Nations Conference on Trade and Development, 1999, p. 212). And multinational companies tend to avoid investing in export-oriented facilities in developing countries when there is a perception of significant political risk and labour pressure, although they are more prone to take risks when their investments aim at substituting imports (Lall & Streeten, 1977, p. 77).

The impacts of FDI on the balance of payments are not necessarily positive. Although FDI may provide a country with foreign exchange, when remittances are larger than new investments and retained profits, the subsequent balance of payments effects of FDI will be negative (Streeten, 1974, p. 257). What is more, despite the fact that FDI may result in higher volumes of exports and in expansion of the domestic market, multinational companies tend to have a high propensity to import, as they often prefer foreign sources of inputs over domestic ones, especially in the early stages of production activities (United Nations Conference on Trade and Development, 1995, p. 218). According to Gasparian (1973, p. 122), import substitution industrialisation models based on foreign investments have negative foreign exchange impacts, as neither the investments generate rapidly enough resources necessary to meet the necessities for imports nor companies engage sufficiently in export markets.

Furthermore, the bulk of the incomes generated by multinational companies may not be retained in the local economy. The benefits of higher productivity of subsidiaries of multinational companies may accrue mainly to host countries through, for instance, remittances of profits and interests and payment of royalties and technical fees (Dunning, 1974, p. 25). And although the operation of multinational companies generates tax revenues, the concession of incentives may erode that contribution (Streeten, 1974, p. 257).

A relevant potential negative effect related to the operation of multinational companies in a location is related to transfer pricing. Given that in many cases multinational companies trade goods internationally but within the network formed by the headquarters and subsidiaries, rather than through arm's-length transactions, these transactions can be used to clandestinely transfer profits between countries by manipulating the prices of the goods traded (Lall & Streeten, 1977, p. 59). The costs of transfer pricing may be paid not only by tax authorities in the form of fewer tax revenues, but also by local shareholders (who lose part of their profits) and workers (who may have salary increases delayed because profits reported are smaller than the actual levels) (Lall & Streeten, 1977, pp. 61–62).

The results over employment derived from investments of multinational companies may be problematic. When multinational companies transfer to developing countries technology which is too capital intensive, it may result in employment problems and in the aggravation of inequalities (Lall & Streeten, 1977, p. 71). Also, multinational companies have allegedly employed significant numbers of nationals from their home countries,

especially in the top positions (Johnson, 1972, p. 461). In the case of mergers and acquisitions, if companies use their technological advantages to raise efficiency of acquired companies through automation, low-skilled employees are likely to suffer the most from FDI (Groot, 2014, p. 16).

The benefits of FDI in terms of corporate education may be limited to certain groups within society and may be dependent on existing levels of workers' skills. Pirtea and Milos (2009, p. 266) argue that although FDI may have positive impacts on, for example, job creation and salary levels, its benefits, such as corporate training, could be directed mainly towards the skilled labourers employed by multinational companies, who make up a small share of the population. In the cases that multinational companies invest in developing countries to access low cost, unskilled labour, the training expected to be offered to employees is not significant (United Nations Conference on Trade and Development, 1999, p. 275). Moreover, the intensity of training by multinational companies is expected to be greater when the host location has a high-quality educational system (United Nations Conference on Trade and Development, 1999, p. 275).

Another potential negative impact of inward FDI is related to the development of domestic capabilities. Multinational companies can create competitive pressures which may hamper the capacity of local companies to grow and develop long-term, costly learning processes (United Nations Conference on Trade and Development, 1999, p. xxviii). Also, multinational companies may potentially reduce availability of inputs for local companies, which could increase costs (United Nations Conference on Trade and Development, 1999, p. xxviii). As multinational companies tend to have better access to finance and attract workers with the highest skills, their presence may result in a situation in which local companies face greater difficulties to obtain relevant resources (United Nations Conference on Trade and Development, 1999, p. xxix).

When growth of local companies is stifled by competition with multinational companies, crowding out is considered to be the effect of inward FDI. It may have significant costs to the long-term development of the local economy if it deters domestic players from evolving their capabilities and if it delays the growth of a local innovation base (United Nations Conference on Trade and Development, 1999, p. xxix). The suppression of domestic entrepreneurship may have adverse effects such as a great proportion of profits being remitted abroad instead of being invested locally (Lall & Streeten, 1977, pp. 62–63).

Crowding out is said to occur when potentially competitive domestic companies are not capable of competing with subsidiaries of multinational companies at a certain point in time (United Nations Conference on Trade and Development, 1999, p. xxviii). Greater competition due to inward FDI could also drive companies out of the market, resulting in higher concentration levels (Groot, 2014, p. 14). Loss of jobs could be another consequence of crowding out (United Nations Conference on Trade and Development, 1999, p. 261).

It is worth pointing out that distinguishing between crowding out and legitimate competition may be a difficult task and failure to do so by governments can lead to a situation in which domestic companies are unduly protected, to the detriment of consumers and economic growth (United Nations Conference on Trade and Development, 1999, p. xxix). An important consequence of inward FDI might be an increase in technological levels and competition which force inefficient companies out of the market and stimulate the remaining ones to enhance their productivity (United Nations Conference on Trade and Development, 1999, p. 320).

In contrast to crowding out, crowding in takes place when multinational companies create strong links with local firms, resulting in greater opportunities for them to become suppliers, in higher levels of investment by companies already operating in the market and in greater efficiency of factors of production (United Nations Conference on Trade and Development, 1999, p. xix). When FDI leads to greater profits by suppliers in the host location and encourages companies to enter the market for intermediate goods, input prices may decrease (Görg & Strobl, 2005, p. 143). Home country suppliers may also invest in a location after an investment by a multinational company, reinforcing the effects of FDI in a location (United Nations Conference on Trade and Development, 1999, p. 171).

4.3 Quantitative analyses on the impacts of inward FDI

In the development literature, multinational companies have been considered by some a barrier to development, while others regard them as an important tool to help lift countries out of poverty (Encarnation & Wells Jr., 1986, p. 62). So as to attempt to evaluate the net impacts of FDI on host locations, several studies developed econometric analyses to assess the relationship between inward FDI and economic performance variables, usually making use of panel data.

Various studies found no significant positive relationship between FDI and indicators of economic growth and development. Carkovic and Levine (2005) analysed theoretical and empirical evidences about the relationship between FDI and economic development, utilising panel data in the analysis, and concluded that inward FDI does not have an independent influence over economic growth. Groot (2014) also used panel data to assess the relationship between FDI and development, and also concluded that inward FDI does not have a discernible impact on economic growth rates. Herzer, Klasen and Nowak-Lehman (2008) analysed a sample of 28 developing countries for the period between 1970 and 2003 and concluded that, for most countries, there is no positive unidirectional relation between FDI and GDP.

On the other hand, Bhattarai (2016) utilised panel data of 30 member countries of the Organisation for Economic Co-operation and Development for the period between 1990 and 2014 and found positive impacts of inward FDI on investment and economic growth. Other studies found that there is a mutual influence between FDI and indicators of economic performance, or even an influence of economic growth over inward FDI. Basu, Chakraborty and Reagle (2003) made use of panel data covering 23 developing countries to evaluate the influence of FDI over growth. For open economies, the results indicated a mutual influence between inward FDI and GDP growth, both in the short and long terms, which suggests that FDI results in a permanent increase in growth. For relatively closed economies an increase in GDP results in an increase in FDI, which suggests that foreign capital does not reach more closed economies until they begin to grow. Lee and Chang (2009) analysed the relationship between FDI, development of the financial system and economic growth using panel data comprising 37 countries for the period between 1970 and 2002, and found strong evidence of a positive bidirectional relationship between the variables in the long run, with indicators of development of the financial system having a stronger effect on growth than FDI.

Chowdhury and Mavrotas (2003) used time series data referring to the period between 1969 and 2000 to evaluate the relationship between FDI and growth for Chile, Malaysia and Thailand. The empirical results indicated that, for the case of Chile, GDP is associated with inward FDI, while for Malaysia and Thailand there is strong evidence of a bidirectional relationship between the variables. Bonelli (1999) analysed data of 28 developing countries for 1996 and found a positive relation between FDI and competitiveness, expressed by export performance, although the direction of causality is not clear.

Econometric analyses were also developed to evaluate the relationship between FDI and economic performance variables for the specific case of Brazil. Carminati and Fernandes (2013) analysed the period between 1986 and 2009 and found that FDI has a small and positive impact on GDP and that its potential benefits to the Brazilian economy depend not only on the quantity of investments, but also on their quality. Bruhn and Calegario (2014) made use of data of 23 Brazilian processing industries and found no evidence of productivity spillovers due to the presence of foreign companies in Brazil. In fact, the authors concluded that FDI benefits depend on absorptive capacity and not all industries are positively impacted by spillover effects from multinational companies.

As pointed out by the United Nations Conference on Trade and Development (1999, p. 315), the results of econometric analyses on the relationship between FDI and economic growth remain inconclusive and unclear, notably concerning causality, and various studies which made use of that method have come to different conclusions. While the empirical literature on the impacts of inward FDI shows little signs of convergence, policymakers have generally concluded that this type of investment is invaluable to the locations they represent (Lipsey & Sjöholm, 2005, p. 23). For instance, former President Fernando Henrique Cardoso (2000, pp. 487–488), commenting on the substantial inflows of FDI in Brazil in the late 1990s, stated that "*este investimento traz qualidade também, porque traz nova tecnologia, traz conhecimento das redes internacionais de financiamento e de comercialização, permite a absorção, pelo conjunto da indústria, de técnicas novas, revoluciona o processo produtivo*" [this investment brings quality as well, because it brings new technology, it brings knowledge of the international networks of financing and trading, allows absorption, by industry as a whole, of new techniques, it revolutionises the production process].

4.4 Conditions to maximise the positive impacts of inward FDI

The positive impacts of inward FDI on the host economy are not automatic (Jorge, 2008, p. 10). FDI is not a homogeneous concept, and its potential contribution to a host location depends on factors which may indicate its quality, such as the sector of the company making the investment and the type of entry mode, i.e. whether the investment is classified as greenfield or brownfield (Baer & Sirohi, 2013, p. 55). For instance, sectors which present higher degrees of linkages with the local economy are expected to have greater positive impacts (Baer & Sirohi, 2013, p. 55).

It is important that governments consider these different impacts of FDI when devising public policies. Although multinational companies may have assets which can be important to promote development in the host locations and these places may offer multinational companies the factors necessary for their operations, the objectives of governments and multinational companies generally differ (United Nations Conference on Trade and Development, 1999, p. 155). While governments seek to develop their economies, multinational companies seek to enhance their competitiveness, and therefore not all FDI may be in the interest of host locations (United Nations Conference on Trade and Development, 1999, p. 155).

FDI may have an important contribution to development if the host location is able to induce multinational companies to transfer their advantages to the local economy and if it is capable of making adequate use of these advantages (United Nations Conference on Trade and Development, 1999, p. xxxvi). The potential of FDI to promote growth and economic development depends on conditions of factors in the host location, such as infrastructure, human capital and quality of institutions (Amal, 2016, p. 188). These conditions are essential for locations to maximise the spillovers of multinational companies' activities (Amal, 2016, p. 188). The higher the capacity of a location to absorb the benefits multinational companies can bring, the higher the likelihood that these companies will create links with local firms and institutions (Amal, 2016, p. 124).

FDI may have a positive economic impact, but several other factors are also needed to promote development. Although multinational companies may complement and catalyse domestic capabilities, they cannot be a substitute for them (United Nations Conference on Trade and Development, 1999, p. 253). Countries interested in attracting the most dynamic assets of multinational companies need to improve the quality of their immobile assets, including their infrastructure and the skills of their workforce (United Nations Conference on Trade and Development, 1999, p. 314). The contribution of FDI to the host economy is likely to be greater in middle and high-income developing countries than in low-income ones, as the former have more conditions of assimilating the advantages which multinational companies can bring, such as modern technologies and production methods (United Nations Conference on Trade and Development, 1992, p. 248).

Hiratuka (2008, p. 14) argues that countries which were successful in maximising the impacts of FDI on industrial and technological development adopted an active industrial policy (aiming to enhance their locational advantages) and channelled

investments to strategic sectors (in order to maximise the technology contents of multinational companies' activities and the links with local companies and institutions). To stimulate investments in strategic sectors, it is important that locations have, for example, an adequate infrastructure and a developed financial system, and hence policies to foster economic growth need to be allied with policies focused on enhancing the quality of inward FDI (Carminati & Fernandes, 2013, p. 168).

The attraction of multinational companies' advanced activities may be helped if host locations understand their needs and work to deliver the necessary requirements for their operations (United Nations Conference on Trade and Development, 1999, p. 319). For example, investments in R&D centres are often considered to have a positive impact on the host location's economy. Prospective FDI destinations maximise their chances of attracting multinational companies' R&D facilities when governments adopt policies to develop local skills and technology institutions (United Nations Conference on Trade and Development, 1999, p. 324).

Thus, governments interested in promoting development through inward FDI should not limit their strategies to the investment promotion policy. Investment promotion will not be able to compensate for economic deficiencies of a location (United Nations Conference on Trade and Development, 1999, p. 328). Policies to promote competitiveness and policies aimed at attracting private investment need to be complementary so that the benefits of FDI are absorbed by host locations, and that represents a major challenge to policymakers (Stopford, 1997, p. 478).

The benefits of FDI do not depend only on the volumes of this type of investment entering an economy, but also on the market conditions and production efficiency of new and existing companies (Bonelli, 1999, p. 307). According to Davidson and Sahli (2013, p. 92), "the scale of benefits and costs of FDI depends on many conditions, such as the sectors foreign investors operate in, opportunities for locals to participate in and learn from FDI, and the extent to which host governments are able and willing to harness FDI for development". If host countries have limited capacity to absorb the positive impacts of FDI through spillover effects, most of the benefits will accrue to companies, to the detriment of societies as a whole (United Nations Conference on Trade and Development, 2014, p. 175). Therefore, it is important that policymakers are cautious in relation to generalisations about the benefits of FDI to the host economy (Dunning, 1997, p. 214). According to the United Nations Conference on Trade and Development (1995, p. 271),

“it is worth noting that FDI is not a panacea to break out from the vicious circle of underdevelopment”.

The investor’s mode of entry and operational strategy in a foreign market also influence the impacts of inward FDI on the host economy. Mergers and acquisitions tend to have little impact on the host location’s production capacity, inasmuch as usually these transactions are limited to changes in shareholding control (Mencinger, 2003; P. da M. Veiga, 2004). International mergers and acquisitions can have adverse development effects when they result in elimination of assets, when they limit the local innovatory capacity, when they lead to job losses and when they result in greater market concentration (United Nations Conference on Trade and Development, 1999, p. xxx).

However, when mergers and acquisitions result in improvements in the technology and management of the acquired company, they may have positive effects similar to those brought about by greenfield investment (United Nations Conference on Trade and Development, 1999, p. xxx). Moreover, some of the mergers and acquisitions may result in meaningful capital expenditures (United Nations Conference on Trade and Development, 2014, p. 149). These transactions may have positive impacts on economic growth when the new foreign owner invests in modernisation and expansion of production (Sarti & Laplane, 2003, p. 19). In some cases, mergers and acquisitions have as targets companies in deep difficulties, contributing to the maintenance of jobs (United Nations Conference on Trade and Development, 1999, p. 263). And the resources received by the seller could be reinvested locally, adding to the location’s stock of capital (United Nations Conference on Trade and Development, 1995, p. 145).

4.5 Some aspects of the political economy of inward FDI

FDI may have relevant political rewards (United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004, p. 10), which may influence concession of incentives to multinational companies by elected officials (Owen, 2016, p. 3). Although there is no consensus about the net impacts of FDI on the host economy, several governments have been trying to attract this type of investment to the locations they represent, in many cases through concession of tax and financial incentives (Bruhn & Calegario, 2014, p. 24).

Owen (2016, p. 3) argues that the benefits associated with inward FDI and the fact that politicians may claim credit for the attraction of investments result in voters rewarding

incumbents who succeed in promoting FDI in the locations they represent. Nevertheless, the concession of incentives to attract FDI may reduce availability of resources necessary to areas associated with the promotion of development. Groot (2014, p. 14) argues that if any government expenditure with incentives is not associated with a corresponding increase in the tax base, there will be need of reduction in expenditures in other areas, which may include health and education.

Inadequate strategies by governments of potential and actual host locations may also have negative effects in other areas. Multinational companies have allegedly been inducing governments to enter a “race to the bottom” in which potential host locations are stimulated to relax labour regulation when competing to attract FDI (Tulder & Fortanier, 2009, p. 220). The “race to the bottom” may also induce governments to lower environmental standards, creating “pollution havens” (United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004, p. 10).

Inadequate policies arising from inward FDI are a consequence of attitudes of both governments and multinational companies. When it comes to governments, difficulties in implementing the desirable policies arise because they may not be interested in achieving the national interest (but the interest of particular groups) and because they may not have the necessary conditions to adopt adequate policies, even though they may be interested in promoting the national interest (Lall & Streeten, 1977, p. 219).

Concerning the acts of multinational companies, their influence on local governments’ matters may impact negatively the adoption of industrial development and national security policies (United Nations Conference on Trade and Development, 2003, p. 88). Hence, the behaviour of multinational companies may also have a key role in conditioning the potential impacts of FDI on the host location (United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004, p. xvi).

4.6 Potential impacts of inward FDI on sustainable development and policies recommended

According to Tulder and Fortanier (2009, pp. 217–218), the potential impacts of FDI on sustainable development may be of two types. Effects classified as passive include provision of savings resources, enlargement of the production base and linkages

with domestic firms and clients. Effects classified as active include the adoption of environmental, health and safety standards; philanthropy; and adoption of social and environmental standards by suppliers at multinational companies' request.

In addition, the assets owned by multinational companies can be useful in the efforts to create solutions that address the pillars of sustainable development in an integrated fashion. For example, one way to reconcile the conflict between the economy and the environment is the development of green technology. New technologies aiming to increase environmental efficiency frequently lead to reduction of costs, greater competitiveness and higher growth rates (George, 2007, p. 108). Green technology is a matter of great expectations due to the fact that they could be, at the same time, environmentally friendly, socially adequate and economically efficient (Romeiro, 2012, p. 73).

FDI may be a form of introducing environmental technology (Homlong & Springler, 2010, p. 334; United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004, p. 10), and there are various ways in which this can occur. Technology may be transferred within the multinational companies' corporate network, companies which are part of their supply chains may adopt the technology and the technologies may be introduced through supply of environmental goods and services (United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004, pp. 52–53).

Technology transfer is also considered to be an adequate form of promoting sustainable development. Although the domestic economic policy is the main responsible for stimulating greater productivity, the international economy may represent an invaluable opportunity to locations willing to foster efficiency, especially through transfer of technology (World Commission on Environment and Development, 1987). Diffusion of new technologies in areas such as agricultural production, renewable energy and pollution control requires an effort which could be helped by cross-border actions including trade in equipment, technology-transfer agreements and provision of experts (World Commission on Environment and Development, 1987). Also, FDI may be a way of promoting innovation directed towards sustainability and of contributing to the best use of its advantages (Melane-Lavado, Álvarez-Herranz, & González-González, 2018, p. 3579).

Knowledge of advanced management techniques can be a useful asset for the promotion of sustainable development as well. For example, in Brazil multinational companies have been playing since the 1990s a relevant role in incorporating sustainable development principles to their practices, including through high environmental and labour standards (P. da M. Veiga, 2004, p. 47).

Regarding the involvement of governments, an important principle related to the concept of sustainable development is the necessity of integrating various aspects of human activity in the formulation of policies, at the national and international levels (Adeyemi, 2014, p. 94). In the case of investments, the promotion of sustainable development requires an adequate balance between economic, social and environmental aspects (Cotula, 2014). Hence, measures which include opening an economy to FDI and lifting barriers to this type of investment are not sufficient to promote sustainable development in a host location (United Nations Conference on Trade and Development, 2003, p. 107).

At present, an important challenge for the promotion of development is grasping the impacts, the positive and negative ones, that companies may have on the locations they operate (Tulder & Fortanier, 2009, p. 212). Although there are examples of inward FDI associated with economic advances, this should not be a fixed rule, and governments willing to maximise the benefits of investment promotion ought to carefully consider the potential costs and benefits of inward FDI and adopt selective policies to target those sectors considered to generate the most benefits (Groot, 2014, p. 31). Selectivity is considered a relevant feature of an adequate strategy to attract FDI. Public policies should, thus, direct inward FDI to sectors considered to be strategic, such as high technology industries and sectors with great potential to increase exports, so that benefits from this kind of investment are maximised (Carminati & Fernandes, 2013, p. 168).

The 2014 edition of the United Nations Conference on Trade and Development (UNCTAD) annual publication World Investment Report listed key sectors in developing countries in need of significant investments from the private sector for achievement of the SDGs. These sectors could be prioritised by governments in their efforts to attract FDI. The table below presents these sectors and their descriptions.

Table 1 - Key SDG sectors in developing countries

Sector	Description
Power	Investment in generation, transmission and distribution of electricity
Transport	Investment in roads, airports, ports and rail
Telecommunications	Investment in infrastructure (fixed lines, mobile and internet)
Water and sanitation	Provision of water and sanitation to industry and households
Food security and agriculture	Investment in agriculture, research, rural development, safety nets, etc.
Climate change mitigation	Investment in relevant infrastructure, renewable energy generation, research and deployment of climate-friendly technologies, etc.
Climate change adaptation	Investment to cope with impact of climate change in agriculture, infrastructure, water management coastal zones, etc.
Eco-systems / biodiversity	Investment in conservation and safeguarding ecosystems, marine resource management, sustainable forestry, etc.
Health	Infrastructural investment, e.g. new hospitals
Education	Infrastructural investment, e.g. new schools

Source: Adapted from UNCTAD (2014, p. 142)

The dissemination of technology is another important goal which governments could seek to achieve, through actions such as the promotion of technology clusters which engage in R&D and which may contribute to enhance industrial capabilities (United Nations Conference on Trade and Development, 2015a, p. 42).

It is also important that policies include the adoption of targets for the attraction of investment projects according to their impacts on sustainable development (United Nations Conference on Trade and Development, 2014, p. 182). In order to provide policymakers with guidance on the definition of indicators which measure the contribution of private investments to sustainable development, UNCTAD, in collaboration with other organisations, developed an indicator framework which has been tested in a number of developing countries and was created so that countries can adapt it according to their realities and development objectives (United Nations Conference on Trade and Development, 2014, p. 182). The policy indices considered to have potential impact on sustainable development are presented on the table below.

Table 2 - Possible indicators for the definition of investment impact objectives and the measurement of policy effectiveness

Area	Indicators	Details and examples
Economic value added	Value added	GDP contribution of the new/additional economic activity resulting from the investment (direct and induced)
	Capital formation	Contribution to gross fixed capital formation
	Export generation	Total and net export generation (net of imports)
	Number of formal business entities	Number of businesses in the value chain or value chain element supported by the investment; this is a proxy for entrepreneurial development and expansion of the formal (tax-paying) economy
	Fiscal revenues	Total fiscal take from the economic activity resulting from the investment, through all forms of taxation
Job creation	Employment	Total number of jobs generated by the investment, both direct and induced (value chain view), dependent and self-employed
	Wages	Total household income generated, direct and induced
	Employee skill levels	Number of jobs generated, by International Labour Organization job-type(1), as a proxy for job quality and technology-levels (including technology transfer)
Sustainable development	Labour impact	Employment of women (and comparable pay) and of disadvantaged groups
		Skills upgrading, training provided
		Health and safety effects, occupational injuries
	Social impact	Number of families lifted out of poverty, wages above subsistence level
		Expansion of goods and services offered, access to and affordability of basic goods and services
	Environmental impact	Greenhouse gases emissions, carbon off-set/credits, carbon credit revenues
		Energy and water consumption and efficiency, use of hazardous materials
		Enterprise development in eco-sectors
	Development impact	Development of local resources
		Technology transfer
		Potential crowding in/out effects or risks

Source: Adapted from Inter-Agency Working Group on the Private Investment and Job Creation Pillar of the G-20 Multi-Year Action Plan on Development (2011, p. 17) and UNCTAD (2015a, p. 54)

(1) So as to facilitate the international comparison of occupational statistics, the International Labour Organization has developed the International Standard Classification of Occupations, currently in the fourth version.

Other indices such as transfer of management techniques, employee benefits (for example, healthcare and pension schemes) and facilities not directly related to the

investment (for example, schools and clinics for employees or local communities) also could be used to measure impacts on sustainable development (United Nations Conference on Trade and Development, 2014, p. 183).

Presently, private companies invest relatively little in sectors with potential impact on sustainable development (Zhan, 2014), and multinational companies may not automatically decide to invest in sustainable development projects (United Nations Conference on Trade and Development, 2017a, p. 2). Hence, governments should be proactive in attracting and facilitating such investments (United Nations Conference on Trade and Development, 2017a, p. 2). For example, incentives to attract investments, which at present are given based on specific locations (i.e. a state, municipality or special economic zone) could be switched towards a sustainable development base (United Nations Conference on Trade and Development, 2014, p. 171). Incentives aimed at promoting sustainable development could be granted based on sectors (such as renewable energy, infrastructure and health) and on performance requirements of investors (relating to, for example, employment, training, local sourcing of inputs, R&D, energy efficiency and location in disadvantaged regions) (United Nations Conference on Trade and Development, 2014, p. 171).

In addition, in the efforts to promote investments with potential to foster sustainable development, it is important that governments create an appropriate business climate and grant foreign investors access to the sectors most closely related to that goal, at the same time that they also take into account the protection of public interests (United Nations Conference on Trade and Development, 2017a, p. 3). In many cases, investments which have potential to positively impact sustainable development are in sensitive areas considered to be responsibilities of the public sector (United Nations Conference on Trade and Development, 2014, p. 165). Hence, granting foreign companies access to sectors such as education, health and sanitation requires careful preparation of the regulatory environment under which companies operate (United Nations Conference on Trade and Development, 2014, p. 175).

A focus on attraction of investments with potential to promote sustainable development demands that various government departments operate in a planned and integrated manner to achieve positive results. Whereas the investments which regularly investment promotion entities facilitate are mostly stimulated by the search of business opportunities by the multinational companies themselves, in the case of investments related to sustainable development local needs (such as in infrastructure, energy and

health) significantly influence the creation of opportunities, and the public sector plays an important role in defining priorities and formulating an adequate regulation, for example (United Nations Conference on Trade and Development, 2014, p. 165).

So as to attract projects with potential to foster sustainable development host locations should act strategically and make use of organisations capable of promoting investment projects which can contribute to that goal (United Nations Conference on Trade and Development, 2017a, p. 4). So far, these organisations have mostly focused on the promotion of traditional investment projects, aiming to maximise, for example, investment value and job creation, and little priority has been given to investments with potential impact on sustainable development (United Nations Conference on Trade and Development, 2017a, p. 4). Although several government departments need to be involved in the efforts to promote such investments, investment promotion entities have a prominent role in coordinating the activities (United Nations Conference on Trade and Development, 2017a, p. 7).

In that regard, the challenges faced by entities involved in the promotion of FDI which are specific to attraction of investments with potential impact on sustainable development include establishing a closer contact with government departments responsible for areas such as education, energy and infrastructure and developing expertise about possible ways through which projects with potential impact on sustainable development can be facilitated, including those involving partnerships between the public and the private sectors (United Nations Conference on Trade and Development, 2014, p. 170). Promotion of investments with potential impact on sustainable development may be helped by a strategy which includes i) targeting attraction of projects in relevant sectors and ii) creating and advertising a portfolio of projects related to that goal (United Nations Conference on Trade and Development, 2014, p. 170). Setting up proper indicators to measure impacts of the projects on sustainable development is also extremely important for the success of policies (United Nations Conference on Trade and Development, 2014, p. 176).

In conclusion, this chapter has shown that, if an adequate strategy is adopted, FDI may be an important tool to promote development. Given the needs of developing countries for resources to improve living standards, FDI is particularly important for them, and the nature and volume of such investment entering their territories may have a relevant impact on their economies (United Nations Conference on Trade and Development & Sustainable Business Institute at the European Business School, 2004,

p. xv). Considering the different impacts which FDI may have on the host economy, a selective policy is fundamental to maximising the positive contribution which organisations involved in FDI promotion can make to the societies they represent. Before moving to the analysis of the role of Brazilian organisations involved in FDI promotion in fostering sustainable development, the next chapter will present the main characteristics of the FDI which entered in the last decades one of the world's largest developing countries, Brazil.

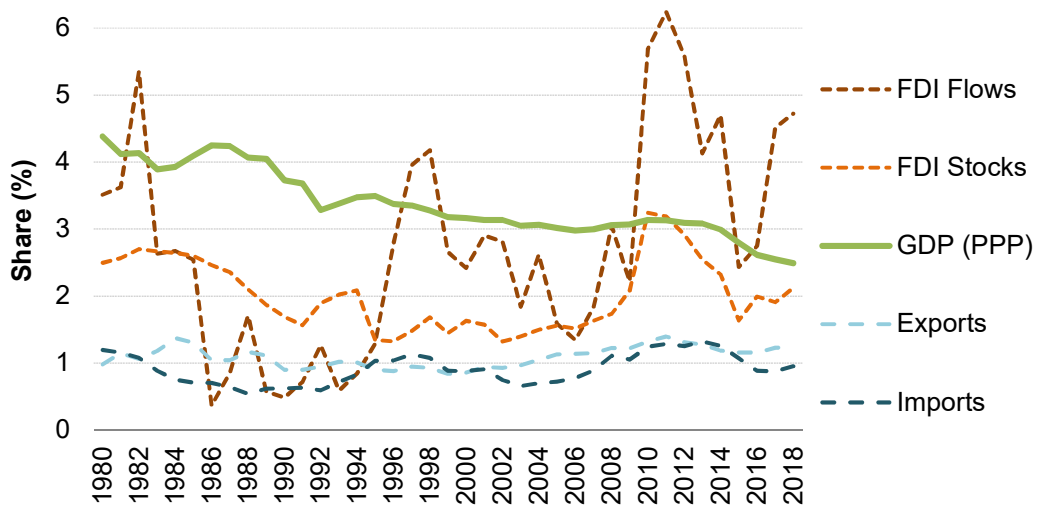
5 RECENT FDI TRENDS IN BRAZIL

This chapter will analyse the main characteristics of Brazil's inward FDI, focusing on possible motivations for the inflows and on the strategies adopted by multinational companies operating in Brazil. The analysis developed in this chapter will allow a better understanding of the conditions under which FDI policies were implemented in the country and of the circumstances which may have influenced activities of the organisations involved in FDI promotion.

5.1 Dynamics of the FDI activity in Brazil in the last decades

A country can interact with the international economy in various ways. Two of the main forms of interaction are trade and FDI. As shown on the chart below, Brazil's insertion in the world economy is relatively low, notably when it comes to trade. From 1980 to 2018, the country accounted for around 1% of the world's exports and imports, despite accounting for a share of the world's GDP which ranged from over 4% in the beginning of the period to around 2.5% in the end of the period.

Chart 2 - Brazil's shares of the world total (selected indices), 1980-2018



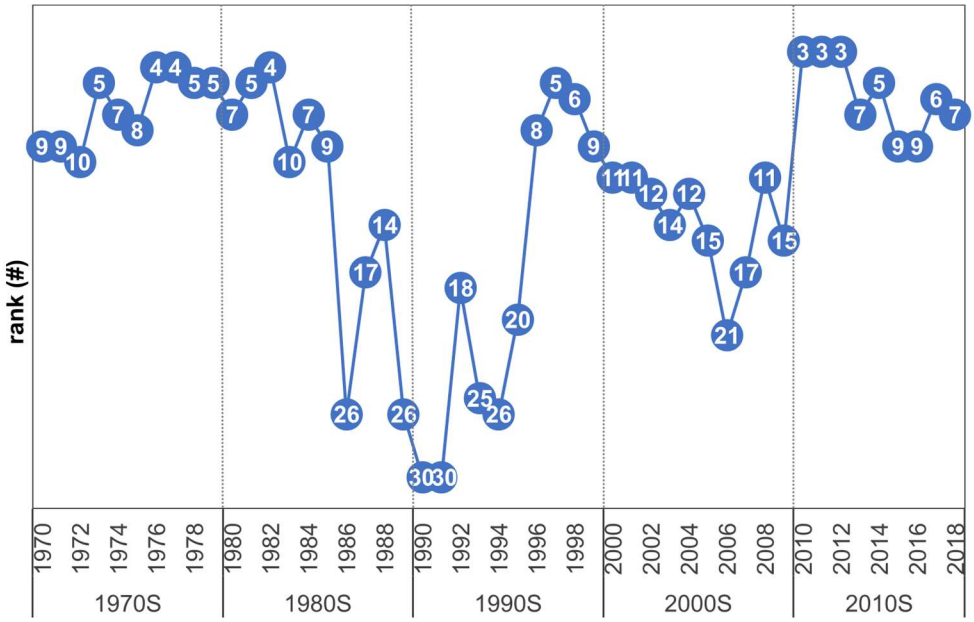
Source: Own creation based on data from UNCTAD (UNCTADSTAT) and the International Monetary Fund (World Economic Outlook Database)

Note: The chart presents data related to inward FDI.

When it comes to FDI, Brazil's shares are more relevant. Although the country's shares of total FDI flows and stocks in the world stood below its share of worldwide GDP for most years, in some occasions Brazil's share of FDI inflows exceeded the country's share of GDP, especially in the most recent years[18].

The relevance of FDI into Brazil has been influencing significantly the character of the country's domestic economy. The Brazilian production structure is highly internationalised and multinational companies have been playing a relevant role in various sectors (Instituto de Estudos para o Desenvolvimento Industrial, 2003, p. 5). As one of the largest economies in the world, Brazil is an important destination to many companies willing to achieve global renown (Antonio Corrêa de Lacerda & Oliveira, 2009, p. 13). The country has been one of the main destinations of FDI flows, as shown on the table below. Recently, between 2010 and 2018, Brazil ranked in all years among the 10 largest FDI destinations. In 2010, 2011, 2012 and 2014 Brazil ranked among the top five FDI destinations.

Chart 3 - Rank of Brazil in worldwide FDI inflows, 1970-2018



Source: Own creation based on data from UNCTAD (UNCTADSTAT)

[18] The share of Brazil's GDP in relation to the world's total is used as a basis for comparison because it indicates the weight of the country in the world economy. If Brazil's share of the world economy is for example 3%, one could expect the country's shares of indicators related to foreign investment and trade to be around 3%, reflecting the weight of Brazil in the world economy. For this example, Brazil's shares of the world's total, according to indicators related to international investment and trade, above (below) 3% tend to suggest a high (low) degree of participation in international economic relations.

The pattern of FDI entry in Brazil has been influenced by conditions of both the international and domestic economies. Since the 1990s a high average growth rate of global FDI flows has resulted in greater availability of resources that could potentially be destined to the Brazilian economy. Changes in Brazil's economic performance have also influenced FDI entry in the country. After a period in which FDI flows in Brazil slowed down, during the second half of the 1980s and the first half of the 1990s, inflows of this type of investment have soared from the second half of the 1990s, as shown on the table below.

Table 3 - Average annual FDI flows in Brazil in constant 2016 US$, 1947-2014

Period	**FDI (US$ millions)**
Democratic(1) (1947-1963)	843
Military (1964-1984)	4,055
Sarney (1985-1989)	2,811
Collor/Itamar (1990-1994)	2,565
Fernando Henrique (1995-2002)	29,199
Lula/Dilma (2003-2014)	43,480

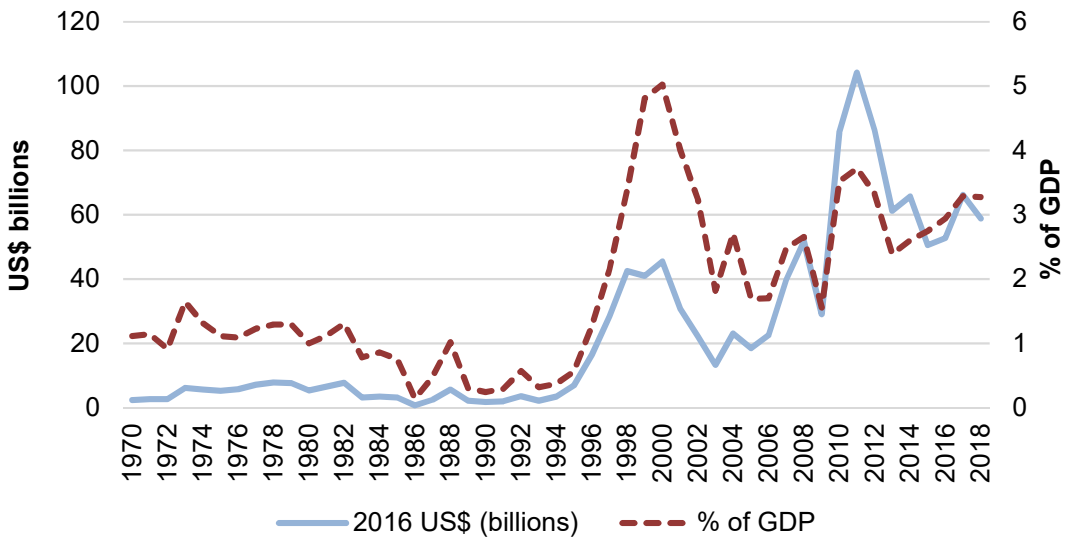
Source: Own creation based on data from the Central Bank of Brazil and the United States Department of Labor

Note: The historical FDI data are calculated according to the previous balance of payments methodology (BPM5). The series was discontinued in February 2015.

(1) No data available for 1945 and 1946.

The dynamics of FDI flows into Brazil in the last decades indicate that a major change in their levels took place in the mid-1990s, as shown on the chart below. In spite of a significant degree of volatility, average FDI inflows started from that period to exceed substantially those of previous years, considering both absolute values and percentages of the GDP.

Chart 4 - FDI flows in Brazil in constant 2016 US$ and as % of GDP, 1970-2018



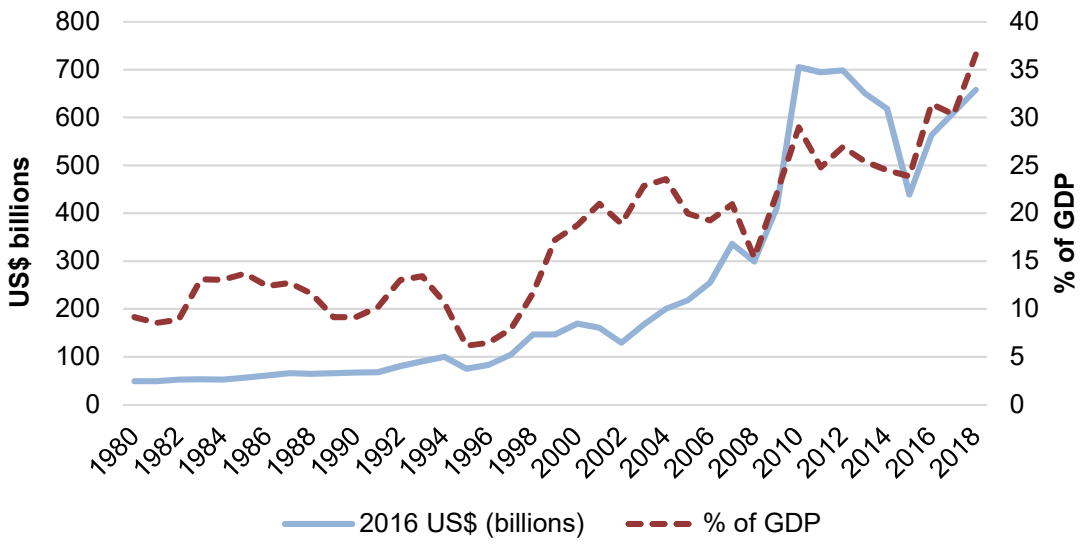
Source: Own creation based on data from UNCTAD (UNCTADSTAT) and the United States Department of Labor

More specifically, from 1970 to 1995, FDI inflows varied between than US$ 1 billion and US$ 8 billion. In 1996, FDI reached US$ 16 billion, following later a predominantly upward trend until 2000, when its value exceeded US$ 45 billion. Between 2001 and 2006, annual FDI inflows moved to a lower level, around US$ 20 billion. FDI rose sharply between 2007 and 2011 (with an exceptionally low level in 2009), from US$ 40 billion to US$ 104 billion (highest level of the series). Since 2012, FDI inflows have been relatively high, averaging US$ 63 billion.

Inward FDI as a percentage of GDP presented a similar pattern in relation to the one observed for the variable in absolute terms. From 1970 to 1996, FDI inflows in Brazil varied between 0.1% and 1.6% of GDP. Between 1997 and 2000, inflows rose sharply, reaching 5% in the last year of the interval (the record of the series) and standing at a high level in 2001. Since 2002, inward FDI flows have stood at lower levels and have presented a significant degree of volatility, ranging between 1.6% and 3.7% of GDP.

Concerning FDI stocks in the Brazilian economy, volumes increased between 1980 and 2017 (albeit not continuously), both in absolute terms and as a percentage of GDP, as shown on the chart below. Hence, the participation of foreign capital in Brazil's economic activity has been increasing over the last decades.

Chart 5 - FDI stocks in Brazil in constant 2016 US$ and as % of GDP, 1980-2018



Source: Own creation based on data from UNCTAD (UNCTADSTAT) and the United States Department of Labor

More specifically, Brazil's inward FDI stock varied between US$ 49 billion and US$ 68 billion from 1980 to 1991. From 1992, growth in FDI stocks started to accelerate. Values ranged between US$ 80 billion in that year and US$ 170 billion in 2000. After declining in 2001 and 2002, Brazil's inward FDI stock rose sharply between 2003 and 2010 (with a slight decline in 2008), increasing from US$ 167 billion to US$ 705 billion, standing at a high level also in 2011 and 2012. After following a downward trend between 2013 and 2015, FDI stocks in Brazil have risen since 2016, reaching in 2018 a level similar to the one observed in the beginning of the 2010s.

In respect of FDI stocks in Brazil as a percentage of GDP, the ratio varied between 8.5% and 13.7% from 1980 to 1994. In 1995, the FDI stock in Brazil declined substantially and reached 6.2%, standing at a similar level in the following year. Between 1997 and 2001, the index increased significantly, rising from 7.9% to 21%, standing around this level until 2007. After falling to 15.4% in 2008, the stock of FDI in Brazil as a percentage of GDP has followed a predominantly upward trend since 2009, reaching 36.6% in 2018, the highest value in the series.

5.2 Determinants of FDI into Brazil

Over the last decades, volumes of FDI entering the Brazilian economy varied substantially. The next paragraphs will analyse the possible reasons for the changes in inward FDI activity in Brazil.

In the 1980s, Brazil's inward FDI activity remained weak. Macroeconomic instability and slow economic growth influenced entry of this type of investment in the country (Instituto de Estudos para o Desenvolvimento Industrial, 2003, p. 20). In this period, Brazil's economic growth slowed down significantly to an annual average expansion of the GDP of 3.1%, from a rate of 8.8% in the previous decade. Besides, there was intense monetary instability in the decade, with the average annual inflation rate[19] exceeding 400%. In the 1980s, economic instability and stagnation raised questions about the efficacy of the economic development model based on import substitution industrialisation, which led countries, notably in Latin America, to adopt later liberalisation measures (Antônio Corrêa de Lacerda, 2003, p. 92).

In the 1990s, the participation of multinational companies in the Brazilian economy, which has been historically significant, increased, stimulated initially by greater trade liberalisation and lower restrictions to multinational companies in certain sectors (Antônio Corrêa de Lacerda, 2003). The participation of foreign companies in Brazil's economy intensified particularly after 1994, when FDI in the country was stimulated by greater economic stability, by a recovery of the domestic market and by the process of privatisation of public enterprises (Antônio Corrêa de Lacerda, 2003, p. 116; Sarti & Laplane, 2002, p. 162). In the very beginning of the privatisation process, launched in 1990 through the National Privatization Programme (*Programa Nacional de Desestatização*), the foreign capital involvement was limited (M. Laplane et al., 2001, p. 141).

When it comes to changes in the regulatory environment which resulted in lower restrictions to multinational companies, examples include relaxation of financial markets regulations, modification of legislation on the informatics sector aiming to eliminate restrictions to the entry of foreign companies, relaxation of the state monopoly of activities in the oil sector and permission to foreign companies explore minerals (M. Laplane et al., 2001, p. 157). Inward FDI in developing countries, particularly in Latin America, has been influenced to a great extent by economic reforms which began to be implemented in the

[19] According to the General Price Index-Internal Availability (IGP-DI), calculated by the Fundação Getulio Vargas.

beginning of the 1990s (Amal, 2016, p. 3). In Brazil, these reforms resulted in FDI made particularly in public utilities and natural resources (Baer & Sirohi, 2013, p. 51).

Early in the first term of President Fernando Henrique Cardoso[20] several pieces of legislation were approved which resulted in the opening of various sectors to foreign companies and in the creation of conditions to the implementation of a privatisation programme which could have the participation of multinational companies (Economic Commission for Latin America and the Caribbean, 2005, p. 72). Previously, in 1991, the legislation regulating the information technology sector was modified so that foreign companies were allowed to operate in the sector (Celio Hiratuka, 2008, p. 14).

The pieces of legislation implemented during President Fernando Henrique Cardoso's term which aimed at liberalising specific sectors of Brazil's economy include:

- Constitutional Amendment Number 5 (Presidência da República, 1995a), which delegated to states the exploration of gas services, directly or through concessions;
- Constitutional Amendment Number 6 (Presidência da República, 1995b), which authorised foreign companies to exploit mineral resources;
- Constitutional Amendment Number 8 (Presidência da República, 1995c), which eliminated the public monopoly in telecommunications; and
- Constitutional Amendment Number 9 (Presidência da República, 1995d), which extinguished the state monopoly over the oil and gas sector.

Concerning Brazil's financial system, the liberalisation begun in the late 1980s continued in the 1990s. From the mid-1990s, the Government issued several decrees allowing greater participation of foreign capital in the financial system (Corrêa, 2007, pp. 94–95). It is worth mentioning that the Constitution defined that foreign participation in financial institutions in Brazil would be authorised according to national interests. The decrees issued by the Government recognised those interests (Corrêa, 2007, p. 95), resulting in the granting of permits.

Later, additional pieces of legislation further contributed to liberalise other sectors of the Brazilian economy to participation by multinational companies. Constitutional Amendment Number 36 (Presidência da República, 2002) authorised foreign

[20] Fernando Henrique Cardoso was President of Brazil for two consecutive mandates, 1995-1998 and 1999-2002.

shareholding in media companies to reach 30%. And Law Number 13097/2015 (Presidência da República, 2015b) authorised foreign companies to provide health services.

In addition to the liberalisation of specific sectors of the Brazilian economy to participation by multinational companies, other changes in Brazil's legislation contributed to the creation of a more favourable environment to foreign investors. Constitutional Amendment Number 6 extinguished the distinction between companies of foreign capital and companies of national capital (Presidência da República, 1995b). Ministers involved in economic and legal matters (Jobim et al., 1995) stated at the time that "*a discriminação ao capital estrangeiro perdeu sentido no contexto de eliminação das reservas de mercado, maior interrelação entre as economias e necessidades de atrair capitais estrangeiros para complementar a poupança interna*" [the discrimination in relation to foreign capital no longer makes sense in the context of removal of market reserves, greater inter-relation between economies and necessities to attract foreign capital to complement domestic savings].

More favourable conditions also resulted from infra-constitutional legislation introduced in the 1990s. Law Number 9249/1995 (Presidência da República, 1995f) exempted profits and dividends sent abroad from income tax. Law Number 9279/1996 (Presidência da República, 1996) regulated industrial property in Brazil. This law guaranteed that regulation in Brazil followed international standards (Cookson II, 2004, p. 358). Decree Number 2233/1997 (Presidência da República, 1997b) listed the sectors of high national interest which define companies eligible to receive credit from Brazil's development finance institutions (the sectors are infrastructure, telecommunications, logistics, sanitation, chemical, mining, automotive, agribusiness, capital goods and electronics).

In 1995, a law regulating concessions in the country was passed (Presidência da República, 1995e). The law established the conditions for the implementation of privatisation processes of public services, which could have the involvement of foreign companies (Amal, 2016, p. 83). Concerning privatisations, Brazil adopted an international model with the creation of autonomous sector regulatory agencies (Economic Commission for Latin America and the Caribbean, 2005, p. 72). It is worth noting that the effects of privatisations tend to be positive when companies acquired have, for instance, outdated technology and managerial and organisational problems (Gonçalves, 2011, p. 10).

These regulatory changes impacted volumes of inward FDI in Brazil. In the second half of the 1990s, intense privatisation activities were responsible for a significant part of the large FDI flows into the country (M. Laplane et al., 2001, p. 141). Particularly, in the end of the decade, foreign capital played an important role in the privatisation of companies owned by state governments, especially in the electricity, gas, sanitation, telecommunications and financial sectors (M. Laplane et al., 2001, p. 142). The foreign exchange devaluation in 1999[21] may also have boosted FDI into Brazil by turning Brazilian assets cheaper to foreign investors and by favouring industrial companies engaged in export activities (Antônio Corrêa de Lacerda, 2003, pp. 140–144; M. Laplane et al., 2001, p. 153).

Measures to guarantee greater trade liberalisation may also have influenced investments by multinational companies in Brazil. As these companies felt pressure from imports and most of them had a market-seeking strategy in the country, they were stimulated to invest so as to defend their positions (Economic Commission for Latin America and the Caribbean, 2005, p. 72). Concerning the impacts of trade liberalisation on FDI, if, on the one hand, multinational companies lose protection of the internal market and become more exposed to international competition, so that it might be more profitable to explore the market through other forms of internationalisation such as exports and licencing, on the other hand a more open economy may i) allow imports of inputs at lower prices, ii) boost companies already operating in the market to invest in order to increase productivity and iii) stimulate companies to set up operations in a location after the market has been accessed through exports (Gonçalves, 1999, p. 97).

Regarding monetary aspects, after many years of intense monetary instability in the 1980s and in the beginning of the 1990s, inflation was brought under control following the successful implementation of the *Real* Plan in 1994. That resulted in a more propitious environment for investments by multinational companies, which could find better conditions to expand and modernise their operations, as well as start new ones (Economic Commission for Latin America and the Caribbean, 2005, p. 71). According to Lampreia (1998, pp. 15–16), after the *Real* Plan was successfully implemented and consumption demand soared as a consequence of it, economic agents, among them foreign ones, encountered a more favourable environment for implementation of

[21] In February 1999, the dollar appreciated by 26% against the *real* in real terms. Although some of the appreciation was eroded in subsequent months, the dollar remained significantly appreciated throughout the year.

investment projects in Brazil, and as a result the country became an important FDI destination.

In short, Brazil implemented in the 1990s measures, including relevant regulatory changes, which were important to create a more open and favourable environment for the operations of multinational companies (M. Laplane et al., 2001, p. 161). Between 1994 and 1997, monetary stability and a recovery of the domestic market were important factors for the attraction of FDI (M. Laplane et al., 2001, p. 188). A more open economy, a more flexible regulatory framework and the privatisation programme played an important role in influencing FDI activities in Brazil in the 1990s, especially in the services sector (M. Laplane et al., 2001, p. 188). As pointed out by Dunning (1997, p. 209), in the mid-1990s governments were enthusiastic about the benefits of FDI (after an opposite stance in previous decades), influenced by a renewed faith in the functioning of the market economy.

In the early 2000s, FDI in Brazil diminished. The fall is associated with the energy crisis Brazil went through after the end of the period of privatisation of public companies (Instituto de Estudos para o Desenvolvimento Industrial, 2003, p. 35; Antônio Corrêa de Lacerda, 2003, p. 174). A more adverse international environment following the economic impacts of the September 11 attacks and of accounting scandals involving large companies also influenced FDI volumes into Brazil (Antonio Corrêa de Lacerda & Oliveira, 2009, p. 4). Until 2004, Brazil's domestic market growth fell short of expectations and in some sectors there was evidence of excess capacity following the high inward FDI volumes of previous years (Economic Commission for Latin America and the Caribbean, 2005, p. 81). However, in some specific sectors the situation differed from the overall trend. In the period, FDI increased in manufacturing and in exploitation of natural resources such as minerals and oil (Economic Commission for Latin America and the Caribbean, 2005, p. 74).

Between 2004 and 2008 Brazil's inward FDI increased significantly. One of the main factors associated with the increase is the robust growth of the Brazilian economy (during the period, Brazil's GDP expanded by an annual average of 4.8%). In 2009, FDI in Brazil declined sharply, due to the international financial crisis sparked by the bankruptcy of American bank Lehman Brothers in 2008 (Silva Filho, 2015, p. 8). After that, high volumes of inward FDI returned to Brazil attracted, once again, by the country's economic growth, which averaged 4.1% annually between 2010 and 2013 (in 2010, GDP grew by 7.5%).

During the mandates of President Lula da Silva, a renewed perception of Brazil emerged, at home and on the world stage, influenced by factors such as the discovery of large oil reserves in the pre-salt layer (which were followed by expectations of significant levels of investments and spillover effects in the Brazilian economy), the effects of the 2009 international financial crisis on the country's image (unlike in previous international crises, the negative impacts this time round were relatively less severe and Brazil did not go through a period of acute problems related to the balance of payments and inflation) and the nomination of Brazil to host the 2014 football World Cup and the 2016 Olympic Games (which put the country in the spotlight of the international community) (Giambiagi, 2011, pp. 225–228). In the second half of the 2000s, major credit rating agencies upgraded Brazil's rating to the investment grade[22] level, which was considered by the international financial community to be the zenith of the country's modernisation process started by President Fernando Collor, continued by President Fernando Henrique and maintained by President Lula da Silva (Giambiagi, 2011, p. 233).

Domestically, the robust economic growth rates were accompanied by real increases in the minimum wage, by injection of resources through income transfer programmes, by high levels of job creation, by fairly low inflation and by improvement in income distribution (Giambiagi, 2011, p. 231).

After 2010, as Brazil's GDP growth slowed down and economic difficulties started to intensify, the country lost some of its attractiveness to multinational companies. For example, in the beginning of 2013, a former president of InvestSP, the investment promotion agency of the State of São Paulo, commented that the decline in the volume of investments facilitated by the organisation in 2012 showed that Brazil no longer enjoyed the same level of popularity amongst international investors it enjoyed in previous years (Alvarenga, 2013).

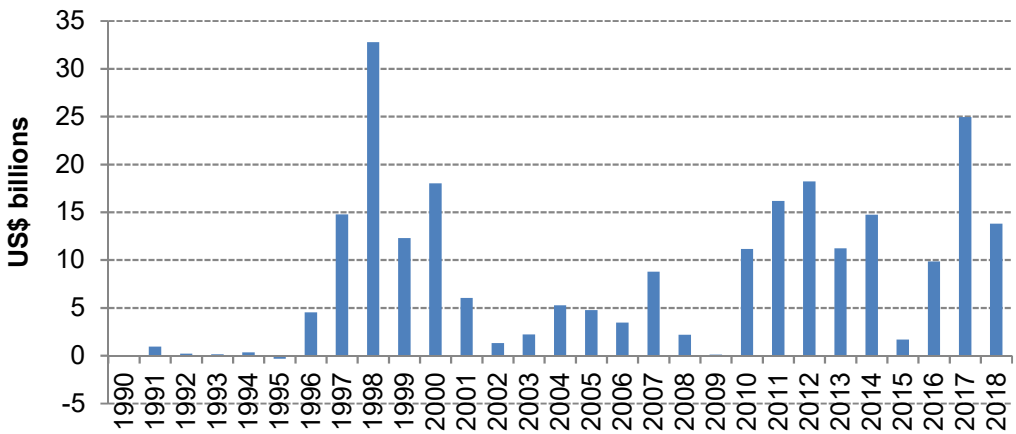
Yet, since 2014 FDI inflows have remained at relatively high levels, despite Brazil's more severe economic difficulties. Among the reasons which can explain high FDI inflows in Brazil despite less favourable economic conditions are i) the fact that many of the investment projects had already been planned at a time when the economy was faring better; ii) the relevance of the Brazilian consumer market (strengthened by greater social mobility in previous years), which would cause companies to take into account long-term prospects in their decisions; and iii) high levels of profitability seen in many sectors in

[22] Investment grade is a rating granted to issuers considered to have low risk of default. Countries rated as investment grade are considered to have a stabilised economy with low risk to investors.

Brazil resulting, for example, from trade barriers which limit foreign competition and lead to high prices in the domestic market, factors which, in turn, allow companies to obtain high profits despite Brazil's competitiveness problems in aspects such as the heavy tax burden, the complexity of the tax system, high bureaucratic inefficiencies and a creaking infrastructure (Costas, 2014).

Moreover, over the last years mergers and acquisitions in Brazil and transfer of resources to Brazilian subsidiaries of multinational companies have gained importance (Silva Filho, 2015, p. 9). As shown on the chart below, since 2010 mergers and acquisitions in Brazil have reached high levels (except in 2015). Excluding the outliers, recent values of mergers and acquisitions in Brazil are comparable to the ones seen during intense activity of the process of privatisation of public enterprises between 1997 and 2000. Large volumes of acquisition of existing assets may explain why inward FDI has had little impact on gross fixed capital formation (Sarti & Laplane, 2002, p. 68).

Chart 6 - Value of cross-border mergers and acquisitions in Brazil in 2016 US$, 1990-2018



Source: Own creation based on data from UNCTAD (World Investment Report: Annex Tables) and the United States Department of Labor

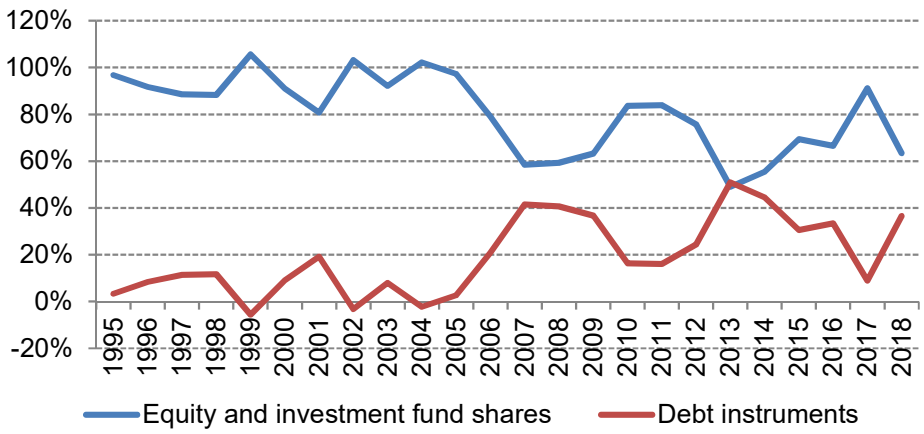
Note: Values of mergers and acquisitions are calculated on a net basis, i.e. sales of foreign affiliates to domestic firms are subtracted from sales of Brazilian firms to multinational companies.

In the 1990s several mergers and acquisitions involving multinational companies had as targets Brazilian companies which were facing difficulties due to competitive pressures following greater economic liberalisation and as a consequence of slow

economic growth in the decade (Bonelli, 1999, p. 306). After 2010, a small average rate of economic expansion and a devaluation of the *real* against the dollar[23] contributed to cheapening the prices of Brazilian companies to foreign investors, creating a window of opportunity to multinational companies willing to enter Brazil or expand their operations in the country, after a period when assets were considered to be overvalued in the years of economic bonanza ("Estrangeiros lideram aquisições e fusões no Brasil pela 1ª vez desde 2002," 2015). The more adverse economic landscape also increased the number of companies put up for sale, as many of them had financial problems and might not have been available for acquisition in different circumstances ("Estrangeiros lideram aquisições e fusões no Brasil pela 1ª vez desde 2002," 2015).

Regarding the transfer of resources to Brazilian subsidiaries of multinational companies, since 2006 the shares of debt operations in total FDI in Brazil have generally remained in levels higher than the ones seen in previous years. The share of debt operations in total inward FDI reached a peak in 2013, the only year in the series when the share of debt operations exceeded that of equity operations. From 2011, these resources may have been transferred to increase the amount of cash available to Brazilian subsidiaries of multinational companies (Silva Filho, 2015, p. 9).

Chart 7 - Share of equity and debt operations in Brazil's inward FDI, 1995-2018



Source: Own creation based on data from the Central Bank of Brazil

The recent values of international mergers and acquisitions and of debt operations suggest that in the last years a significant share of FDI entering Brazil has not been

[23] Between January 2011 and December 2017, the *real* devalued by 44% against the dollar in real terms.

directed to the creation of new production units in the country, but to acquisition of existing companies and to transfer of resources to Brazilian subsidiaries of multinational companies.

Among the determinants for the entry of FDI in Brazil, access to the domestic market, one of the largest in the world, is likely to be the most influential, which means that many multinational companies operating in Brazil adopt a market-seeking strategy when investing in the country (Amal, 2016; M. Laplane et al., 2001). For example, Angelo, Eunni and Fouto (2010) developed a quantitative analysis on the FDI determinants in Brazil for the period between 2002 and 2007 and found that FDI is positively associated with sales in the country. In addition, access to the markets of the countries which form the Mercosur, established in 1991, may have had some influence in the decision of foreign companies to invest in Brazil (M. Laplane et al., 2001).

Given the widespread availability of natural resources in Brazil, a resource-seeking strategy is likely to have been adopted by a significant number of multinational companies investing in the country (M. Laplane et al., 2001). According to Silva Filho (2015, p. 19), the relevance of market-seeking and resource-seeking FDI in Brazil is a signal of a negative type of insertion of the country in the global value chains. In addition to access to consumer markets and resources which could be exported, some of the factors which can contribute to the attraction of multinational companies to Brazil include a diversified industrial base, availability of skilled labour and a job market relatively flexible (Silva Filho, 2015, p. 10).

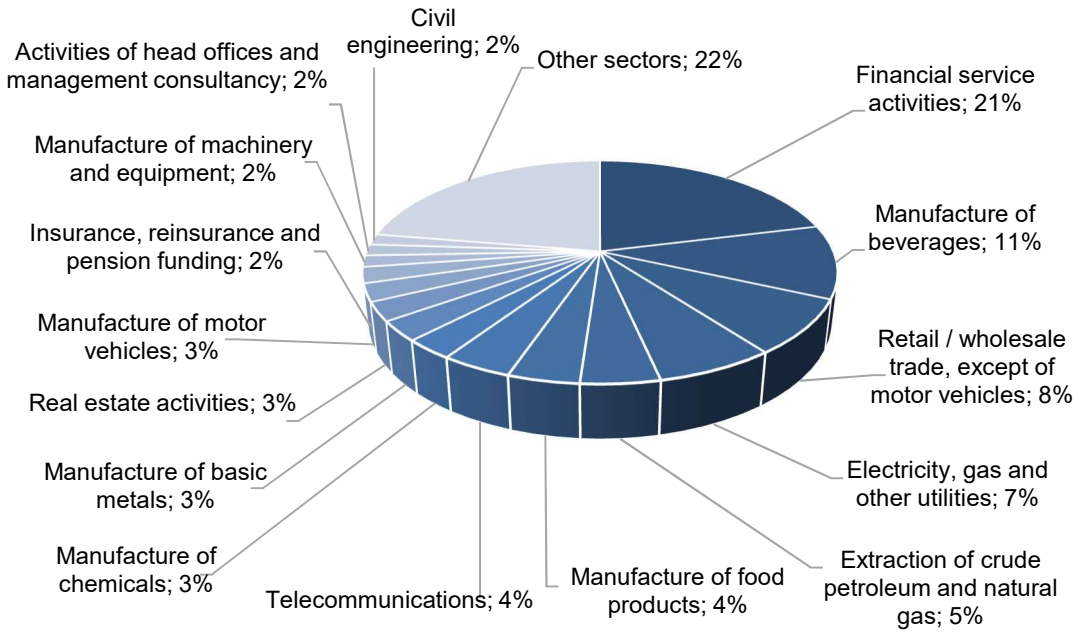
Some of the FDI which entered Brazil may also have been made by multinational companies adopting an asset-seeking strategy, inasmuch as in some cases these companies invested in the country to benefit from the market advantages and from the intangible assets (such as brands) of operating companies which have been acquired (M. Laplane et al., 2001).

Few of the multinational companies investing in Brazil do so in order to implement an internationalisation strategy of the efficiency-seeking type (Economic Commission for Latin America and the Caribbean, 2005, p. 78). One of the challenges of investment promotion policy in Brazil is to alter the profile of FDI in the country, from the predominant market-seeking type to an efficiency-seeking one (Economic Commission for Latin America and the Caribbean, 2005, p. 67). Market-seeking FDI tends to have limited effects on important factors for Brazil such as greater international competitiveness in higher value-added goods (Economic Commission for Latin America and the Caribbean,

2005, p. 102). And investments aimed at accessing the domestic markets of relatively closed economies tend to generate low levels of exports (Confederação Nacional da Indústria, 2014, p. 12).

The chart below presents the main sectors which were targets of FDI operations in Brazil. The chart confirms the relevance of market-seeking and resource-seeking FDI in the country.

Chart 8 - Breakdown of the stock of FDI in Brazil by sector, 2017



Source: Own creation based on data from the Central Bank of Brazil

Note: Considering only equity capital, excluding intercompany lending.

If Brazil chooses to shift its inward FDI profile into one containing a greater share of efficiency-seeking investments, the measures necessary to achieve it include improvement of the country's competitive environment (including aspects such as the tax system, the tax burden, infrastructure and bureaucratic efficiency) and an active investment policy (identifying sectors which may contribute to the country's development and granting incentives to projects in these sectors) (Economic Commission for Latin America and the Caribbean, 2005, pp. 103–107). One of the challenges for Brazil is to integrate its investment promotion policy with the industrial, technological and foreign policies, understanding the roles of different sectors and fostering links between

multinational companies and domestic ones (Celio Hiratuka, 2008, p. 15). Sabbatini (2008, pp. 122–124) recommends that a developing country as Brazil should adopt foreign investment policies which require commitments by multinational companies with the development of the local economy and which are part of a broader development plan aimed at improving continuously the country's economic structure.

5.3 Characteristics of FDI in Brazil in the last decades

As a result of higher levels of FDI entering Brazil since the 1990s, the share of domestic capital in the country's economy has diminished (Antônio Corrêa de Lacerda, 2003). Generally, subsidiaries of multinational companies in Brazil are more productive, employ higher skilled labour, pay higher wages, are more innovative and are more integrated to foreign trade flows in relation to domestic companies (Celio Hiratuka, 2008, p. 13). Nevertheless, their operations in Brazil have not resulted in the expected benefits in terms of industrial development and technological advancement (Economic Commission for Latin America and the Caribbean, 2005, p. 80). Although multinational companies make use of technologies which are more advanced than the ones used by domestic companies, probably most of these technologies were developed abroad and are not available to local producers (J. A. de Negri & Acioly, 2004, p. 14).

Another consequence of the process was increased difficulties in the balance of payments. Several multinational companies which set up operations in Brazil since the 1990s imported large sums of inputs without engaging significantly in export activities, as in many cases access to the domestic market was the main FDI determinant (Antônio Corrêa de Lacerda, 2003). Furthermore, multinational companies remitted abroad significant profit shares (Antônio Corrêa de Lacerda, 2003). In fact, higher profit remittances are a consequence of an increase in foreign liabilities in the form of FDI (Gonçalves, 2011, p. 29).

Several studies analysed the impacts of FDI in Brazil on foreign trade. Generally, these studies found limited impacts on exports and intense impacts on imports. Fernandes and Campos (2008) analysed the profile of FDI in Brazil for the period between 1995 and 2000 and found that exporting sectors have been receiving relatively fewer FDI inflows than sectors which have trade deficits and sectors with little foreign trade involvement, which suggests that foreign investments did not have positive impacts on Brazilian exports. Sarti and Laplane (2003, pp. 33–34) analysed foreign trade data of

multinational companies in Brazil and of domestic companies for 1992, 1997 and 2000 and found that while there is no significant differences in the propensities to export among the groups of companies, multinational companies tend to have higher import coefficients. De Negri (2003, pp. 223–224) analysed data of foreign and domestic companies for the period between 1996 and 2000 and found some relation between majority foreign ownership and predominantly importing sectors and a greater tendency of foreign companies to engage in foreign trade in relation to domestic ones. According to the author (F. De Negri, 2003, p. 240), multinational companies have high levels of imports due to their propensity to import inputs from their global suppliers.

In terms of exports, according to Negri and Acioly (2004, p. 17), multinational companies tend to export more than Brazilian ones, probably due to their competitive advantages over domestic players and utilisation of their international distribution channels. Nevertheless, although multinational companies account for a large share of Brazil's exports, their share of exports of higher value-added goods is small, and higher technology sectors usually have trade deficits (Economic Commission for Latin America and the Caribbean, 2005, p. 81). Multinational companies operating in technology-intensive sectors invested in Brazil mostly to serve the domestic market, with relatively little engagement in export activities (M. Laplane et al., 2001, p. 149).

A notable characteristic of FDI in Brazil is the fact that sectors related to natural resources have trade surpluses whereas higher value-added sectors import intensively (Egan, 2015, p. 164). Brazilian subsidiaries of multinational companies tend to import from their home countries high technology inputs, which leads to relevant differences between exports and imports in terms of value and technology (Celio Hiratuka, 2008, p. 9). Sarti and Laplane (2002, p. 90) called the dynamics in which multinational companies in Brazil invested mainly to access the domestic market with high levels of reliance on imported inputs as "*internacionalização do mercado doméstico*" [internationalisation of the domestic market].

In addition to the balance of payments effects caused by the foreign trade profile of multinational companies operating in Brazil, profit remittances and payments of interests and royalties by multinational companies have contributed to deficits in the current account (Instituto de Estudos para o Desenvolvimento Industrial, 2003, p. 3). On the other hand, inward FDI is considered to be one of the main factors responsible for financing these deficits (M. Laplane et al., 2001, pp. 182–183).

Concerning the effect of inward FDI on a country's economic structure, investments in non-tradable sectors tend to influence positively the restructuring of these sectors and augment the overall competitiveness of the economy (Antonio Corrêa de Lacerda & Oliveira, 2009, p. 6). In Brazil, inward FDI contributed to improve the country's infrastructure, especially in the case of telecommunications (Sarti & Laplane, 2002, p. 90).

In sum, between 2002 and 2016 (period of time which will be analysed in the next chapter), FDI flows and stocks followed a predominantly upward trend. After relatively low levels of inward FDI in the first years of the period, since 2007 FDI volumes have moved to higher average levels, with FDI activities most intense in 2010, 2011 and 2012. In fact, since 2010 Brazil has been one of the world's largest recipients of FDI. While economic growth spurred inward FDI in a good number of years within the period, in the latter years Brazil remained a relevant FDI destination despite the country's economic difficulties. Another feature of the FDI entering Brazil in the last years of the period is the relevance of mergers and acquisitions and intercompany lending, which may suggest that a significant share of the investments has not been directed to the establishment of new production units.

Organisations involved in FDI promotion in Brazil operated under the conditions described in the paragraphs above. Next, the activities developed by them given these conditions will be discussed, with focus on their roles in the promotion of sustainable development in the country.

6 ASSESSMENT OF THE STRATEGIES ADOPTED BY THE MAIN BRAZILIAN ORGANISATIONS INVOLVED IN FDI PROMOTION

6.1 Recent stance of governments in relation to inward FDI

Investment promotion (also called investment attraction) activities are usually part of policies adopted by governments to promote development. Since the 1980s, changes in national policies regarding FDI resulted in greater liberalisation in that area, as governments started to consider multinational companies and their investments relevant sources of scarce resources such as capital, technology and knowledge, important factors in the promotion of development (Phelps, 2009, p. 585).

With more liberalisation, multinational companies started to have a greater number of locational options for their investments and began to be more selective and demanding regarding the potential options (United Nations Conference on Trade and Development, 1999, p. 182). This led countries to move beyond liberalisation and start adopting proactive measures to attract FDI (United Nations Conference on Trade and Development, 1999, p. 182). Benefits offered by governments aiming to attract FDI include fiscal incentives, construction of science parks and stimuli to formation of clusters (United Nations Conference on Trade and Development, 1999, p. 278). Other inducements offered by governments include tariff protection in the case of import-substituting projects (Caves, 1996, p. 241), establishment of industrial districts and export processing zones and improvements in infrastructure and in the bureaucratic processes to register a company (Wells & Wint, 2000, p. 2).

Policies to encourage FDI derive from the idea that the social gains from the investments exceed those obtained by the multinational companies and their business partners in the host location (Blalock & Gertler, 2005, p. 73). For example, as technology has to some extent characteristics of a public good, domestic firms may benefit from spillover effects (Görg & Strobl, 2005, p. 137). The concession of investment incentives is justified on the basis that they aim to equal private and social returns, a calculation which is difficult to make (United Nations Conference on Trade and Development, 2003, p. 124).

The growing importance that many countries have been giving to FDI can be observed through their commitments with investment promotion and the creation of entities responsible for this activity (United Nations Conference on Trade and

Development, 2001, p. vii). As well as national governments, several subnational ones have been playing an important role in investment promotion.

Governments have in many cases been adopting policies to attract FDI which can contribute to a deeper insertion in more advanced stages of international chains and which can increase added value of domestic production (Confederação Nacional da Indústria, 2014, p. 18). In the 1990s, host governments started to emphasise the importance of inward FDI to the international integration of economies and to the upgrade of human and physical capital, and the focus of policies was attracting the most appropriate types of multinational companies' activities and ensuring that their activities contributed to increase the economy's competitiveness (Dunning, 1993a, p. 564).

Investment promotion is a relatively new activity, having grown substantially during the 1980s and 1990s, when opening of the world economy intensified and FDI flows rose substantially (United Nations Conference on Trade and Development, 2001, p. 3). Investment promotion has been given a relevant priority in the agendas of governments, not only in developed countries but also in developing and transition economies, as governments consider that FDI has been playing an important role in the promotion of development and competition among candidate host locations has been intense (United Nations Conference on Trade and Development, 2001, p. 1).

Over the last decades, the behaviour of governments has been influenced by decisions made by multinational companies. Competition for foreign investments has been affected by a change in the strategies of companies, as multinational companies have become familiar with operating in foreign markets and have become more inclined to accelerate their internationalisation processes through establishment of operations abroad, rather than implementing a strategy of reaching foreign markets through trade (Phelps, 2009, p. 585).

6.2 Roles of investment promotion entities

Governments have a prominent role in the achievement of people's wellbeing (Evans, Huber, & Stephens, 2014, p. 1). Considering the wide range of issues which governments have to deal with in order to achieve its goals and the high degree of complexity which commonly these issues have, frequently governments delegate part of their responsibilities to specialised agencies (Huber & Shipan, 2011, p. 1). These agencies are usually referred to as bureaus or bureaucracies.

According to Niskanen (1971, p. 15), “bureaus are non-profit organizations which are financed, at least in part, by a periodic appropriation or grant”. Organisations which are often classified as bureaus include government agencies, hospitals and educational institutions (Niskanen, 1971). Bureaus focus on the supply of goods and services which would be supplied by the free market at a smaller quantity than the desired by some individuals (Niskanen, 1971). These organisations may be formed by political processes, with people agreeing to be taxed so that such entities can be established (Niskanen, 1971).

Considering the potential benefits which FDI may bring to host economies, several governments have set up structures responsible for promoting investments in the locations they represent. Investment promotion, one of the main tools used by governments in the competition to attract FDI, involves providing information to potential investors, promoting the images of locations as investment destinations and providing facilitation services to investors interested in doing business in a location (Wells & Wint, 2000, p. 1). Efforts directed at investment promotion are particularly important to small countries and locations which have an unfavourable image (United Nations Conference on Trade and Development, 1995, p. 275).

Most governments which adopt a proactive investment promotion policy are supported by investment promotion entities in the efforts to advertise the location they represent as a potential investment destination (Multilateral Investment Guarantee Agency, 2000). Similarly to the sales departments of the companies which they intend to attract, investment promotion entities play an important role in advertising their products to potential clients, which in this case are the companies considering investing in a location (Multilateral Investment Guarantee Agency, 2000).

Organisations willing to adopt a competitive sales strategy for their products have basically three variables to make use of: a) the product, or, in the case of a potential host location, its advantages for companies interested in setting up operations; b) the price, or the costs of factors of production in a location; and c) the promotion, or the activities to build the image of a location and the facilitation services provided to investors (Wells & Wint, 2000, p. 4).

In the private sector, these variables mutually strengthen each other, and a good balance between them increases the chances of success of a product (Wells & Wint, 2000, p. 6). In the same way, the strategy of “selling” a location as an investment destination may factor in not only the promotional aspect, but also issues such as

production costs and the business environment (Wells & Wint, 2000, p. 6). In that regard, some of the most active investment promotion entities have had an advisory role to their governments and have been able to influence economic priorities beyond the area of investment promotion (Phelps, 2009, p. 586).

Activities of investment promotion entities, at national or subnational level, are usually financed by governments (United Nations Conference on Trade and Development, 2001, p. vii). The investment promotion activity involves provision of various services, such as preparation of viability studies, assessment of environmental impacts, identification of potential investors and proposition of public policies (United Nations Conference on Trade and Development, 2001, p. vii). Due to the importance of personal contacts for the activity, a significant share of the budgets of investment promotion entities is allocated in participation in seminars and trade shows and in the organisation of overseas missions (United Nations Conference on Trade and Development, 2001, p. viii).

According to Wells and Wint (2000, p. 8), the following actions are part of the investment promotion activity:

> advertising, direct mailing, investment seminars, investment missions, participation in trade shows and exhibitions, distribution of literature, one-to-one direct marketing efforts, preparation of itineraries for visits of prospective investors, matching prospective investors with local partners, acquiring permits and approvals from various government departments, preparing project proposals, conducting feasibility studies, and providing services to the investor after projects have become operational.

In sum, the investment promotion activity involves three main goals: building the image of a location as an investment destination, identifying new investments and providing present and potential investors with facilitation services (Wells & Wint, 2000, p. 21).

Investment promotion entities are frequently regarded as the voices of the private sector within governments (United Nations Conference on Trade and Development, 2001, p. 13). Because of their recurrent contact with businesses, these entities are aware of the difficulties their locations present for companies interested in investing and know in which areas improvements are most necessary, from the investment regime to administrative matters which hamper the development of investors' activities (United Nations Conference on Trade and Development, 2001, p. 13). Being part of governmental structures, investment promotion entities may influence public policies and play a relevant

role in the production of investment-related legislation (United Nations Conference on Trade and Development, 2001, p. 13).

Investment promotion policies should complement measures to improve a location's business environment, rather than being a substitute for them (Morisset & Andrews-Johnson, 2004, pp. 4–5). The efforts to promote a location where there is, for example, political or macroeconomic instability, could be unproductive (Morisset & Andrews-Johnson, 2004, p. 25). Therefore, the focus of policymakers should be working on the improvement of the investment climate instead of allocating resources to investment promotion when conditions to do business are very different from the existing in other locations (Morisset & Andrews-Johnson, 2004, p. 5).

A coordinated action of investment promotion entities along with other government departments is crucial for the implementation of a successful investment promotion strategy. Policies directed at promoting FDI should tackle factors which may lead to the entry of low volumes of foreign investments or to the entry of investments of bad quality, and they should mitigate possible negative effects when the interests of multinational companies diverge from host countries' economic goals and social interests (United Nations Conference on Trade and Development, 1999, p. 316). An active stance by governments may maximise the benefits a location derives from investments. If that is to occur, it is necessary that governments take appropriate actions aiming to attract specific types of FDI or to regulate this type of investment (United Nations Conference on Trade and Development, 1999, p. 317). Alas, not all bureaucracies in developing countries are able to discriminate between different investment types (Agosin, 2010, p. 29).

There are questions about the effectiveness of investment promotion entities in bringing significant benefits to the locations they operate in. Their critics doubt whether the success of a few organisations could be reproduced elsewhere and whether the provision of public resources to such entities is worthwhile (Morisset & Andrews-Johnson, 2004, p. 2). They consider that there is a possibility that the establishment of investment promotion entities is just the latest fashion among countries and that expectations about the contribution of these organisations are unrealistically high, particularly in developing countries (Morisset & Andrews-Johnson, 2004, p. 2). One of the dangers these organisations encounter is the fact that they may worry mostly about maximising the volume of FDI attracted without paying much attention to the net benefits of investments to host locations (Dunning, 1993a, p. 567).

6.3 Relevant aspects of the Brazilian organisations involved in FDI promotion

This section will analyse the activities of the main Brazilian organisations involved in FDI promotion operating at federal level. The analysis will focus on the actions of the organisations which have a potential impact on sustainable development. During the period of time that this thesis covers, six main organisations with some kind of activity related to investment promotion in Brazil have been identified: Investe Brasil; the Investment Office; Apex-Brasil; the DPR of the MRE; RENAI, linked to the MDIC; and the National Committee of Investments[24] (Coninv) of the CAMEX. Investe Brasil and the Investment Office had their operations discontinued during the period under analysis in this thesis.

Besides, due to the importance of investments in areas which traditionally have some government involvement, such as energy, infrastructure and housing, the thesis will also analyse the activities of the SPPI.

In addition to these organisations mentioned above, several organisations linked to subnational governments also promote FDI into the locations they represent, operating in many cases in partnership with the Federal Government. Moreover, certain Brazilian organisations belonging to the Federal Government may also engage in FDI promotion in issues related to their mandates, such as the Ministry of Agriculture, Livestock and Food Supply[25]. The cases described in this paragraph will not, however, be the focus of the analysis to be developed in the thesis, inasmuch as this study will concentrate on broad-ranging FDI policies (i.e. not concerning any specific sectors) at national level.

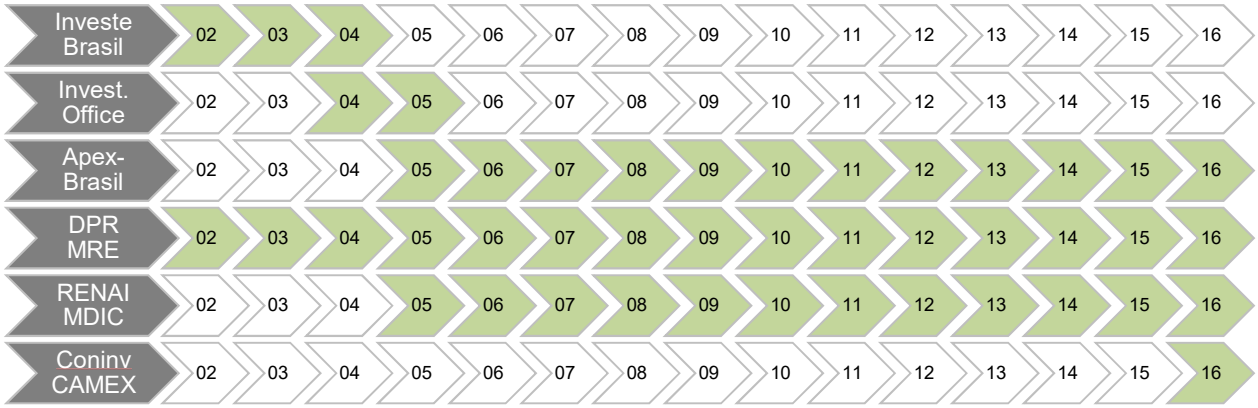
According to the Economic Commission for Latin America and the Caribbean (2005, p. 107), there was no single organisation responsible for attracting FDI into Brazil during the period in which the country received massive inflows of foreign capital in the 1990s. At that time, efforts to attract FDI into Brazil were made by the MRE, which operated through a system of image-building and investor support aided by Brazilian diplomatic missions; by Federal Government organisations responsible for promoting development at regional level; and, at state level, by local development finance

[24] In Portuguese, *Comitê Nacional de Investimentos*.
[25] In Portuguese, *Ministério da Agricultura, Pecuária e Abastecimento*.

institutions[26], trade associations, foreign investment promotion entities and regional offices of the Brazilian Service of Support for Micro and Small Enterprises[27].

Since the early 2000s, a couple of organisations in Brazil have been involved in FDI promotion. This resulted in a significant level of overlap between them (Egan, 2015, p. 171). Schneider (1991, p. 26) commented on the tendency of Brazilian governments to abandon administrative rationality and create sundry new, frequently redundant bureaucracies. According to Egan (2015, p. 171), “this both expands the state and creates a rococo bureaucratic structure, where effective implementation becomes quite difficult”. The figure below presents the years Brazilian organisations engaged in activities related to investment promotion (marked in green), considering the period under analysis in this thesis.

Figure 1 - Brazilian organisations engagement in investment promotion activities, 2002-2016



Source: Own creation

Shortly after Investe Brasil was closed down in 2004, three bodies involved in investment promotion were created: the Investment Office, the investment unit at Apex-Brasil and RENAI, the latter two of which within the structure of the MDIC. The pluralisation of actors was one of the main features of foreign policy making during the terms of Presidents Fernando Henrique Cardoso and Luiz Inácio Lula da Silva (Cason & Power, 2009, p. 119). This pluralisation involved the participation of a more diverse set of

[26] Development finance institutions, also called development banks, are financial institutions which provide capital for development projects that would probably not receive funds from commercial lenders. Organisations of this type are usually established by governments.
[27] In Portuguese, *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas*.

bureaucracies in issues involving Brazil's foreign relations. In the Cardoso years, the MDIC was empowered, which contributed to eroding the centrality of the MRE in the implementation of Brazil's foreign policy (Cason & Power, 2009, p. 128). After Lula da Silva became president, this bureaucratic pluralisation intensified (Cason & Power, 2009, p. 128). It was in this context that organisations outside the MRE were created to deal with foreign investments. It is worth noting that although the Investment Division of the DPR was created in 2011, the MRE had already been developing activities related to foreign investments[28].

The coexistence of more than one department responsible for investment promotion may also be explained by the need to accommodate political interests within the Government structure. Creation of Apex-Brasil's investment unit and of RENAI occurred when the MDIC was led by Luiz Fernando Furlan, a strongman in President Lula da Silva's first presidential term. At that time, the MRE was led by another strongman, Celso Amorim, and removal of the ministry's responsibilities in terms of investment promotion would probably find resistance.

The situation changed when the MDIC was weakened during the presidency of Michel Temer. Another strongman, José Serra, was appointed to lead the MRE and supervision of Apex-Brasil was transferred to this ministry. This resulted in most investment (and export) promotion activities being carried out within the structure of the MRE. RENAI remained linked to the MDIC, but its engagement in investment promotion is more limited, as the organisation focuses on provision of information. Details about the histories, responsibilities and activities of the Brazilian organisations involved in investment promotion will be presented from section 6.5.

The existence of a number of organisations responsible for promoting FDI in Brazil can have adverse effects and may spur the quest for solutions by policymakers. The duplication of efforts may be a source of inefficiencies and the aggregation of functions in a single entity could be considered (Farias, 2015, p. 97). UNCTAD (2005a, p. 94), in its investment policy review of Brazil, stated that "a clear-cut division of tasks between the different actors is needed and can be developed so as to avoid duplication of efforts and maximise efficiency in investment promotion". In order to coordinate the activities of the organisations involved in investment promotion in Brazil, the CAMEX started in 2016 to develop actions related to foreign investments.

[28] Detailed information on the MRE's activities regarding investment promotion will be presented in section 6.8.

The table below presents the main responsibilities of each organisation involved in FDI promotion during the period analysed in this thesis. The table indicates that frequently the same activity related to investment promotion is carried out by more than one organisation. Additional information about the organisations' activities and results will be provided from section 6.5.

Table 4 - Main responsibilities of the Brazilian organisations involved in FDI promotion, 2002-2016

Activity / organisation	Investe Brasil	Invest. Office	Apex-Brasil	DPR / MRE	RENAI / MDIC	CAMEX	SPPI
Policy advocacy	✓	✓	✓		✓	✓	
Production of promotional materials and market intelligence	✓	✓	✓	✓	✓		
Promotion of investments in government projects and partnerships	✓		✓	✓	✓		✓
Participation in events and overseas missions to attract prospective investors	✓	✓	✓	✓	✓		✓
Liaison with public and private organisations aimed at investment facilitation	✓	✓	✓	✓	✓	✓	✓
Investor advisory (e.g. site selection, assistance in issuance of permits)	✓	✓	✓				

Source: Own creation

Some of the materials about the activities of organisations involved in FDI promotion in Brazil which have been analysed present information on the division of responsibilities among them. In May 2005, a presentation delivered at RENAI's first workshop mentioned that the Investment Office was responsible for providing investors with information, for facilitating investment projects and for being a one-stop shop to potential investors, whereas the Trade Promotion Agency[29] (APEX) and other organisations were responsible for promotional activities (Cover, 2005, pp. 20–21).

[29] In Portuguese, *Agência de Promoção de Exportações*.

One month later, in June 2005, a presentation delivered by Apex-Brasil's director for investments outlined the Federal Government's Investment Attraction Programme, which was created to coordinate efforts directed at investment promotion and to facilitate negotiations with the private sector. The programme was operationalised by the Investment Office, Apex-Brasil's investment department and other government organisations (Plöger, 2005). It involved provision of information, facilitation and promotion, and its quantitative targets included increasing levels of FDI and of investments by domestic companies (Plöger, 2005). Apex-Brasil would be responsible for promotional efforts whereas the Investment Office would be responsible for facilitation and provision of information (Plöger, 2005, p. 6).

In April 2014 another presentation delivered at a seminar organised by RENAI mentioned that Apex-Brasil was responsible for promoting opportunities and providing tailored assistance to foreign investors whereas RENAI was responsible for promoting public sector investments and for being the focal point to Brazilian states (Neves & Petry, 2014, p. 12). The roles of the organisations could be reviewed according to the development of activities (Neves & Petry, 2014, p. 13). Apex-Brasil's planning for 2017 stated that the organisation aims at being considered, within the Government, the operational focal point for matters related to foreign investments in Brazil, supporting the departments responsible for formulating investment policies (Agência Brasileira de Promoção de Exportações e Investimentos, 2016b, p. 4).

In addition to the efforts to eliminate overlap between the activities of the organisations involved in FDI promotion in Brazil, it is worth mentioning a couple of joint actions to promote Brazil as an investment destination which have been carried out by them. Apex-Brasil and RENAI jointly published a catalogue with information on opportunities of investment in public projects (at federal, state and municipal levels) and a guide with information on the investment process in Brazil (in partnership with the MRE and the Ministry of Agriculture, Livestock and Food Supply) (Neves & Petry, 2014, p. 14). Another joint initiative worth mentioning is the website called Trade and Investment Guide – Invest & Export Brasil, a portal maintained by the ministries of Foreign Affairs; Industry, Foreign Trade and Services[30]; and Agriculture, Livestock and Food Supply which

[30] In January 2019, the MDIC was incorporated into the newly created Ministry of Economy (*Ministério da Economia*) by Provisional Measure Number 870 (converted into Law Number 13844/2019). As a result of it, the MDIC ceased to exist. As of September 2019, Invest & Export Brasil's website still mentioned the name of the MDIC.

provides information on business opportunities for i) foreign companies willing to invest in Brazil, ii) Brazilian companies interested in investing abroad, iii) companies which intend to export from Brazil and iv) companies interested in importing from the country (Ministério das Relações Exteriores; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, n.d.). Previous versions of the portal were called Brasil Export, BrasilGlobalNet and BrazilTradeNet.

6.4 Hypothesis, methodology and sources of information

Implementing an active and selective strategy to attract FDI is a task that several governments have failed to perform. In many countries, FDI promotion policies have focused on attracting investments per se, paying little attention to the mechanisms which could maximise potential spillovers to the host location (Medeiros, 2008, p. 54). According to Bonelli (1999, p. 306), “it is recognized that developing countries’ domestic policies play a somewhat passive role in attracting foreign capital”. Brazil has been regarded as one of such cases. It is understood that FDI could have had a greater impact on development in Brazil if adequate policies had been taken to maximise its benefits (P. da M. Veiga, 2004, p. 2).

Lacerda (2003, p. 148) argues that FDI should be a tool to improve Brazil’s integration to the world economy and, in order to reach that goal, attraction of investments in Brazil needs to focus not only on quantity but also on quality, so that FDI is associated with export generation and greater local added value. The author (2004, p. 115; 2003, p. 150) adds that although Brazil stands in a favourable position in the ranking of main destinations of FDI, the country has not managed to define a strategy aiming to use foreign investments as a tool to attain goals such as diminishing its external vulnerability, increasing exports and developing new capabilities. Lacerda (2003, pp. 166–167) recommended an active stance of the Government in the attraction of FDI which is aligned with Brazil’s development goals. In 2007, commenting on the large FDI inflows entering Brazil, Lacerda reiterated the view that the country lacked an active policy to attract FDI, and recommended the creation of an organisation responsible for coordinating actions in this area which would be integrated with Brazil’s industrial policy initiatives (Barros, 2007).

Similarly, Egan (2015, p. 157) commented on Brazil’s inability to attract high-quality FDI. For example, multinational companies do not invest in Brazil to use the country as an export platform to the same extent as they do in China, and they do not set up R&D

centres in Brazil as frequently as they do in India (Egan, 2015, p. 157). The author (2015, pp. 157–158) analysed characteristics of Brazil's FDI policy between 1990 and 2010 and found that this policy affected the quality of investments entering the country. In the 1990s and the first half of the 2000s, the FDI policy was considered to be passive and non-discriminating, influenced by a liberal agenda which did not prioritise the adoption of an industrial policy (Egan, 2015, pp. 157–158). As a result, barriers to FDI were dismantled horizontally, and preference to certain types of FDI was not defined by the Government (Egan, 2015, p. 158). This situation changed once Lula da Silva became president, and the foreign investment policy became more selective (Egan, 2015, p. 158). Nonetheless, in Lula da Silva's administration the impact of the different approach adopted by the Government was diluted by coordination problems resulting from a large number of organisations dealing with investment promotion (Egan, 2015, p. 170).

Hiratuka (2010, pp. 48–49) argues that, from the beginning of the 1990s, Brazil started to get rid of restrictions on foreign capital at the same time that sector-specific industrial and technology policies were eliminated. According to the author (2010, pp. 48–49), rather than adopting a selective sectoral policy, the Government removed horizontally restrictions on FDI, and the policy toward foreign capital consisted basically of creating a more liberal environment to multinational companies. Hiratuka (2010, p. 50) comments that, in Brazil, the challenge for the foreign investment policy is to integrate it with the country's industrial, technological and foreign trade policies, stimulating the links of multinational corporations with domestic companies so that economic competitiveness and growth potential are fostered.

Based on the literature which evaluates the potential positive and negative effects of FDI, on the assessment that an active and selective foreign investment policy is necessary so that countries maximise the benefits of FDI and on the view that Brazil has not been adopting an adequate FDI policy, the following hypothesis has been formulated: the organisations involved in FDI attraction in Brazil did not adopt between 2002 and 2016 adequate measures to promote sustainable development in the country through FDI.

In order to test the hypothesis and answer the research question, various materials containing information about the organisations involved in FDI promotion in Brazil have been analysed. The materials include legal instruments (such as laws and decrees) which defined the organisations' responsibilities, management reports produced by the

organisations[31], stories about their activities published on Brazil's main newspapers[32] and presentations delivered at events. These materials were examined so that initiatives with the potential to promote sustainable development could be identified. The analysis focused on the actions developed by the organisations to reach out to potential investors (for example, the organisation of overseas missions to attract projects with potential impacts on sustainable development) and on the profile of the investment projects facilitated by the organisations (for example, the sectors of the investments were one of the characteristics evaluated, as they may indicate the potential impacts on sustainable development).

Besides, so as to obtain additional information on the activities of the organisations, particularly regarding sustainable development, current and former members of the staff of these organisations were interviewed. The interviews provided an invaluable contribution to the provision of information about the perspective of actors involved in FDI promotion and represented opportunities to request information not publicly available. It is worth pointing out that there is relatively little bibliographic material which evaluates the organisations' activities.

Semi-structured interviews were carried out. For the interviews, scripts were used to guide the talks, but a high degree of flexibility was adopted so that interviewees were able to add any pieces of information related to their experiences in the organisations and their impressions on the activities developed with potential contribution to sustainable development. The scripts were produced based on each organisation's institutional mission and on recommendations of policies which may promote sustainable development through inward FDI[33]. The table below presents information on the interviews carried out.

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[31] The organisations involved in FDI promotion in Brazil did not make available management reports for all years under analysis in this thesis. The materials were requested through formal petitions based on Brazil's transparency law (Law Number 12527/2011, known as *Lei de Acesso à Informação*) and in direct contacts with members of staff, by telephone and in person during visits to the organisations' offices. In addition, management reports were also downloaded from the organisations' websites. In the case of the MRE, it informed that reports are produced when required by Brazil's court of audit (*Tribunal de Contas da União*). The years in which the reports were not available indicate that the court did not require production of the documents. For information on the reports made available by the organisations, please refer to Appendix B.

[32] Stories were searched in Brazil's most circulated newspapers (Folha de São Paulo, O Globo and O Estado de São Paulo) and in the main economic newspaper (Valor Econômico).

[33] Interview scripts are available in Appendix C.

Table 5 - Current and former staff members of Brazilian organisations involved in investment promotion interviewed

Name	Organisation	Period of activity at the organisation	Location of the interview	Date
Ingo Plöger	Apex-Brasil	2003-2005	By telephone	13 August 2018
Mauricio Borges	Apex-Brasil	2006-2014	By telephone	19 June 2018
André Favero	Apex-Brasil	2015-2017	Brasília	12 June 2018
Luisa Cravo	Apex-Brasil	since 2009	Brasília	12 June 2018
Márcio Naves de Lima	CAMEX	since 2017	By telephone	11 June 2018
Rodrigo de Azeredo Santos	DPR/MRE	2013-2016	By telephone	29 August 2018
Flávio Bettarello	DPR/MRE	since 2018	Brasília	11 June 2018
Rudolf Höhn	Investe Brasil	2001-2004	By telephone	23 August 2018
Denise Gregory	Investe Brasil	2002-2004	By telephone	31 August 2018
Eduardo Celino	RENAI/MDIC	2007-2013	By telephone	6 November 2018
Mário José das Neves	RENAI/MDIC	2013-2016	Brasília	11 June 2018
Isabel Terra	RENAI/MDIC	since 2018	By telephone	11 June 2018
Bruno de Carvalho	SPPI	since 2017	By telephone	18 July 2018

The next sections will present, for each organisation involved in FDI promotion in Brazil, i) an overview of the organisation's responsibilities, focusing on those related to investment promotion; and ii) its main activities with potential positive impacts on sustainable development. In item ii), the investment promotion activities (including outreach actions and investment facilitation) which have potential to promote sustainable development will be pinpointed and analysed.

The item will highlight the reasons why these activities have the potential to promote sustainable development, mentioning, for example, whether the initiatives carried out by the organisations aimed to promote investments in sectors associated with sustainable development or whether the initiatives aimed to attract projects which may have positive impacts on indicators considered to foster sustainable development. The assessments of the organisations' strategies and activities related to the promotion of sustainable development will be based mainly on the analysis developed in section 4.6, which evaluated the potential impacts that inward FDI may have on sustainable

development and which presented policies recommended to governments willing to use inward FDI as a means to promote sustainable development. Special attention will be given to tables 1 and 2, which present, respectively, sectors and indices considered to have positive impacts on sustainable development. Moreover, the characteristics of sustainable development, discussed in Chapter 3, and the SDGs, presented in Chapter 2, will also be taken into account in the analysis to be developed in the next sections.

It is worth pointing out the analysis to be developed in the next sections will focus on identifying the role of Brazilian investment promotion organisations in seeking to attract projects with potential positive impacts on sustainable development, based on the activities carried out by these organisations and on certain characteristics of the projects facilitated by them. Some of the projects facilitated by the organisations, including those potentially conducive to sustainable development, may have negative impacts on the concept, depending on the practices adopted by the companies (companies may, for example, invest in sectors associated with the promotion of sustainable development but adopt low labour standards or inadequate environmental practices). Nevertheless, an assessment of the net impacts on sustainable development of each project facilitated would require in-depth analyses about the companies' operations, which is not within the scope of the present study.

6.5 Investe Brasil

6.5.1 Overview of the organisation

In 1999, the Federal Government commissioned the establishment of a working group to evaluate creation of an organisation responsible for supporting investments in Brazil (Gregory & Oliveira, 2005, p. 39). By the end of 2000, the general assembly for formation of Investe Brasil took place and the memorandum of understanding between the Federal Government and the trade associations that constituted Investe Brasil was signed (Gregory & Oliveira, 2005, p. 40). After the signature in 2001 of a partnership agreement between the Federal Government and Investe Brasil, the organisation was opened the following year (Gregory & Oliveira, 2005, p. 40), the last year of the second mandate of President Fernando Henrique Cardoso. Creation of the organisation followed

a recommendation put forward by the Facility for Investment Climate Advisory Services, linked to the World Bank Group (P. da M. Veiga, 2004, p. 4).

Investe Brasil was created so as to attract FDI into Brazil. In addition to attraction of FDI, Investe Brasil also supported investments of companies already operating in the country (E. P. Ferreira, 2002). Its activities included provision of information on the Brazilian economic outlook, on investment opportunities (including opportunities of investment in government projects), on legislation concerning doing business in the country and on tax incentives (Banco Central do Brasil, 2002). So as to identify potential investors in Brazil, the organisation participated in overseas missions organised by the Federal Government (R. Höhn, personal communication, 23 August 2018).

Other activities developed by Investe Brasil included promoting the image of Brazil to foreign investors and proposing investment policies (Gregory & Oliveira, 2005, p. 40). Moreover, Investe Brasil was responsible for facilitating contacts between foreign investors and public and private organisations in Brazil (Banco Central do Brasil, 2002). In sum, Investe Brasil aimed at functioning as a one-stop shop for investors (Organisation for Economic Co-operation and Development, 2003).

Gregory and Oliveira (2005) listed the following services provided free of charge by Investe Brasil:

> *busca e oferta de oportunidades de negócios no exterior; promoção de negociação entre investidores e os responsáveis pela oferta de investimentos; divulgação de oportunidades indicadas pelos Estados da Federação; apoio para a tomada de decisão e coleta de informações solicitadas pelos investidores; facilitação dos trâmites para procedimentos relativos às decisões de investimentos; apoio no processo de implantação e fomento de parcerias com agentes locais; agenda de visitas em órgãos federais, estaduais e municipais.* [overseas investment outreach; promotion of negotiations between investors and those responsible for the investment opportunity; advertising of opportunities offered by Brazilian states; support to investors in decision-making and information gathering; facilitation of procedures related to investment decisions; support in the implantation process and promotion of partnerships with local actors; schedule of visits to federal, state-level and municipal organisations]. (pp. 41-42)

The Economic Commission for Latin America and the Caribbean (2005) listed Investe Brasil's main activities as follows:

> (i) business development, based on the identification and analysis of business opportunities and potential investors; (ii) marketing and communications, which included market intelligence activities and information and communications projects aimed at promoting Brazil and its investment environment; and institutional relations, including the maintenance of a network of contacts with federal, state and municipal governments, regulatory bodies, commercial

> associations and other organizations to facilitate investment-related contacts and procedures. (p. 108)

According to documents which defined Investe Brasil's strategies, the organisation would aim to promote Brazil's economic, social, environmental and technological development and would seek to tackle poverty in the country (Ministério do Planejamento Orçamento e Gestão, 2003d, p. 182, 2003f, p. 173). Hence, the organisation was assigned the task of addressing the three pillars of sustainable development. Moreover, technology development and poverty reduction, relevant aspects for the promotion of sustainable development, were also mentioned as targets of Investe Brasil's activities. Thus, considering its general goals, the organisation reported awareness of aspects related to the promotion of sustainable development.

Investe Brasil reported the adoption of focus on investment projects which contributed to improve the competitiveness of the Brazilian economy, which developed the infrastructure of Brazil and South America, which contributed to the generation of trade surpluses and which resulted in technology transfer and use of local intellectual capital (E. P. Ferreira, 2002). Investe Brasil's former Business Development Director Eduardo Pires Ferreira (Organisation for Economic Co-operation and Development, 2003, p. 96) stated that the organisation sought to attract FDI in areas considered to be non-traditional such as infrastructure, as well as projects with creation of a high number of jobs. Another priority of Investe Brasil was attracting investments from companies interested in participating in privatisation processes (Brandão Junior, 2001). In summary, Investe Brasil focused its activities on the following investment types:

- infrastructure (logistics/transport, energy and sanitation);
- large companies promoting linkages;
- small and medium-sized companies complementing Brazil's supply chain and forming joint ventures which result in exports and technology transfer;
- projects with positive impacts on the balance of payments;
- projects which result in the creation of a large number of jobs; and
- projects which result in technology transfer and employment of skilled labour (Ministério do Planejamento Orçamento e Gestão, 2003e, pp. 152–153).

In his speech during the ceremony which marked Investe Brasil's creation, President Fernando Henrique Cardoso (2000, p. 489) mentioned that the organisation

would try to attract investments in sectors with high import substitution potential, such as electronics and oil, leading, inter alia, to sustained growth in the country, improvement in people's living standards and creation of jobs. The organisation focused on middle-sized foreign companies which would not be aware of the investment opportunities in Brazil ("Rede Investe Brasil já é uma realidade," 2002). Investe Brasil also sought to stimulate companies to reinvest their profits in the country (Davies, 2003, p. 96). However, the organisation did not focus on attraction of investments from any specific sectors (except for infrastructure) or on the attraction of R&D centres (Zanatta, 2006, p. 122).

In terms of the priorities defined by Investe Brasil for attraction of investments, those aimed at infrastructure development, generation of trade surpluses, job creation and technology transfer have a potential positive impact on sustainable development. Nevertheless, the organisation did not adopt priority sectors for the promotion of investments. Focus on sectors such as renewable energy, health and agriculture and on the promotion of innovation in Brazil could have enhanced the potential impacts of the organisation in the promotion of sustainable development in the country.

Investe Brasil, a joint initiative between private sector organisations and the Federal Government, was set up as a public interest civil society organisation[34]. This kind of organisation was created by Law Number 9790/1999 to classify not-for-profit organisations capable of fostering and executing public interest activities through partnerships with public authorities (Presidência da República, 1999). Investe Brasil was the first public interest civil society organisation in Brazil dealing with economic matters (R. Oliveira, 2004). That was a novelty at the time, as hitherto organisations of that kind operated mainly in the health sector (D. Gregory, personal communication, 31 August 2018). Investe Brasil had the legal status of a private organisation, with access to public funds due to the fact that it provided services of public interest (Banco Central do Brasil, 2002).

Half of Investe Brasil's budget was supplied by private sector organisations and the other half was supplied by the Government ("Rede Investe Brasil já é uma realidade," 2002). Investe Brasil's structure was based on the model adopted by countries where the public and the private sectors joined forces to establish a body responsible for investment promotion (R. T. Costa, 2004). Three consulting firms benchmarked existing investment promotion entities to come up with the model proposed for Investe Brasil (D. Gregory,

[34] In Portuguese, *organização da sociedade civil de interesse público* (OSCIP).

personal communication, 31 August 2018). The organisation operated autonomously in cooperation with the public and private sectors (Nova Investe, n.d.) and earned a good reputation in the private sector due to the autonomous character of its activities (R. Höhn, personal communication, 23 August 2018). Investe Brasil resulted from the intention of public and private actors to offer foreign investors a one-stop shop dedicated exclusively to facilitation of investments in Brazil (Gregory & Oliveira, 2005, p. 40).

Resources used in Investe Brasil's operations were provided by three ministries and 31 private sector organisations (Economic Commission for Latin America and the Caribbean, 2005, p. 108). Activities considered to be regular including provision of information on the Brazilian economic outlook and on opportunities of investment in government projects were financed by the organisation's sponsors, whereas specific requests by representatives of different economic sectors would be paid by the requester (Banco Central do Brasil, 2002).

Investe Brasil's board of directors comprised members appointed by the sponsor organisations (10 members from the private sector and 10 members from the public sector), and the executive director was a private sector professional (Gregory & Oliveira, 2005, p. 40). According to Investe Brasil's former director Eduardo Pires Ferreira (Organisation for Economic Co-operation and Development, 2003, p. 96), "since its structure included both government and the private sector, it was extremely representative of society as a whole and therefore spoke with authority". Costa (2004) stated that, within the Government, the Ministry of Planning took the initiative of creating Investe Brasil, which was not, according to the author, the ideal situation, as the Ministry of Development, Industry and Foreign Trade, more involved in trade and investment promotion, should have been responsible for leading the efforts. The table below presents the organisations which contributed to the operations of Investe Brasil.

Table 6 - Investe Brasil's main sponsors/board of directors, April 2002

Private sector organisations
Finance: Brazilian Federation of Banks; National Association of Financial Market Institutions; National Association of Securities Dealers; Brazilian Association of Leasing Companies; National Association of Investment Banks; Brazilian Association of Real Estate Loans and Savings Companies; National Association of Brokers; National Association of the Credit, Financing and Investment Institutions
Industry: National Confederation of Industry
Transport: National Confederation of Transport
Agriculture: National Confederation of Agriculture
Commerce: National Confederation of Commerce
Infrastructure: Brazilian Association of Infrastructure and Basic Industries; Brazilian Association of Industrial Engineering; National Association of the Construction Industry; Federation of São Paulo State's Construction Industry
Capital goods: Brazilian Association of Machinery and Equipment; Brazilian Electrical and Electronics Industry Association
Events: Brazilian Union of Trade Fair Promoters
Private pension, capital markets and insurance: Association of Pension Funds; National Federation of Private Insurance and Capitalization Companies; São Paulo Stock Exchange; Rio de Janeiro Stock Exchange; Minas Gerais – Espírito Santo – Brasília Stock Exchange; Brazilian Mercantile & Futures Exchange; Center for the Custody and Financial Liquidation of Private Issues
Bilateral chambers of commerce: France, Portugal, Switzerland, Canada, Argentina, Germany, Japan, Sweden, United Kingdom and United States
Government
Ministries of Planning; Foreign Affairs; Finance; National Integration; Development, Industry and Foreign Trade; Mines and Energy; Transport; Communications; Labour and Employment; and Agriculture.

Source: Central Bank of Brazil (2002)

Note: For the original names in Portuguese of the organisations listed on the table, please refer to Appendix D.

An important aspect concerning Investe Brasil's modus operandi was the use of networks (Gregory & Oliveira, 2005, p. 40). Investe Brasil coordinated the Network of Investor Support[35], which was comprised of Federal Government organisations and enabled Investe Brasil to distribute investor queries to the appropriate organisations according to their responsibilities concerning issues related to the investment process (Gregory & Oliveira, 2005, p. 42). People in key government posts participated in this network (Organisation for Economic Co-operation and Development, 2003, p. 96).

[35] In Portuguese, *Rede de Apoio ao Investidor*.

Investe Brasil also intended to develop a coordinated action with Brazil's diplomatic missions abroad to attract foreign investments ("Rede Investe Brasil já é uma realidade," 2002).

Investe Brasil was also responsible for the Network of Support to Investment Promotion[36], which comprised members of state governments and aimed to collect information on investment opportunities in Brazilian states and on social and economic aspects about them, to be published on Investe Brasil's website (Gregory & Oliveira, 2005, p. 42). Investe Brasil's website was an important tool to showcase Brazil as an investment destination and was considered one of the best among the websites maintained by investment promotion entities (R. Höhn, personal communication, 23 August 2018). Moreover, through the Network of Support to Investment Promotion, the state officers involved in investment promotion could be contacted to provide information in response to investor inquiries (Gregory & Oliveira, 2005, p. 42).

In September 2004, a little more than two years after Investe Brasil's opening, its board of directors recommended that activities of the organisation should be ceased, in response to the Government's decision of halting the financial support provided for it (Gregory & Oliveira, 2005, p. 42). Such recommendation was accepted by the private sector sponsors, who were not interested in carrying on supporting Investe Brasil without the Government's cooperation (Gregory & Oliveira, 2005, p. 42). As a result, Investe Brasil closed down in the beginning of 2005 (Sakurai, 2012). The organisation's website, data base and project portfolio were discarded by the Government (Mello, 2005).

Sakurai (2005, pp. 59–61, 2012) presented the following arguments as some of the possible reasons for Investe Brasil's close-down: absence of incentives to stimulate private sector funding (little advantage for the private sector in sharing the costs of a half public, half private investment promotion agency), lack of human and financial resources (an annual budget of US$ 2 million and 25 employees), an excessive number of parties participating in the organisation's decision-making process (the Board of Directors comprised 20 organisations and 31 members) and lack of a more proactive stance towards investment attraction (the organisation did not define priority sectors). Before Investe Brasil's closure, Costa (2004) stated that the organisation's difficulties in continuing its activities probably resulted from the absence of leadership from the Government and from the hesitation of the private sector sponsors in fulfilling the initial

[36] In Portuguese, *Rede de Apoio à Promoção de Investimentos*.

agreement. The transition to a new government in 2003 may have contributed to the difficulties Investe Brasil had in continuing its operations.

In addition, Sakurai (2012) argues that the location chosen for Investe Brasil's headquarters, Rio de Janeiro, was not ideal, inasmuch as the city is neither the country's main political centre (Brasília) nor its main economic hub (São Paulo). Besides being Brazil's major economic centre, São Paulo hosts the largest airport in the country and most bilateral chambers of commerce, investment promotion agencies and commercial services of consulates in Brazil, and thus Rio de Janeiro would not be the most suitable location in terms of the clients' perspective (Sakurai, 2005, p. 61).

After its creation, Investe Brasil's office was installed within the headquarters of the National Confederation of Commerce, in Rio de Janeiro (R. Oliveira, 2004). According to President Fernando Henrique Cardoso (2000, p. 491), the Confederation offered favourable conditions. In October 2004, the Commission of Economic Development, Industry and Trade of the Brazilian House of Representatives approved Draft Law 3606, authored by then congressman Eduardo Paes[37], which determined that Investe Brasil should be headquartered in the city of Rio de Janeiro (Felícia, 2004). As reasons for the choice of Rio de Janeiro for Investe Brasil's headquarters Eduardo Paes claimed that the city was the gateway to investments in Brazil and that it concentrated most experts in that area, hence a change of location of its headquarters could compromise the quality of the services provided by the organisation (Câmara dos Deputados, 2004). Reinaldo Betão, author of the report prepared by the Commission on the draft law, favoured the proposal[38], arguing that the efficiency of the organisation did not depend on proximity with production centres, but on its capacity to provide information and facilitate contacts between potential investors and relevant actors, conditions that Rio de Janeiro offered due to its cosmopolitan character and importance as a tourist destination (Câmara dos Deputados, 2004). Later, the draft law was filed.

[37] Eduardo Paes was mayor of Rio de Janeiro for two consecutive terms between 2009 and 2017.
[38] The congressman, however, doubted whether this issue should be analysed by Congress, due to the fact that Investe Brasil was a private organisation.

6.5.2 Main activities of the organisation with potential positive impacts on sustainable development

Until December 2003, Investe Brasil participated in 27 overseas missions (Ministério do Planejamento Orçamento e Gestão, 2003d). Of these, two had as targets the attraction of investments with potential to foster sustainable development. In November 2002, Investe Brasil supported the organisation of a seminar in Frankfurt to showcase opportunities of investment in infrastructure, logistics and energy (Ministério do Planejamento Orçamento e Gestão, 2003e; Tamer, 2002). The seminar was organised as part of the activities of the joint commission Brazil-Germany on infrastructure and energy, in which Investe Brasil participated[39] (Ministério do Planejamento Orçamento e Gestão, 2003e, 2003d). Later, in April 2003, Investe Brasil presented, within the Hannover Fair[40], in Germany, the Brazilian investment outlook with the aim to attract foreign investments, including to the infrastructure sector (Barros, 2003). The participation of events for the promotion of investments in infrastructure is an important initiative to attract projects with potential impact on sustainable development. Nonetheless, of the 27 overseas missions Investe Brasil participated in, only two were in sectors associated with the promotion of sustainable development.

Investe Brasil also participated in the efforts to integrate South America's infrastructure. In August 2003, the organisation participated in a meeting in Guyana to discuss the viability study of the Project Guyana-Roraima of the Initiative for the Integration of the Regional Infrastructure of South America (Ministério do Planejamento Orçamento e Gestão, 2003e). In order to obtain resources for the viability study, Investe Brasil held talks with the Inter-American Development Bank (Ministério do Planejamento Orçamento e Gestão, 2003b, p. 62). Besides, Investe Brasil sought to identify potential investors in the Project (Ministério do Planejamento Orçamento e Gestão, 2003e).

The Project Guyana-Roraima aimed to promote development in a poor region of South America by providing a link between the Northern Amazon region of Brazil and a

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[39] Investe Brasil's participation in the joint commission also involved advertising Brazil's 2004-07 Pluriannual Plan to German members of the commission (Ministério do Planejamento Orçamento e Gestão, 2003b).

[40] Hannover Fair, also known as Hannover Messe, is one of the largest trade fairs in the world. The event takes place annually and focuses on industrial technology.

harbour to be constructed around the capital of Guyana, Georgetown[41] (Ministério do Planejamento Orçamento e Gestão, 2003b). Another objective of the Project was the creation of an industrial hub in the capital of the State of Roraima, Boa Vista. Companies in the industrial hub would use inputs from the region and produce goods to be exported (Ministério do Planejamento Orçamento e Gestão, 2003b). One of the projects facilitated by Investe Brasil was located in the industrial hub planned for the city of Boa Vista (Ministério do Planejamento Orçamento e Gestão, 2003b). The company responsible for the investment was BrancoCel, a company operating in the paper and pulp sector which set up its operation in Brazil to produce goods exclusively for export markets. Additional information about the project will be presented on Table 7.

Investe Brasil's participation in the Project Guyana-Roraima was an initiative in line with the policies recommended to promote sustainable development through FDI. It integrated promotion of investments in infrastructure projects (which traditionally do not have the involvement of investment promotion entities) with facilitation of projects implemented by companies setting up in less developed regions, focusing production on export markets.

Also in the area of infrastructure, Investe Brasil engaged in the online advertising of government projects. In December 2003, an online platform was launched to provide information on opportunities of investment in Brazilian states (Ministério do Planejamento Orçamento e Gestão, 2003d; Racy, 2003). Earlier, in November 2000, the Federal Government had created a website to present opportunities of investment in infrastructure projects contained in the 2000-03 Pluriannual Plan, "Advance Brazil[42]" (Dianni, 2000). The website was planned to be incorporated to Investe Brasil's website from January 2001 (Dianni, 2000). Advertising online projects aiming to improve a location's infrastructure is a relevant initiative which organisations involved in investment promotion can implement in their efforts to foster sustainable development. It is worth mentioning that this type of activity is not commonly carried out by organisations involved in investment promotion.

Another initiative carried out by Investe Brasil related to infrastructure was the production of a study on the sanitation sector in Brazil (Ministério do Planejamento

[41] The other activities planned for the Project were construction of a hydroelectric power plant, of electric power transmission lines and of a fibre optic cable linkage to the submarine cable network (Ministério do Planejamento Orçamento e Gestão, 2003b).
[42] In Portuguese, *Plano Avança Brasil*.

Orçamento e Gestão, 2003c, p. 63, 2003d). Guaranteeing broad access to sanitation is an important factor in the efforts to promote sustainable development, and Brazil certainly needs large volumes of investment in this area. Unfortunately, Investe Brasil did not report any possible initiatives resulting from the study which could have been carried out to attract investments in sanitation. A study was also produced for the tourism sector, a sector which has the potential of creating a large number of jobs (Ministério do Planejamento Orçamento e Gestão, 2003c). Creation of direct and indirect jobs through FDI is a goal recommended to governments willing to foster sustainable development through investment promotion. As in the case of the sanitation sector, Investe Brasil did not report any actions carried out to attract investments in the tourism sector which could have resulted from the findings of the survey.

In terms of the results of the activities carried out by Investe Brasil, the organisation attracted to the country 11 projects which totalled investments of US$ 1.4 billion and which had the potential to create 10,000 jobs (Economic Commission for Latin America and the Caribbean, 2005, p. 108; Mello, 2005; Ministério do Planejamento Orçamento e Gestão, 2003a, p. 13). The table below presents the characteristics of the projects which were facilitated.

Table 7 - Investment projects facilitated by Investe Brasil

Company	Sector	Country(ies) of Origin	Investment (US$ mln)	Jobs	State	Region
Usina Siderúrgica do Estado do Ceará(1)	Steel	South Korea, Italy and Brazil	560	3,000	Ceará	Northeast
Brisa	Electronic equipment	Spain	2	30 direct / 300 indirect	São Paulo	Southeast
BrancoCel(1)	Paper and pulp	Switzerland	330	5,000	Roraima	North
Heliodinâmica	Renewable energy	Brazil	15	500 (direct and indirect)	São Paulo	Southeast
Ivaran	Shipping	Norway	210	100 (direct)	Rio de Janeiro	Southeast
Atlantis	Tourism	Germany	8	40 (direct)	Rio de Janeiro	Southeast
Guitarras Cigana	Musical instrument	Portugal	0.5	100 (direct and indirect)	Amazonas	North
Andel	Hardware	Portugal	1	40 (direct)	São Paulo	Southeast
Continental(2)	Automotive	Germany	260	1,200 (direct)	Bahia	Northeast
ZTE	Electronic equipment	China	10	50 (direct)	São Paulo	Southeast
Kinetic(3)	Machinery and equipment	United States	6	50 (direct)	Santa Catarina	South

Source: Own creation based on Banco Central do Brasil (2002), Gazeta Mercantil ("Criada a Usina Siderúrgica do Ceará," 2001), Ministério do Planejamento, Orçamento e Gestão (Ministério do Planejamento Orçamento e Gestão, 2003d, 2003e, 2003a, 2003b) and Varga (2002a, 2002b)

(1) Production exclusively directed to export markets.

(2) 80% of production directed to export markets.

(3) Almost 100% of production directed to export markets.

Of the 11 projects facilitated by Investe Brasil, six projects had any characteristics associated with the promotion of sustainable development. These projects and characteristics are presented on the table below. The four criteria presented on the table which were used to assess the potential impacts of the projects on sustainable

development were selected based on the policy recommendations outlined in section 4.6 and on the availability of information about the characteristics of the projects facilitated by Investe Brasil.

Table 8 - Projects facilitated by Investe Brasil with potential positive impacts on sustainable development

Company	**SDG-related sector**	**Large number of jobs(1)**	**Location in less developed region(2)**	**Focus on exports**
Usina Siderúrgica do Estado do Ceará		✓	✓	✓
BrancoCel		✓	✓	✓
Heliodinâmica	✓			
Guitarras Cigana			✓	
Continental		✓	✓	✓
Kinetic				✓

Source: Own creation

(1) The threshold of 1,000 jobs was used to classify projects resulting in the creation of a large number of jobs.

(2) The North and Northeast regions were considered the less developed areas in Brazil, inasmuch as they present income levels in per capita terms well below the relatively wealthier South, Southeast and Centre-West regions.

The ratio of projects with potential positive impacts on sustainable development in relation to the total number of projects facilitated by Investe Brasil is meaningful (over 50%). Nevertheless, due to its brief existence, the organisation facilitated a small number of investment projects in Brazil, and hence the number of sustainable development related projects facilitated is also small.

In addition to the 11 projects facilitated by Investe Brasil, the organisation had in February 2004 (near the end of its activities) a portfolio comprising 14 projects. These projects were at that time in an initial stage, when companies were analysing the market, collecting data and looking for contacts. The table below presents information on these projects.

Table 9 - Companies in Investe Brasil's portfolio, February 2004

Company	Sector	Country of Origin	Investment (US$ mln)
Jusweet	Agribusiness	United States	40
MW Zander	Electronics	Germany	500
Minco	Electronics	United States	1
Steag	Energy	Germany	800
PCH Mosquitao	Energy	Germany	30
CVRD Logística	Infrastructure	Germany	1
Moliporex	Metallurgy	Portugal	30
Kamaz	Metallurgy	Russia	20
Zhongyu	Metallurgy	China	3
SCINet	Metallurgy	Spain	6
Lumberg	Metallurgy	Germany	25
Excell	Steel	Germany	13
Porto Seguro	Tourism	Austria	1
Reunidas	Tourism	Brazil	35

Source: Adapted from Ministério do Planejamento, Orçamento e Gestão (Ministério do Planejamento Orçamento e Gestão, 2003e)

Of the 14 projects in Investe Brasil's portfolio, four projects were in sectors considered to have potential impacts on sustainable development: Jusweet (agribusiness), Steag and PCH Mosquitao (energy) and CVRD Logística (infrastructure). Nonetheless, these projects were in their initial stages by the time Investe Brasil started to have the difficulties which resulted in its close-down.

An important aspect about the operations of Investe Brasil was its brief existence. This resulted in a small number of projects facilitated by the organisation and may have compromised its capacity to develop strategies aiming at guiding its activities, including a possible strategy focusing on sustainable development. As discussed above, Investe Brasil was closed down after a transition to a new government in 2003, which decided that public resources would no longer be provided to the operations of the organisation, resulting in its dissolution.

6.6 Investment Office

6.6.1 Overview of the organisation

In August 2004, a couple of months before Investe Brasil's close-down, the Investment Office was created by decree (Economic Commission for Latin America and the Caribbean, 2005, p. 108). The Investment Office, which was linked to the Office of the Chief of Staff[43], aimed to

> *fomentar e incentivar o desenvolvimento de investimentos no Brasil, mediante ações que atraiam, facilitem e informem investidores privados nacionais e estrangeiros a realizarem investimentos produtivos, em especial nas áreas e setores estratégicos para o desenvolvimento econômico sustentável, que promovam novo padrão de crescimento pautado na visão de investimentos de longo prazo com inclusão social e justiça ambiental* [foster and incentivise the development of investments in Brazil, through actions that attract, facilitate and inform domestic and foreign private investors making productive investments, especially in areas and sectors which are strategic to sustainable economic development, which promote a new growth pattern based on the vision of long-term investments with social inclusion and environmental justice]. (Presidência da República, 2004a)

According to the decree which established the creation of the Investment Office, relevant aspects for the promotion of sustainable development would be considered in the organisation's activities. Besides mentioning that the Investment Office would focus on attraction and facilitation of investments which contributed to sustainable development itself, the decree also stated that the body would seek to promote social inclusion and environmental justice.

In terms of the specific responsibilities assigned to the Investment Office, they included implementation of a system to eliminate barriers to domestic and foreign private investments in Brazil; promotion of a system to provide pieces of information which support investors' decision-making processes; creation of channels to welcome potential investors; promotion of intelligence on relevant issues related to investment attraction and retention in the country; stimulus to the preparation of studies which identify innovative mechanisms of FDI attraction into Brazil; coordination within the Government of actions aimed at reducing red tape related to investment processes in Brazil; and promotion, along with government organisations, of investment opportunities in Brazil (Presidência da República, 2004a).

The decree which created the Investment Office (Presidência da República, 2004a) determined that the following organisations would comprise it:

- Office of the Chief of Staff
- Ministry of Finance

[43] In Portuguese, *Casa Civil*.

- Ministry of Development, Industry and Foreign Trade
- Ministry of Foreign Affairs
- Ministry of Planning
- Ministry of the Environment
- Ministry of Agriculture
- Ministry of Communications
- Ministry of Transport
- Ministry of Tourism
- Secretariat of Government Communication and Strategic Management of the Presidential Office
- Secretariat of Political Coordination and Institutional Affairs of the Presidential Office
- Central Bank of Brazil
- Brazilian Development Bank

So as to implement the decisions made by the Investment Office, working groups could be formed, which could also comprise other government organisations and members of the private sector (Presidência da República, 2004a).

The Investment Office is no longer operating, and the organisation had a brief existence as a body responsible for facilitating private investments. After former chief of staff José Dirceu was dismissed in June 2005 and Dilma Rousseff took over the post, the Investment Office was restructured and began to work so as to expedite large government projects. Later, the Investment Office was replaced by the committee responsible for the activities of the Growth Acceleration Program[44], launched in January 2007.

In its investment promotion activities, the Investment Office operated with a lean structure, as it employed only three people in January 2005 (Mello, 2005). For each project the Investment Office facilitated, the organisation was supported by members of the staff of the government organisations involved in issues related to the project (such as taxes, the environment and infrastructure). These members of staff cooperated with the Investment Office on an ad hoc basis, until each investment project was implemented.

6.6.2 Main activities of the organisation with potential positive impacts on sustainable development

[44] Launched in 2007, the Growth Acceleration Program (*Programa de Aceleração do Crescimento*) promoted a series of public and private investments, notably in Brazil's economic and social infrastructure. In 2019, the Government decided that new projects would no longer be included in the Program and that only ongoing projects would comprise its portfolio (Pupo, 2019).

Until July 2005, the Investment Office organised 13 overseas missions and eight events in Brazil (totalling 21 initiatives aiming to promote investments) (Sala de Investimentos, 2005). Of the 21 domestic and international activities carried out by the Investment Office, only two focused on any aspects associated with the promotion of sustainable development: a meeting held in Lima in 2004 aiming to discuss matters related to a railway linking Brazil to Peru and a seminar about logistics taken place in São Paulo. A relevant role of the Investment Office in the attraction of investments potentially conducive to sustainable development would require a larger number of activities focused on aspects related to the concept.

Concerning the investments announced in Brazil which were advised by the Investment Office, 17 projects were facilitated until the organisation was restructured in mid-2005, totalling US$ 10.6 billion in investments (Sala de Investimentos, 2005). Pieces of information about these projects are presented on the table below.

Table 10 - Investment projects facilitated by the Investment Office (until July 2005)

Company / Project	Sector	Country(ies) of Origin	Investment	Jobs	State	Region
Coimex / Embraport	Transport infrastructure	Brazil	US$ 500 million	not available	São Paulo	Southeast
Itumirim Hydroelectric Power Plant	Energy infrastructure	not available	not available	not available	Goiás	Centre-West
Mossi Ghisolfi Group	Petrochemical	Italy	R$ 700 million	not available	Pernambuco	Northeast
Petrobras and NRG	Energy infrastructure	Brazil and United States	US$ 715 million	not available	Rio de Janeiro	Southeast
Bao Steel / Port of Itaquí	Transport infrastructure	China	US$ 2 billion	not available	Maranhão	Northeast
ThyssenKrupp	Steel	Germany	US$ 2.3 billion	3,000	Rio de Janeiro	Southeast
Novagro	Agriculture	Italy	not available	not available	Mato Grosso do Sul	Centre-West
Eni Oil	Oil and gas	Italy	not available	not available	Rio de Janeiro	Southeast
EDF / Light	Distribution of electricity	France	R$ 727 million	not available	Rio de Janeiro	Southeast
Usina Santo Ângelo	Sugar and ethanol	Brazil	not available	not available	Minas Gerais	Southeast
Samarco Mineração	Mining	Brazil	not available	not available	Minas Gerais/Espírito Santo	Southeast
Encan do Brasil	Oil and gas	United States	not available	not available	Rio de Janeiro	Southeast
Alcoa	Mining	United States	US$ 350 million	not available	Pará	North
Andrade Gutierrez - Guarapuava Ipiranga Railway	Transport infrastructure	Brazil	not available	not available	Paraná	South
CINFA do Brasil	Pharmaceuticals	Spain	not available	not available	São Paulo	Southeast
Saint Goban	Abrasives	France	US$ 3 million	not available	São Paulo / Pernambuco	Southeast / Northeast
Vibrapar	Oil and gas	Brazil	not available	not available	São Paulo	Southeast

Source: Own creation based on Sala de Investimentos (Sala de Investimentos, 2005), Cover (2005), Folha de São Paulo ("Grupo Coimex vai investir US$ 500 mi no porto de Santos," 2007), O Estado de São Paulo ("Lula inaugura maior fábrica de resina PET do mundo em PE," 2007; "Petrobras assume o maior projeto térmico do Brasil," 2003), Wolthers (2005), Banco Nacional de Desenvolvimento Econômico e Social (2005), Folha de São Paulo ("Alcoa contesta Ministério Público sobre relatório para extração de bauxita em Juriti," 2005), Monteles (2004) and Ministério do Desenvolvimento, Indústria e Comércio Exterior (2005)

Of the 17 projects facilitated by the Investment Office, 13 had any characteristics associated with the promotion of sustainable development. These projects and characteristics are presented on the table below.

Table 11 - Projects facilitated by the Investment Office with potential positive impacts on sustainable development

Company	**SDG-related sector**	**Large number of jobs(1)**	**Location in less developed region(2)**
Coimex	✓		
Itumirim Hydroelectric Power Plant	✓		
Mossi Ghisolfi Group			✓
Petrobras and NRG	✓		
China International Trust & Investment Corporation / Port of Itaquí	✓		✓
ThyssenKrupp		✓	
Novagro	✓		
EDF / Light	✓		
Usina Santo Ângelo	✓		
Alcoa			✓
Andrade Gutierrez - Guarapuava Ipiranga Railway	✓		
CINFA do Brasil	✓		
Saint Goban			✓

Source: Own creation

(1) The threshold of 1,000 jobs was used to classify projects resulting in the creation of a large number of jobs.

(2) The North and Northeast regions were considered the less developed areas in Brazil, inasmuch as they present income levels in per capita terms well below the relatively wealthier South, Southeast and Centre-West regions.

A significant ratio of the projects facilitated by the Investment Office is associated with the promotion of sustainable development (76%). Another noteworthy aspect about the projects facilitated by the Investment Office is the significant presence of infrastructure projects (of the 13 projects with any characteristics associated with sustainable

development, 6 were in the infrastructure sector). Such projects are not commonly the target of the advisory services provided by entities involved in investment promotion, but their facilitation is recommended to governments willing to foster sustainable development through FDI, which the Investment Office did in these cases. Although the Investment Office engaged in investment promotion activities for a short period of time, the organisation had a positive contribution to the promotion of sustainable development in Brazil. However, as in the case of Investe Brasil, the brief existence of the Investment Office as an organisation involved in investment promotion may have compromised its capacity to develop strategies aiming to foster sustainable development through FDI.

In addition to the investment projects facilitated by the Investment Office, the organisation had as of May 2005 a portfolio which comprised 70 projects totalling over US$ 36 billion, in the following sectors: infrastructure (including communications, housing, energy and transport), extractive industries, manufacturing, entertainment, services and agribusiness (including ethanol and soybean derivatives) (Cover, 2005, p. 22). Considering the projects in the Investment Office's portfolio, those in the infrastructure and agribusiness sectors are in areas considered to have positive effects on the promotion of sustainable development. Projects in the services sector (including entertainment) may also have some positive contribution to sustainable development, due to the fact that they potentially result in the creation of a large number of jobs. Nevertheless, although projects in the Investment Office's portfolio indicate success of the organisation in identifying projects with potential contribution to sustainable development, it is not known whether these investments materialised.

6.7 Apex-Brasil[45]

6.7.1 Overview of the organisation

At present, the organisation within the Federal Government most involved in the promotion of FDI is Apex-Brasil. The organisation promotes Brazilian exports, the internationalisation of Brazilian companies through direct investments and the attraction of foreign investments into Brazil. According to Apex-Brasil's website (2018b), the mission

[45] In addition to the bibliographic materials cited in this section, pieces of information on Apex-Brasil's activities were also obtained from the Agency's website (Agência Brasileira de Promoção de Exportações e Investimentos, n.d.-b).

of the organisation is “to develop the competitiveness of Brazilian companies, promoting the internationalization of their businesses and the attraction of foreign direct investment” and its vision is “Brazil in the World: Innovative, Competitive and Sustainable”. For Apex-Brasil, sustainability is an important concept. In addition to the fact that the concept is mentioned in its vision, various other documents produced by the organisation provide information about its activities in this field. These activities will be presented in paragraphs below.

The Agency’s history dates back to November 1997, during the first term of President Fernando Henrique Cardoso, when APEX was created by Decree Number 2398/1997 (Presidência da República, 1997a), within the structure of the Brazilian Service of Support for Micro and Small Enterprises. APEX was established to support the implementation of Brazil’s export promotion policy (Presidência da República, 1997a).

In the beginning of President Luiz Inácio Lula da Silva’s first term, the Government established legal instruments which provided Apex-Brasil with an important basis for its operations. In January 2003, creation of the Brazilian Trade Promotion Agency[46] (APEX-Brasil) was authorised by Provisional Measure Number 106, converted in May 2003 into Law Number 10668 (Presidência da República, 2003d, 2003c). In February 2003, Decree Number 2398 was replaced by Decree Number 4584, which created the autonomous social service[47] APEX-Brasil (Presidência da República, 2003a). As it was the case of Investe Brasil, Apex-Brasil has the legal status of a private organisation. According to Borges (2011),

> *em regra a doutrina sempre entendeu os serviços sociais autônomos como entidades com criação autorizada por lei, com personalidade de direito privado, sem fins lucrativos, para ministrar assistência ou ensino a certas categorias sociais ou profissionais, vinculadas ao sistema sindical, mantidas por contribuições parafiscais ou dotações orçamentárias* [generally the legal doctrine has always considered autonomous social services as organisations with creation authorised by law, with a private legal character, not-for-profit, aiming to provide assistance or teaching to certain social or professional categories, linked to trade unions and associations, financed by taxes or budget allocations]. (p. 2)

Apex-Brasil is financed by transfers of compulsory contributions levied on private organisations. Provision of resources to the organisation was defined by Law Number 11080/2004 (Presidência da República, 2004b). Regarding the Agency’s organisational structure, Decree Number 4584/2003 defined that its management would be

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[46] In Portuguese, *Agência de Promoção de Exportações do Brasil*.
[47] In Portuguese, *serviço social autônomo*.

responsibility of the Ministry of Development, Industry and Foreign Trade[48] (Presidência da República, 2003a). Article 2 states that "*compete à APEX-Brasil a execução de políticas de promoção de exportações, em cooperação com o Poder Público, em conformidade com as políticas nacionais de desenvolvimento, particularmente as relativas às áreas industrial, comercial, de serviços e tecnológica*" [APEX-Brasil is responsible for executing export promotion policies, in cooperation with the Government, in accordance with national development policies, particularly those related to the industrial, commercial, services and technology areas] (Presidência da República, 2003a).

So as to support its export and investment promotion activities, Apex-Brasil works closely with trade associations which represent important sectors of the Brazilian economy, notably in the area of internationalisation through exports, cooperating in projects aiming to promote Brazilian exports and enhancing the image of Brazilian brands and goods abroad (Agência Brasileira de Promoção de Exportações e Investimentos, 2016a). Also, in its efforts to attract FDI and promote the internationalisation of Brazilian companies, the organisation has been supported by a network of offices abroad (in Dubai, Luanda, Havana, Miami, Bogota, Beijing, Brussels and Moscow)[49].

In June 2016, during the period when Michel Temer was acting president, Decree Number 8788 (Presidência da República, 2016b) amended Decree Number 4584 (Presidência da República, 2003a), defining that Apex-Brasil would cease to be supervised by the MDIC and would start to be linked to the MRE. According to a story published by newspaper Folha de São Paulo (Melo, 2016), the movement would make Apex-Brasil operate in closer coordination with Brazil's foreign policy.

Decree Number 8788 defined that the MRE is responsible for the presidency of Apex-Brasil's board of directors, which comprises the following organisations (Presidência da República, 2016b):

- Ministry of Agriculture, Livestock and Food Supply;

[48] In May 2016, as a consequence of Provisional Measure Number 726, passed by then acting President Michel Temer, the Ministry of Development, Industry and Foreign Trade became the Ministry of Industry, Foreign Trade and Services. After Provisional Measure Number 726, the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*) ceased to be part of the MDIC's structure. Later, Provisional Measure Number 726 was converted into Law Number 13341/2016.

[49] In February 2019, Apex-Brasil decided to close down the Cuba and Angola offices (Moura, 2019). Apex-Brasil is also present in San Francisco and Shanghai through an employee in each city, but the organisation has no offices in these locations (Moura, 2019).

- Ministry of Industry, Foreign Trade and Services (incorporated to the Ministry of Economy);
- Special Secretariat of the Brazilian Investment Partnership Program;
- Brazilian Development Bank;
- National Confederation of Industry[50];
- National Confederation of Agriculture[51];
- Brazilian Service of Support for Micro and Small Enterprises; and
- Brazilian Foreign Trade Association[52].

The new text of Article 2 included the role of the organisation in promoting investments. Paragraph 2 of the article (Presidência da República, 2016b) states that in its activities "*Apex-Brasil deverá dar atenção especial às ações estratégicas que promovam a inserção competitiva das empresas brasileiras nas cadeias globais de valor, a atração de investimentos e a geração de empregos e apoiar as empresas de pequeno porte*" [Apex-Brasil must focus on strategic actions which promote the competitive inclusion of Brazilian companies in global value chains, the attraction of investments and the creation of jobs and which support small companies].

In addition, Decree Number 8788/2016 (Presidência da República, 2016b) added to Apex-Brasil's responsibilities assistance to government organisations represented in its Board of Directors and to the CAMEX by i) preparing technical studies; ii) providing advisory services to promote Brazilian trade, investment and competitiveness; and iii) supporting the negotiations carried out by the Brazilian Government to establish trade agreements.

Apex-Brasil is also responsible for aiding the CAMEX in performing the duties of foreign investment ombudsman[53], especially assisting investors, providing information on investment opportunities and investment policies and putting forward proposals to improve the investment climate based on contact with potential investors (Presidência da República, 2016b).

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[50] In Portuguese, *Confederação Nacional da Indústria*.
[51] In Portuguese, *Confederação Nacional da Agricultura*.
[52] In Portuguese, *Associação de Comércio Exterior do Brasil*.
[53] The role of foreign investment ombudsman was created in 1999 by South Korea's investment and export promotion agency. The ombudsman acts so as to provide solutions to difficulties encountered by foreign investors in their operations, contributing to improve the business environment of the location hosting the investment.

In December 2004, a department responsible for investment promotion was created within APEX-Brasil, after a meeting of its board of directors. According to the Economic Commission for Latin America and the Caribbean (2005, p. 108), APEX-Brasil's investment promotion department would have greater participation by the private sector (in comparison with the Investment Office) and would take advantage of the export promotion structure which already existed within the Agency. According to the website of the Ministry of Development, Industry and Foreign Trade (2004), APEX-Brasil's investment promotion department was created aiming to

> *conjugar a promoção comercial e o incentivo ao investimento no Brasil em nível Federal, articular o conjunto de ações governamentais, harmonizar informações e oportunidades nacionais e regionais, direcionar investimentos para áreas exportadoras e para a inclusão das médias e pequenas empresas, agilizar os processos de tomada de decisão por redução de barreiras e facilitação de negócios e dar visibilidade às oportunidades brasileiras* [ally trade and investment promotion in Brazil at federal level, coordinate the various government actions, harmonise national and regional information and opportunities, direct investments to exporting areas and to include medium and small enterprises, fast-track decision-making processes through reduction of barriers and business facilitation and promote Brazilian opportunities].

In 2008, the organisation took over presidency of the World Association of Investment Promotion Agencies (presidency which lasted until 2013) and started to use the name Brazilian Trade and Investment Promotion Agency (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 65), incorporating the word "investment" to its name.

Concerning the attraction of foreign investments, the role of Apex-Brasil is to coordinate efforts so as to promote FDI into Brazil from sectors considered to be strategic, hence contributing to the development and the competitiveness of the Brazilian economy (Agência Brasileira de Promoção de Exportações e Investimentos, 2014a, p. 8). In order to attract FDI into Brazil, Apex-Brasil carries out promotion and facilitation activities.

When it comes to promotion, Apex-Brasil advertises the image of Brazil abroad so as to stimulate inflows of foreign capital in the country (Agência Brasileira de Promoção de Exportações e Investimentos, 2016d, p. 18). Also, overseas missions are organised focused on specific sectors (Neves & Petry, 2014, p. 3). In the outreach missions organised by Apex-Brasil, the organisation presents main projects and business opportunities in sectors of the Brazilian economy, so as to inform investors on the economic potential of the country (Agência Brasileira de Promoção de Exportações e Investimentos, 2017a, p. 9).

Concerning facilitation, Apex-Brasil provides new foreign investors with strategic information so that they consider Brazil a destination for their projects. The organisation supports all stages of the site selection process, building the bridge between multinational companies and state authorities and accompanying investors in visits to potential sites for the investment project. Apex-Brasil also facilitates contacts with Federal Government organisations and helps investors prepare a schedule of visits (Agência Brasileira de Promoção de Exportações e Investimentos, 2016a).

Apex-Brasil's facilitation activities also include development of market intelligence related to economic trends, business sectors and legal and tax aspects; selection of possible locations for investment projects; and assistance in contacts with potential suppliers (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 136). Furthermore, Apex-Brasil helps foreign investors identify local partners for joint ventures and university and research centres for partnerships (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 136). On top of that, Apex-Brasil provides aftercare services and advises companies interested in expanding their investments.

In its investment promotion activities, Apex-Brasil seeks to promote transfer of innovative technologies to Brazilian companies (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 136). The organisation focuses on attraction of investment projects which allow entry in Brazil of new technologies and new management techniques, which contribute to strengthening Brazil's high value-added supply chains, which result in job creation and which help increase and diversify Brazilian exports (Agência Brasileira de Promoção de Exportações e Investimentos, 2014b, p. 16, 2016d, p. 16; Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 136). All these aspects which comprise Apex-Brasil's focus in terms of investment attraction described in this paragraph are associated with the promotion of sustainable development.

In addition to supporting greenfield investment projects, Apex-Brasil also carries out actions to help investors acquire shares of companies already operating in the country. The organisation supports foreign investors in the identification of investment opportunities in Brazil in private equity[54] and venture capital[55] (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 136). For example, Apex-Brasil promotes events in which Brazilian companies can present themselves to international investors and offers training to Brazilian entrepreneurs in order to prepare them to showcase their projects to potential investors (Agência Brasileira de Promoção de Exportações e Investimentos, 2013b, p. 28, 2016e, p. 65).

Apex-Brasil's activities are supervised by the Brazilian Government through a management contract which defines the organisation's targets and responsibilities, sets the conditions for the provision of resources to the organisation by the Government and ensures its operational autonomy, including to manage human resources according to the rules applied to the private sector[56] (Agência Brasileira de Promoção de Exportações e Investimentos, 2016a).

In 2007, Apex-Brasil signed its first management contract with the Federal Government, valid until 2011. In 2010, an addendum to the contract was signed, which updated Apex-Brasil's legal name (Agência Brasileira de Promoção de Exportações e Investimentos, 2016a). With the addendum, the organisation adopted officially the name Brazilian Trade and Investment Promotion Agency (Agência Brasileira de Promoção de Exportações e Investimentos, 2010, p. 1). The second management contract was signed in 2013, valid until 2016. The most recent management contract was signed in 2016, valid for the period 2016-2019.

Apex-Brasil's management contracts are relevant sources of information about the organisation's strategy in investment promotion. According to Apex-Brasil's most recent management contract, the organisation will operate so as to "*adensar cadeias produtivas,*

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[54] Private equity is an investment type which involves acquisition of shares of companies not listed on stock exchanges, usually to provide funds for the expansion of their activities, for development of new products and for restructuring of their operations and business models.

[55] Venture capital is a type of private equity investment provided by companies or investment funds to small and young enterprises considered to have high growth potential. Usually these enterprises adopt innovative technologies or innovative business models and produce high technology goods and services.

[56] Apex-Brasil's employees are hired under Brazil's Labour Relations Code regime (in Portuguese, *Consolidação das Leis do Trabalho*).

aumentando a competitividade das empresas brasileiras, gerando empregos e auxiliando no desenvolvimento econômico e tecnológico do País" [strengthen the production chains, increasing the competitiveness of Brazilian companies, creating jobs and fostering the economic and technological development of the country[57] (Agência Brasileira de Promoção de Exportações e Investimentos, 2016a). The contract also mentions the goal of promoting transfer of innovative technologies to Brazilian companies and states that the attraction of projects aims to position Brazil as an export platform and promote the creation of qualified jobs (Agência Brasileira de Promoção de Exportações e Investimentos, 2016a). Thus, Apex-Brasil's latest management contract has assigned to the organisation responsibilities which are closely associated with the promotion of sustainable development: promotion of links to the local economy, creation of jobs (including qualified ones), technology transfer and export generation.

The second management contract contains a strategic map which mentions that, in the investment promotion activity, Apex-Brasil will seek to attract FDI from sectors considered to be strategic for development (Agência Brasileira de Promoção de Exportações e Investimentos, 2013a). It is worth mentioning that Apex-Brasil's actions to attract FDI in strategic sectors have been coordinated with the country's industrial policies[58] (Agência Brasileira de Promoção de Exportações e Investimentos, 2016c, p. 11). Apex-Brasil's efforts directed at investment promotion have also sought to contribute to the goals of the Federal Government's science, technology and innovation policy (Agência Brasileira de Promoção de Exportações e Investimentos, 2011, p. 20).

Apex-Brasil's priority sectors (in some cases also called strategic) in terms of investment attraction were listed in the organisation's most recent management contract. The attraction of investments in priority sectors aims at strengthening supply chains, fostering the competitiveness of Brazilian companies, positioning Brazil as an export platform and creating qualified jobs (Agência Brasileira de Promoção de Exportações e Investimentos, 2016a). As it will be discussed below, Apex-Brasil's definition of priority sectors for promotion of investments also indicates the organisation's intention of attracting projects with potential contribution to sustainable development in Brazil.

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[57] Earlier, Apex-Brasil's 2014 management report (Agência Brasileira de Promoção de Exportações e Investimentos, 2014a, p. 60) listed the same goals for the investment promotion activities.

[58] During the period under analysis in this thesis, Brazil adopted three industrial policies: the Industrial, Technology and Foreign Trade Policy (*Política Industrial, Tecnológica e de Comércio Exterior*, 2003-2007), the Productive Development Policy (*Política de Desenvolvimento Produtivo*, 2008-2010) and the Greater Brazil Plan (*Plano Brasil Maior*, 2011-2014).

Before Apex-Brasil's priority sectors were mentioned in the management contract signed by the organisation in 2016, the sectors considered to be strategic by the Agency were listed in institutional presentations and management reports produced by the organisation. During the period analysed in the thesis, the sectors given priority by Apex-Brasil are presented on the table below.

Table 12 - Apex-Brasil's priority sectors by year

Sector / Year	**2016**	**2015**	**2014**	**2012**	**2011**
Aerospace and defence			✓		
Agribusiness	✓			✓	✓
Automotive	✓	✓	✓		
Biotechnology				✓	
Business process outsourcing				✓	
Environmental solutions			✓		
Information technology			✓	✓	
Infrastructure				✓	✓
Health	✓		✓		
Medical and dental equipment			✓		
Oil and gas	✓	✓	✓	✓	✓
Real estate			✓	✓	✓
Renewable energy	✓	✓	✓		
R&D/technological innovation	✓	✓	✓	✓	✓
Semiconductors/electronic components			✓	✓	✓
Venture capital and private equity			✓	✓	✓
Tourism			✓	✓	✓

Source: Own creation based on Agência Brasileira de Promoção de Exportações e Investimentos (2011, p. 30, 2012, pp. 35–36, 2014a, p. 60, 2014b, 2015b, p. 18, 2016a, 2016d, p. 23, 2016e, p. 65), Neves and Petry (2014, p. 8), Américo (2012) and Oliveira (2016, p. 6)

Some of these priority sectors are considered to help promote sustainable development, namely: agribusiness, biotechnology (with possible application in agriculture and in environmental solutions, for example), environmental solutions, infrastructure, health, renewable energy and R&D/technological innovation. Efforts to proactively identify companies making investments in these sectors could result in positive impacts on the promotion of sustainable development in Brazil.

6.7.2 Main activities of the organisation with potential positive impacts on sustainable development

Firstly, Apex-Brasil carried out activities to foster sustainable development in its efforts to promote investments in private equity and venture capital. For instance, the organisation sought to attract resources from institutional investors to be allocated in Brazilian investment funds, which then invest in local companies (Agência Brasileira de Promoção de Exportações e Investimentos, 2015b, p. 18, 2016d, p. 20). One of the results of actions of the kind was the investment of Monsanto in partnership with the fund Brasil Aceleradora de Startups aiming at stimulating innovation in Brazil's agriculture (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 67). Considering that agriculture and food security are important aspects for the promotion of sustainable development and the fact that Brazil has a huge economic potential in these areas, that was a result worth noting.

Moreover, Apex-Brasil has implemented a project to promote investments from multinational companies interested in getting access to technology developed by Brazilian start-ups, called Corporate Venture in Brasil (Agência Brasileira de Promoção de Exportações e Investimentos, n.d.-a; Tiago, 2015). As part of the project, annual events have been organised since 2015 to link potential investors to Brazilian entrepreneurs. This project has the potential to foster the development of technology in Brazil and stimulate foreign investments in this area. Considering the importance of innovation for the promotion of sustainable development, this initiative was a relevant one in terms of promotion of the concept through FDI.

Other initiatives developed by Apex-Brasil related to private equity and venture capital are worth mentioning. In 2015, Apex-Brasil's management report provided information about the Agency's activities regarding competitiveness, innovation and sustainability, which consisted of broad actions to strengthen companies' abilities to compete internationally (Agência Brasileira de Promoção de Exportações e Investimentos, 2016d, p. 23). In that year, the organisation developed activities to link investors to Brazilian start-ups and innovative companies (Agência Brasileira de Promoção de Exportações e Investimentos, 2016d, p. 20). A potential result of the initiative is the inflow of foreign investments in companies engaging in innovative activities in Brazil. Besides, Apex-Brasil participated in the 2014 and 2015 editions of the event Sustainable Brands Rio, in which the organisation sponsored competitions of start-ups

presenting innovative products and solutions in the field of sustainability (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 46; Vialli, 2015). Companies awarded in the competitions may, in later stages of development, be targets of acquisition by foreign investors. Due to the potential of the actions described in this paragraph of fostering innovation and solutions related to sustainability, they may have a significant impact on the promotion of sustainable development in Brazil.

Another relevant initiative developed by Apex-Brasil in regard to promotion of investments in private equity and venture capital is the Programme Innovation and Sustainability in Global Value Chains[59] (Agência Brasileira de Promoção de Exportações e Investimentos, 2016d, p. 18). The programme was launched in 2013 in partnership with the Centre for Sustainability Studies[60] of the Business Administration School of Fundação Getulio Vargas and aimed to promote the internationalisation of small and medium-sized Brazilian enterprises (Agência Brasileira de Promoção de Exportações e Investimentos; Fundação Getulio Vargas, 2014).

The project comprised two biannual cycles (2014/15 and 2016/17). The activities developed by the project included provision of training and consulting to Brazilian companies and organisation of meetings between selected companies and investors, consulting firms, entrepreneurs and research institutions (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 44, 2016d, p. 20). The companies were trained and mentored so that they could attract investments and were prepared to internationalise and participate in global value chains (A. Favero, personal communication, 12 June 2018). As part of the project, two large companies, Braskem (creator of the green plastic) and Beraca (supplier of natural inputs to the cosmetics and food industries), supported suppliers and clients in implementing sustainable practices (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 44).

In sum, regarding the activities carried out by Apex-Brasil directed at attraction of investments in private equity and venture capital, a good number of them focused on innovation and sustainability. Therefore, these efforts were relevant for the promotion of sustainable development in Brazil. In addition, although foreign investments in private equity and venture capital are not considered greenfield investment, they usually result in, inter alia, expansion of activities of the invested company. Thus, they are expected to positively impact output of the host location.

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[59] In Portuguese, *Programa Inovação e Sustentabilidade nas Cadeias Globais de Valor*.
[60] In Portuguese, *Centro de Estudos em Sustentabilidade*.

Another initiative carried out by Apex-Brasil to promote foreign investments in the area of innovation is the platform called land2land, established in partnership with the Brazilian Association of Science Parks and Business Incubators[61]. The platform supports companies interested in locating temporarily in science parks and incubators, including in Brazil (Land2land, 2015; Saraiva, 2015). The role of science parks and incubators includes assessing the receptivity of the local market to the good or service produced by the company before a decision is made about setting up an operation abroad (Land2land, 2015; Saraiva, 2015). Considering the relevance of innovation for the promotion of sustainable development, that was another relevant initiative carried out by Apex-Brasil.

Apex-Brasil also developed actions to promote investments in innovation which were not related to start-ups and private equity and venture capital. In March 2015, Apex-Brasil launched, in partnership with the MDIC, a programme called Innovate in Brasil, based on a digital platform (no longer operating) to inform investors and multinational companies on the advantages and opportunities of Brazil regarding the establishment of R&D centres, with focus on the following sectors: renewable energy, information and communications technology, oil and gas and health (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 66). Apex-Brasil and the MDIC identified over 150 potential investors in these sectors so that some of them could be contacted to be presented the advantages of Brazil (Governo do Brasil, 2015). The programme Innovate in Brasil was a relevant initiative implemented by Apex-Brasil with potential positive impacts on sustainable development. Besides the fact that innovation is considered important to promote sustainable development, some of the specific sectors which were prioritised, namely renewable energy and health, are also associated with the concept.

A relevant initiative related to sustainable development which focused on the automotive industry was carried out by Apex-Brasil. In November 2015, the organisation and the National Association of Brazilian Auto Parts Manufacturers[62] launched a project called Brasil Auto Parts – Investment in Trusted Partners so as to foster alliances between Brazilian companies and foreign investors involving R&D and technology transfer (Cristoni, 2015). As the initiative involves promotion of R&D and stimulus to technology transfer, it has the potential to promote sustainable development in Brazil.

Brazilian companies participating in the programme receive training on challenges and opportunities related to strategic alliances and are supported in the identification of

[61] In Portuguese, *Associação Nacional de Entidades Promotoras de Empreendimentos Inovadores*.
[62] In Portuguese, *Sindicato Nacional da Indústria de Componentes para Veículos Automotores*.

potential equity investors (Cristoni, 2015; Sindicato Nacional da Indústria de Componentes para Veículos Automotores, 2018). The project Brasil Auto Parts – Investment in Trusted Partners started to be implemented in January 2016 and was programmed to last 18 months (Cristoni, 2015). In 2018, Apex-Brasil received a special recognition in the United Nations Investment Promotion Awards[63] for promoting sustainable development through the project (Agência Brasileira de Promoção de Exportações e Investimentos, 2018a).

In the field of market intelligence, in 2015 a unit dedicated to intelligence with focus on investments was created within Apex-Brasil so as to develop studies aiming to subsidise investment attraction strategies, including surveys to identify opportunities of investment in sectors prioritised by the programme Innovate in Brasil (Agência Brasileira de Promoção de Exportações e Investimentos, 2016d, p. 20). The activities of Apex-Brasil concerning market intelligence also involve the production of studies aiming to identify i) sectors in Brazil with best prospects for FDI and ii) potential investors in the country (Agência Brasileira de Promoção de Exportações e Investimentos, 2016c, p. 9). In 2016, Apex-Brasil developed value proposition studies for the agribusiness and health sectors, so as to support the activities of the department responsible for investment attraction (Agência Brasileira de Promoção de Exportações e Investimentos, 2017b, p. 91). These studies aim to present investors the characteristics of the sectors in Brazil and identify the most promising business opportunities in them. They may contribute to sustainable development if they help promote investments with positive impacts on food security and on access to health products, for example.

Efforts to promote sustainable development were also made in the activities related to export promotion. One of the strategic targets of the organisation is to advertise internationally the sustainable use of Brazil's biodiversity (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 45). In 2012, a unit dedicated to sustainability was created within the organisation in order to support internal processes related to the issue and to advise companies on how to promote exports using sustainability as a competitive advantage (Agência Brasileira de Promoção de Exportações e Investimentos, 2013b, p. 44).

Promotion of sustainable practices by Brazilian producers was carried out in various international events. In 2012, Apex-Brasil coordinated the efforts within the

[63] The United Nations Investment Promotion Awards have been given annually since 2002 to organisations adopting best practices in investment promotion.

Federal Government to showcase Brazil's achievements in implementing the concept of sustainable development during the United Nations Conference on Sustainable Development (Agência Brasileira de Promoção de Exportações e Investimentos, 2013b, p. 44).

Later, Apex-Brasil organised within the 2015 edition of the World Expo[64], which took place in Milan, a series of seminars to promote the sustainable character of the Brazilian production of agricultural goods (Agência Brasileira de Promoção de Exportações e Investimentos, 2016d, p. 25). Also in 2015, Apex-Brasil organised a seminar within the United Nations Climate Change Conference, held in Paris, to advertise the sustainable use of land in Brazil and the excellence of the country's agricultural production (Agência Brasileira de Promoção de Exportações e Investimentos, 2016e, p. 46). In the following year, Apex-Brasil organised an event in the United States about the sustainability of the Brazilian agribusiness sector, in partnership with the Brazilian Embassy and the think tank Center for Strategic and International Studies[65] (Agência Brasileira de Promoção de Exportações e Investimentos, 2017c; Center for Strategic and International Studies, 2016).

Former Apex-Brasil executives who were interviewed during production of this thesis pointed out the efforts of the organisation in promoting the image of Brazil as a sustainable country, in different moments within the period under analysis in the document. André Favero (personal communication, 12 June 2018), who was director of business from 2015 to 2017, commented that Apex-Brasil regularly developed actions to promote Brazil as a sustainable country, including in areas such as renewable energy and food products. Likewise, Ingo Plöger (personal communication, 13 August 2018), who was the first person responsible for the investment unit at Apex-Brasil and worked at the organisation from 2003 to 2005, mentioned that the organisation's activities included promoting Brazil as a sustainable location. According to Apex-Brasil's 2010 management report

> *inovação e sustentabilidade são ícones que deverão ser cada vez mais potencializados na apresentação dos produtos e serviços brasileiros,*

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[64] World Expos are exhibitions which occur every five years in which countries showcase their industrial achievements and promote their images.

[65] In April 2014, the Center for Strategic and International Studies and Apex-Brasil established an agreement through which the Brazilian organisation committed to transfer two annual payments of US$ 150,000 so that the think tank created an initiative to publish studies and organise events about Brazil (Center for Strategic and International Studies, 2014b; Fellet, 2015). In May of the same year, an event about Brazil's internet framework was held as part of the initiative (Center for Strategic and International Studies, 2014a).

> *considerando que a sustentabilidade, atualmente, é um diferencial competitivo do Brasil e contribui para a construção da imagem do País e dos seus setores produtivos* [innovation and sustainability are icons which should be increasingly emphasised in the presentation of Brazilian products and services, considering that sustainability is presently a competitive advantage of Brazil and contributes to the construction of the image of the country and of its production sectors]. (2011, p. 20).

The promotion of sustainable practices adopted by Brazilian companies in order to improve the image of the country in export markets was an important activity developed by Apex-Brasil related to the concept of sustainability. However, the effects of the promotion efforts on inward FDI are indirect and very uncertain. The promotion of the sustainable character of the Brazilian production, for example, in the agricultural sector could have an effect on inward FDI through the following mechanism. The efforts to promote Brazil as a sustainable producer would improve the image of Brazilian products, which could lead to an increase in exports (companies engaging in export markets could later engage in other forms of internationalisation, such as outward FDI). A deeper insertion of Brazilian producers in foreign markets could lead potential investors to consider Brazil a competitive producer, which could result in a decision to invest in the country through greenfield investment or mergers and acquisitions.

An example of cooperation intended to ally export and investment promotion is the partnership established in 2016 by the Ministry of Agriculture and Apex-Brasil aiming to promote Brazil's agribusiness abroad and attract foreign investors into the country (Zaia, 2016). Actions planned to occur as a result of the partnership included the organisation of overseas events and the creation of a data base of potential investors (Zaia, 2016). Given the importance of agriculture and food security for the promotion of sustainable development, that initiative is noteworthy.

Apex-Brasil also made efforts to attract to Brazil suppliers of multinational companies operating in the country, with possible impacts on sustainable development. For example, the organisation established a partnership with General Electric to attract suppliers in areas which included wind energy. Inasmuch as climate change mitigation is an important factor for the promotion economic growth allied to environmental sustainability, the attraction of investments in the wind energy sector has potential positive impacts on sustainable development. Moreover, although the focus of General Electric was getting access to inputs for its Brazilian operations, some of the suppliers' production could be exported to subsidiaries abroad (Exman, 2014). The generation of exports is

considered an indicator which could help governments assess the impact of investment projects on sustainable development.

Attracting investments to Brazil's infrastructure was another role played by Apex-Brasil. In 2007, the organisation was assigned the task of promoting opportunities of investment in projects of the Growth Acceleration Program, particularly in ports, logistics and gas pipelines ("Brasil vai captar no exterior recursos para obras do PAC," 2007). Since then, Apex-Brasil organised events in Brazil and abroad aiming to attract investments to infrastructure and to other sectors with potential impacts on sustainable development. The table below presents these events.

Table 13 - Events organised by Apex-Brasil to attract FDI in sectors related to sustainable development

Year	Location(s)	Sector(s)	Event description
2007	China	Agribusiness (particularly ethanol and biodiesel) and infrastructure	Presentation of investment opportunities at the China International Fair for Investment & Trade(1). During the event, Apex-Brasil signed a cooperation agreement with the China Investment Promotion Agency to promote investments in strategic sectors, which included biofuels and infrastructure
2009	Brazil	Energy and infrastructure	Two-day event in São Paulo to present opportunities to potential Chinese investors
2009	China	Agribusiness, sugar and ethanol and infrastructure	Presentation of investment opportunities at the China International Fair for Investment & Trade
2009	United States	Infrastructure	Presentation of opportunities of investment at the seminar Brazil Summit, taken place in New York
2015	United States, Germany and United Kingdom	Innovation	Events in New York, Hannover (within CeBIT(2)) and London aiming to attract to Brazil R&D centres of multinational companies
2016	Brazil	Electricity	Workshop in partnership with the National Electric Energy Agency(3) to attract investments in the expansion of Brazil's system of electric power transmission
2016	China	Infrastructure, logistics and agribusiness	Business seminar during a presidential visit to China
2016	United Kingdom	Solar power and smart grids(4)	Event in the Embassy in London to showcase opportunities of investment in solar power and smart grids

Source: Own creation based on Agência Nacional de Energia Elétrica (2016), Nakagawa and Trevisan (2016), Maia (2016), Frias (2009), Barros (2009b, 2009a), Kuntz (2007), Agência Brasileira de Promoção de Exportações e Investimentos (2015a), Valor Econômico ("Meta federal é consolidar o ambiente de negócios," 2015), BBC Brasil ("Brasil e China fecham acordo em áreas estratégicas," 2007) and Ministério do Desenvolvimento, Indústria e Comércio Exterior (2015)

(1) Held annually, the China International Fair for Investment and Trade is one of the world's main events promoting FDI.

(2) CeBIT was one of the world's main exhibitions in the information technology sector, held annually between 1970 and 2018.

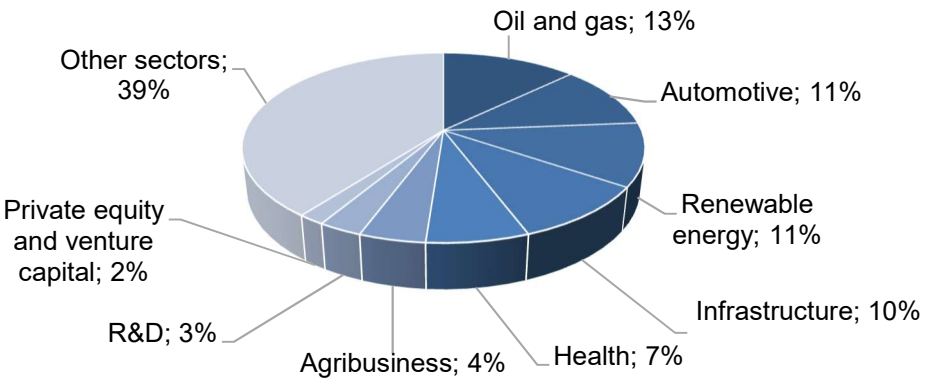
(3) In Portuguese, *Agência Nacional de Energia Elétrica*.

(4) A smart grid is an electricity network based on information technology which allows greater efficiency of the energy supply chain.

The engagement of Apex-Brasil in the efforts to attract infrastructure investments is also noteworthy, and events were organised in Brazil and abroad to showcase investment opportunities, as presented on the table above. Investments in infrastructure are extremely important for the promotion of sustainable development and many developing countries, including Brazil, sorely need them to improve their economic and social indicators. Usually, investment promotion entities do not engage actively in the promotion of investments in government projects and partnerships, and the fact that Apex-Brasil did so is meaningful. Furthermore, events were also organised by Apex-Brasil to promote investments in other areas considered to be relevant for the promotion of sustainable development, namely agriculture, energy (including renewable energy) and innovation.

Concerning the results of the actions carried out by Apex-Brasil in order to reach out to potential investors, between 2008 and 2018[66] the organisation advised 1,486 projects of companies interested in investing in Brazil[67]. In this period, 137 projects were facilitated by Apex-Brasil[68]. The projects facilitated by the organisation totalled investments of US$ 21.6 billion, considering the period 2011-2018. The charts below present information on the sectors of the projects advised and facilitated by Apex-Brasil[69].

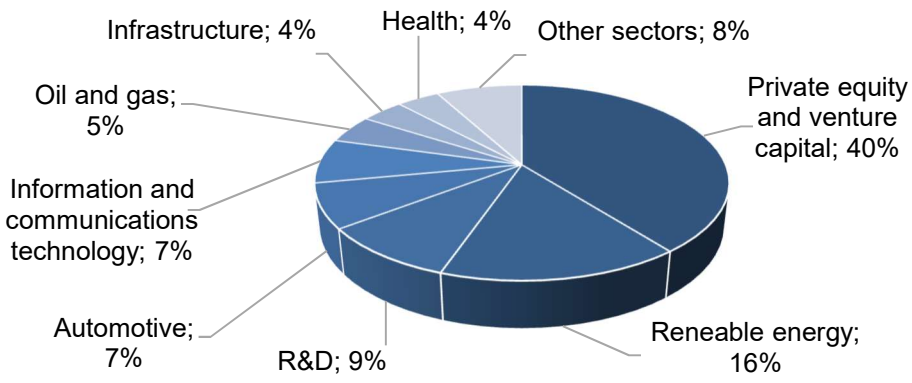
Chart 9 - Sector breakdown of the projects advised by Apex-Brasil, 2008-2018



Source: Own creation based on data from Apex-Brasil

[66] No data are available for activities carried out in the initial years of Apex-Brasil's investment unit. In addition, the way data were compiled by Apex-Brasil does not allow addition or exclusion of any years.
[67] These companies received advisory services provided by Apex-Brasil but they did not necessarily announce investment projects in Brazil.
[68] This number refers to the projects which were announced in Brazil and were supported by Apex-Brasil. No data are available for 2010 and 2012.
[69] Information about the sectors of the investment projects advised and facilitated by Apex-Brasil is available only for the period 2008-2018.

Chart 10 - Sector breakdown of the projects facilitated by Apex-Brasil, 2008-2018



Source: Own creation based on data from Apex-Brasil

Apex-Brasil's strategies and actions to reach out to potential investors resulted in the organisation advising and facilitating investment projects with potential impact on sustainable development. Regarding the overall projects advised by Apex-Brasil (i.e. projects which at some point comprised the organisation's portfolio), 35% of them were from sectors associated with the promotion of sustainable development (renewable energy, infrastructure, health, agribusiness and R&D). In terms of the projects facilitated by Apex-Brasil (i.e. projects which were announced in Brazil), 33% of them were from sectors associated with the promotion of sustainable development (renewable energy, R&D, infrastructure and health). These relevant shares of sustainable development related sectors in the total of projects advised and, mainly, facilitated by Apex-Brasil demonstrate that the efforts made by the organisation to promote sustainable development through FDI did pay off.

Furthermore, private equity and venture capital investments accounted for 40% of projects facilitated. Frequently, the targets of these investments are innovative companies, and innovation is an important factor for the promotion of sustainable development. Yet, a thorough assessment of these investments' impacts on sustainable development depends on analysis of data about their profiles (such as the sectors of the companies which had shares acquired). These data were not made available by Apex-Brasil.

It is worth mentioning that information about the investment projects facilitated by Apex-Brasil is not publicly available. Apex-Brasil has the legal status of a private entity and it is not required to comply with rules applied to government organisations which determine disclosure of information to the public. Data on the profile of projects advised

and facilitated were obtained after contacts with the staff responsible for the organisation's investment unit. Although more details about these projects were requested, Apex-Brasil informed that additional pieces of information were not available.

During the occasions when information was requested to Apex-Brasil, members of the organisation's staff commented that, since creation of the investment unit, the department went through several moments of restructuring. The department had a high staff turnover and its customer relationship management software was changed a couple of times. These facts compromised the availability of more detailed information about the unit's activities and results. Moreover, information was requested to the ministries responsible for Apex-Brasil's supervision (MDIC and MRE), but these organisations informed that they did not keep any pieces of information on Apex-Brasil's activities.

6.8 DPR/MRE[70]

6.8.1 Overview of the organisation

The MRE is the organisation responsible for advising the President of the Republic on the formulation and execution of Brazil's foreign policy and for maintaining diplomatic relations with foreign states and international bodies and organisations. The ministry "*realiza a defesa e a promoção internacional dos interesses e valores brasileiros, visando ao desenvolvimento, à segurança e ao exercício da soberania em um ambiente de paz, solução pacífica de controvérsias, promoção dos direitos humanos e cooperação*" [defends and promotes internationally Brazilian interests and values, aiming at reaching development, security and the exercise of sovereignty in an environment of peace, pacific resolution of controversies, promotion of human rights and cooperation] (Ministério das Relações Exteriores, 2013, p. 4).

Within the MRE, activities related to trade and investment were carried out by the DPR, one of the departments of the Undersecretariat General for International Cooperation, Trade Promotion and Cultural Themes[71] (SGEC). In the beginning of President Jair Bolsonaro's term, when the MRE underwent an organisational

[70] In addition to the bibliographic materials cited in this section, pieces of information on the MRE's activities were also obtained from the Ministry's website (Ministério das Relações Exteriores, n.d.-b).
[71] In Portuguese, *Subsecretaria-geral de Cooperação Internacional, Promoção Comercial e Temas Culturais*.

restructuring, the DPR was dissolved and the activities which were carried out by the department were assigned to departments responsible for specific sectors and geographic regions (Presidência da República, 2019a). As a result, trade and investment promotion activities are presently carried out by the MRE in a decentralised fashion.

The DPR was established in the 1970s, created initially to support Brazil's export promotion policy. In 2010, final year of President Lula da Silva's second term, the word "investment" was added to the department name, so that activities related to investment attraction and internationalisation of Brazilian companies, which were already being carried out by the department, were highlighted. One year later, in 2011, the DPR's Investment Division was created (F. Bettarello, personal communication, 11 June 2018).

Concerning the activities of the DPR, Decrees Numbers 7304 and 8817 (Presidência da República, 2010, 2016d) defined that the department should be responsible for "*orientar e implementar as atividades de promoção comercial e de atração de investimento direto estrangeiro, além de apoiar a internacionalização de empresas brasileiras e de manter coordenação com outros órgãos públicos e privados que atuam na área de comércio exterior*" [guiding and implementing activities related to trade promotion and FDI attraction, in addition to supporting the internationalisation of Brazilian companies and maintaining coordination with other public and private organisations involved in foreign trade]. Through the DPR, the SGEC was responsible for executing "*as diretrizes da política comercial brasileira, ao organizar, dirigir e implementar o sistema externo de promoção das exportações e captação de investimentos estrangeiros, mediante ações de representação, informação e inteligência comercial*" [the guidelines of the Brazilian trade policy, organising, guiding and implementing the external system of export promotion and foreign investment attraction, through actions of representation, information and commercial intelligence] (Ministério das Relações Exteriores, 2011, p. 1).

The DPR comprised four divisions: the Commercial Intelligence Division, the Trade Promotion Operations Division, the Trade Promotion Programmes Division and the Investment Division. The Investment Division coordinated activities related to attraction of foreign investments in sectors considered to be strategic for Brazil (such as energy, infrastructure, logistics and information technology) and promoted entry of projects aiming to develop R&D activities (Agência Brasileira de Promoção de Exportações e Investimentos; Ministério das Relações Exteriores; Ministério do Planejamento Desenvolvimento e Gestão, 2017, p. 137; Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento

Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 137). Among the priorities defined by the Investment Division, the energy and infrastructure sectors are considered to have a positive impact on the promotion of sustainable development, as well as investment projects aiming to implement R&D activities.

The division published materials with information on investment opportunities and on the advantages of Brazil to foreign investors; supported delegations visiting Brazil formed by potential investors, identifying strategic partners and preparing schedules; organised the Brazilian participation in events abroad focused on investments; and promoted overseas missions to attract investments into Brazil (J. R. R. Ferreira, 2017, p. 5; Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 137).

To carry out its foreign trade and investment activities, the MRE is supported by Brazil's diplomatic missions. For instance, trade promotion may also be executed by Brazilian consulates. Moreover, the Brazilian Commercial Service[72] (SECOM), with members in over 100 diplomatic missions abroad, advises foreign companies interested in investing in Brazil or in importing Brazilian products and promotes business opportunities abroad for Brazilian entrepreneurs. The SECOM units can be contact points for foreign investors interested in receiving information on investment opportunities, on Brazil's economic profile and on regulatory aspects in the country (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 137). The SECOM may also support foreign investors interested in organising missions to Brazil, facilitating contact with public authorities and private organisations so that investors find it easier to arrange a schedule of meetings. Other activities developed by the SECOM include production of commercial intelligence studies, identification of partners and business opportunities and organisation of missions involving members of the private sector (Westmann, 2011, p. 15).

In December 2007, the MRE, the Brazilian Cooperation Agency[73] and the United Nations Development Programme signed a cooperation agreement which established the Project for Trade Promotion and Investment Attraction: Institutional Coordination in the

[72] In Portuguese, *Setor de Promoção Comercial*.
[73] In Portuguese, *Agência Brasileira de Cooperação*.

Context of Growth Acceleration[74] (Ministério das Relações Exteriores, 2011, p. 102). The agreement defined that the DPR was responsible for coordinating and implementing the actions of the project while the United Nations Development Programme's responsibilities involved activities such as technical support, provision of information and assistance in recruiting professionals, including through direct payments (Ministério das Relações Exteriores; Agência Brasileira de Cooperação; Programa das Nações Unidas para o Desenvolvimento, 2007, pp. 17–19). Four targets were set in the agreement: improve the website BrazilTradeNet, improve the Investment and Technology Transfer Promotion System for Companies[75] (SIPRI), improve the MRE's system of trade promotion and strengthen the trade component of South American integration (Ministério das Relações Exteriores; Agência Brasileira de Cooperação; Programa das Nações Unidas para o Desenvolvimento, 2007, p. 23). In 2010, the MRE reported that a relevant result of the programme was the attraction of FDI in sectors oriented towards exports (Ministério das Relações Exteriores, 2010b, p. 85). Although the number of projects focused on exports was not reported, the attraction of such investments was a relevant result of the Project for Trade Promotion and Investment Attraction: Institutional Coordination in the Context of Growth Acceleration, inasmuch as export generation is considered to be a goal which governments should seek in their efforts to promote sustainable development through FDI.

In 2013, the initial project was finished (Ministério das Relações Exteriores, 2014, p. 49), and a new agreement was signed, which allowed the partnership started in 2007 to be continued until December 2018, mainly through purchase of commercial intelligence studies, improvement in the coordination of the organisations involved in trade and investment promotion and enhancement to the capabilities related to production of studies aiming to generate trade and investment opportunities (United Nations Development Programme, 2016). Hence, some of the initiatives carried out by the DPR/MRE during the period covered in this thesis resulted from targets set in the agreement.

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[74] In Portuguese, *Projeto de Promoção Comercial e Atração de Investimentos: Coordenação Institucional em Contexto de Aceleração do Crescimento*.
[75] In Portuguese, *Sistema de Promoção de Investimentos e Transferência de Tecnologia para Empresas*.

6.8.2 Main activities of the organisation with potential positive impacts on sustainable development

Considering the period under analysis in this thesis, various documents contain information about the MRE's responsibilities in the attraction of FDI with potential to promote sustainable development, including two of Brazil's multi-year plans. Brazil's multi-year plan for the period 2012-2015 set a target of increasing from 15 to 25 the number of roadshows to be organised in order to attract investments, including to the projects of the Growth Acceleration Program (especially in the port and airport sectors) and to sectors related to green economy and innovation (Ministério do Planejamento Orçamento e Gestão, 2011, p. 283). Until 2013 (second year of the four-year period defined by the multi-year plan), 50 roadshows of this type had already been organised by the DPR (Ministério das Relações Exteriores, 2014, p. 16). This number far exceeds the goal set for the whole period.

The multi-year plan for 2012-2015 also set goals which included promoting FDI in Brazil in high technology sectors (especially the attraction of R&D centres of foreign companies) and stimulating R&D activities by companies operating in Brazil through mechanisms such as international agreements (Ministério do Planejamento Orçamento e Gestão, 2011, p. 285). Later, Brazil's multi-year plan for the period 2016-2019 also included goals related to infrastructure, stating that Brazil's foreign policy would seek to contribute to raise the quality and volume of investments in prioritised projects through enhanced ties with strategic countries (Ministério do Planejamento, 2016, p. 235).

Management reports prepared by the MRE also provide information about the ministry's role in the promotion of investments in areas which are relevant for sustainable development. In 2010 and 2011, the management reports of the SGEC stated that the strategy adopted by the DPR involved focusing on attraction of foreign investments which resulted in technology transfer and expansion of exports (Ministério das Relações Exteriores, 2010b, p. 9, 2011, p. 12). In 2011, the DPR highlighted that the attraction of direct investments oriented towards exports was one of the main results of its activities in the area of export promotion (Ministério das Relações Exteriores, 2011, p. 20).

The MRE carried out a relevant number of actions aiming to advertise investment opportunities in Brazil in areas related to sustainable development, especially organising overseas missions to attract investments in infrastructure and, to a lesser extent, green economy. When it comes to green economy, the MRE focused its efforts on the attraction

of investments related to the Clean Development Mechanism[76] (CDM). The table below presents the events organised by the MRE in sustainable development related sectors.

[76] According to the website of the United Nations Framework Convention on Climate Change (2018), “the Clean Development Mechanism allows emission-reduction projects in developing countries to earn certified emission reduction credits, each equivalent to one tonne of CO2. These certified emission reduction credits can be traded and sold, and used by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol”.

Table 14 - Events organised by the MRE to attract FDI in sectors related to sustainable development

Year	Location(s)	Sector(s)	Additional information
2008	United States	Port infrastructure	Mission to showcase investment opportunities
2008	United States and Europe	Infrastructure	Roadshow to advertise the priority projects of the Growth Acceleration Program
2009	Denmark, East Asia and Belgium	Ports and waterways	Events focused on investment attraction
2009	Russia	Infrastructure - focus on energy	Promotion of investments related to the Growth Acceleration Program
2009	Japan and South Korea	Infrastructure - focus on ports	Promotion of investments related to the Growth Acceleration Program
2009	Canada	Infrastructure	Projects of the Growth Acceleration Program
2009	Denmark	Cleaner energy	Projects related to the CDM at the United Nations Climate Change Conference
2010	Russia	Port infrastructure	Opportunities of investments in ports
2010	Germany	Port infrastructure and cleaner energy	Opportunities of investments in ports. Also, during the Brazil-Germany Economic Meeting(1), investment opportunities in ports and in projects related to the CDM were presented.
2010	United Kingdom	Cleaner energy	Projects related to the CDM
2010	not available	Focus on ports and cleaner energy	Events to attract investments and support the internationalisation of Brazilian companies
2011	China	Innovative technologies, infrastructure and ports	Event organised in Beijing during a presidential visit
2011	Italy and Spain	Port infrastructure	Mission comprised by Brazilian businesses from the port sector
2011	not available	Focus on ports and cleaner energy	Events to attract investments and support the internationalisation of Brazilian companies
2013	Brazil, United States and United Kingdom	Infrastructure (motorways, railways, ports, airports and energy)	Events to attract investments to infrastructure concessions (before investment opportunities were presented abroad, a seminar was organised in São Paulo and a presentation was held in Brasília directed at ambassadors)
2015	United States	Infrastructure (railways, motorways, ports and airports)	Seminar to showcase opportunities of investment in Brazil's infrastructure
2016	not available	Infrastructure, including ports, airports, motorways, railways and energy	Missions to advertise the Federal Government’s programme of investments in infrastructure in partnership with the private sector

Source: Own creation based on Ministério das Relações Exteriores (2009, pp. 26–27, 2010a, pp. 11–12, 2010b, p. 12, 2011, pp. 15;101-102, 2015, 2017, p. 49) and Rittner and Lamucci (2013)

(1) The Brazil-Germany Economic Meeting is an annual event organised by the confederations of industry of Brazil and Germany. The event aims to strengthen bilateral relations between the countries.

The efforts to attract investments in infrastructure, especially through overseas missions focused on ports, were important initiatives carried out by the MRE with potential impacts on sustainable development. According to the MRE (2010b, p. 75), Brazil sought to modernise its ports in response to growth of exports from the country and due to greater participation in global trade flows. Overseas missions were also organised in other areas which can contribute to sustainable development, namely: airports, motorways, railways, waterways, energy, green economy and innovation. In addition, events were organized to promote opportunities of investment related to the CDM, an instrument created to stimulate reduction of CO2 emission in developing countries.

Other actions were carried out so as to aid the MRE's efforts to promote investments in Brazil's infrastructure. In 2015, the MRE published a flyer with information on the opportunities of investment in the sector (Vianna, 2015, p. 19). Earlier, in 2008, the DPR provided international investors with information, through the BrasilTradeNet website, on Brazil's ports (so as to foster investments in the modernisation of ports in the country) and on projects belonging to the portfolio of the Growth Acceleration Program, mainly those in the infrastructure and logistics areas (Ministério das Relações Exteriores, 2009, p. 29).

It is also worth mentioning the fact that the MRE engaged in bilateral initiatives aiming to attract to Brazil investments in infrastructure, a sector considered to be associated with the promotion of sustainable development. These initiatives were identified based on a list of bilateral commissions the MRE has been participating in which aim to establish mechanisms of dialogue in economic issues. The list was provided by the MRE following the interview carried out at the organisation in June 2018.

In 2016, Brazil signed with the United States a cooperation agreement aimed at infrastructure development, focused on legislation, best practices and financing (Ministério das Relações Exteriores, 2016b). From Brazil's side, one of the signees was former minister of Foreign Affairs Mauro Vieira. The document defined the possibility of creation of a working group formed by representatives of the public and private sectors. The attraction of investments in infrastructure is among the goals set for the working group. In December 2016, a forum was organised so that members of the public and private sectors from both countries could exchange best practices in the development of infrastructure (Ministério das Relações Exteriores, 2016a).

Also in 2016, during a presidential visit to Japan, a cooperation agreement between Brazil and Japan was signed aiming to strengthen cooperation in the promotion

of investments in the infrastructure sector, including in transport and logistics, information and communication technologies and energy (Ministério das Relações Exteriores, 2016c). The parties decided that a bilateral working group, expected to meet annually, should be created so as to implement and monitor the activities carried out as a result of the agreement (Ministério das Relações Exteriores, 2016c).

Earlier, in 2010, a meeting of the Brazil-Netherlands working group on infrastructure took place in Brasília (Ministério das Relações Exteriores, 2010b, p. 75). The working group was created to promote investments in infrastructure and logistics and to identify possibilities of cooperation related to ports, maritime transport and shipbuilding (Ministério das Relações Exteriores, 2010b, p. 75).

The MRE also supported the efforts to promote the sustainable character of Brazil's agricultural production. In 2012, the MRE organised in London a seminar about sustainable agriculture ("Agronegócio brasileiro é debatido em seminário na Inglaterra," 2012). Representatives of companies, governments and non-governmental organisations participated in the event, whose goal was to demystify the nature of agricultural production in Brazil, denying allegations of forest resources misuse and of slave labour employment (R. Santos, personal communication, 29 August 2018). As discussed in the case of Apex-Brasil, although the event showcased characteristics of a sector associated with the promotion of sustainable development, the promotion of the sustainable character of Brazil's agricultural production may have an indirect and very uncertain effect on investments.

In addition to the promotional activities presented above, an instrument worth mentioning which was operational during the period of time covered in this thesis is the SIPRI, a network maintained by the MRE aiming to attract foreign investments and foster partnerships between foreign and domestic companies involving technology transfer to Brazil (Westmann, 2011, p. 13). Local organisations in Brazil were assigned the responsibility of identifying investment opportunities while the SECOM network was assigned the responsibility of advertising these opportunities internationally (Westmann, 2011, p. 13). The SIPRI was a relevant initiative with potential positive impacts on sustainable development in Brazil, given that technology transfer is a goal which governments are recommended to seek in their efforts to maximise the benefits FDI may bring to the communities they represent.

6.9 RENAI/MDIC[77]

6.9.1 Overview of the organisation

The MDIC was the government department responsible for formulating and implementing policies related to matters such as foreign trade (including through participation in international negotiations), commercial defence and support to small enterprises (Presidência da República, 2017b). Concerning investments, its Department of Industrial Competitiveness had as its duties "*apoiar a formulação, a implementação, o monitoramento e a avaliação de políticas públicas de atração e facilitação de investimentos voltadas para o desenvolvimento industrial*" [supporting the formulation, the implementation, the supervision and the assessment of public policies of attraction and facilitation of investments directed at industrial development] (Presidência da República, 2017b). Other duties of the MDIC regarding investments included enhancing instruments to reduce red tape and avoiding overlap among the government organisations involved in the issue (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2016, p. 32).

RENAI, the unit within the MDIC most involved in investment promotion, was established during Lula da Silva's first presidential term. In 2003, the MDIC proposed the creation of the network at the National Forum of State Secretaries of Industry and Trade (Meziat, 2008, p. 4). Later, in 2005, Decree Number 5532 (Presidência da República, 2005) determined that the Department of Industrial Competitiveness would have as one of its duties to "*sistematizar e manter dados sobre intenções de investimentos nos setores produtivos, constituindo uma Rede Nacional de Informações sobre o Investimento - RENAI, que possa fornecer ao potencial investidor e aos demais interessados na questão do investimento informações úteis ao processo de tomada de decisões*" [organise and maintain data on investment signals in production sectors, forming a Brazilian Investment Information Network, which can provide to potential investors and other parties interested in investment matters useful information to the decision-making process].

[77] In addition to the bibliographic materials cited in this section, pieces of information on the activities of RENAI were also obtained from the organisation's website (Rede Nacional de Informações sobre o Investimento, n.d.).

In 2016, Decree Number 8663 (Presidência da República, 2016a) stated that through the actions of RENAI the Department of Industrial Competitiveness would be responsible for "*identificar, divulgar, acompanhar e estimular investimentos que incidam sobre a competitividade industrial no nível federal e nas unidades da Federação*" [identifying, advertising, monitoring and stimulating investments which impact the industrial competitiveness at federal level and in the states of the federation]. In the beginning of 2019, following the MDIC's incorporation into the Ministry of Economy, RENAI was transferred to the latter ministry.

RENAI is a government mechanism responsible for publishing information on announced investments in Brazil and on investment opportunities to potential investors from Brazil and abroad (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 137). To gather information about investments in Brazil, RENAI cooperates with the departments at state level responsible for investor advisory, with trade associations and with investment promotion authorities.

RENAI provides pieces of information on sectors in Brazil with investment potential, incentives granted by governments aiming at the attraction of investments and legal aspects concerning investments in Brazil. On RENAI's website, pieces of information about companies' investment announcements (detailed by sector and location) and about projects developed by governments at national and local levels (including concessions and public-private partnerships) are available. The pieces of information about opportunities of investment in government projects are available in the catalogue published by RENAI on its website (the latest edition is the sixth, published in 2017). The catalogue contains information about projects in areas such as motorways, railways, ports, airports, telecommunications, energy, urban mobility, housing and education. Publication of a catalogue advertising investment opportunities in Brazil's economic and social infrastructure is a relevant initiative with potential positive impacts on sustainable development. Brazil needs large amounts of investments in these areas and a proactive stance in the investment promotion activity may bring significant benefits to the country.

In addition to publishing information, RENAI operates in investment attraction through training activities, promotion and facilitation. Regarding training activities, RENAI has organised, along with partners, seminars and workshops with the participation of the

state governments' staff involved in investment attraction. Concerning promotion, RENAI has organised abroad seminars to showcase investment opportunities in specific sectors and regions in Brazil. In terms of facilitation, RENAI directs requests for information from potential investors in Brazil to the appropriate public and private organisations. RENAI is the focal point for relationship with Brazilian states in issues related to FDI (Neves & Petry, 2014, p. 4). The entity also directs requests from investors to Federal Government organisations, so as to coordinate the implementation of policies to improve Brazil's business environment (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 137).

Furthermore, activities of RENAI have also included participation in negotiations of international investment agreements, reception of investors interested in negotiating with the Federal Government and organisation of overseas missions (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 137). RENAI has also sought to pinpoint gaps in Brazil's supply chains in order to subsidise investment attraction campaigns carried out by Apex-Brasil and other Federal Government organisations (Ministério das Relações Exteriores; Agência Brasileira de Promoção de Exportações e Investimentos; Ministério do Desenvolvimento Indústria e Comércio Exterior; Ministério da Agricultura Pecuária e Abastecimento, 2014, p. 137).

6.9.2 Main activities of the organisation with potential positive impacts on sustainable development

In its activities to promote FDI, the MDIC and RENAI have demonstrated an intention to foster sustainable development. According to the MDIC (2015, p. 55), its Executive Bureau, when fostering direct investments, promoted "*conceitos de sustentabilidade ambiental, eficiência energética, energias renováveis e reciclagem de materiais, preconizando mudanças conceituais na concepção do desenvolvimento produtivo*" [concepts of environmental sustainability, energy efficiency, renewable energy and recycling, advocating conceptual changes in the idea of productive development]. This focus on cleaner energy and on an adequate management of natural resources

indicate that the MDIC had the intention of incorporating aspects related to the concept of sustainable development in its investment promotion activities.

Also, the Department of Industrial Competitiveness was responsible for developing strategies to attract investments to strengthen Brazil's supply chain in the area of wind and solar energy (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2015, p. 31). Due to their impacts on climate change mitigation, renewable energy generation is a very important factor for the promotion of sustainable development.

Professionals who developed activities at the RENAI provided during the interviews carried out as part of production of this thesis pieces of information which indicate the body's intention of fostering sustainable development through investment promotion. Former coordinator of RENAI Eduardo Celino stated that the organisation did have a view towards sustainable development (personal communication, 6 November 2018). Mário Neves, another former coordinator of RENAI, commented that, in its activities, the organisation always considered attracting investments which would have strong links to the local economy and which would promote Brazil's long-term development (personal communication, 11 June 2018).

Regarding activities with potential impact on sustainable development, a couple of initiatives have been identified. In the area of cleaner energy, RENAI developed actions to attract investments in the lithium[78] chain. In 2011, the entity organised in Brazil two seminars to showcase opportunities of investment in extraction and processing of lithium, one with the presence of potential investors from China and the other with the presence of potential investors from Japan (Governo do Brasil, 2011b, 2011a). In the following year, RENAI established cooperation agreements with the government organisations National Department of Mineral Production[79] (body responsible for regulating mineral exploitation) and Center for Mineral Technology[80] (body responsible for developing technology in the mineral sector), aiming to attract investments in the lithium chain (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2013, p. 56). Also concerning investments with potential positive environmental impacts, in 2012 RENAI advertised opportunities of investment in the production of solid waste treatment equipment,

[78] Among its usages, lithium is applied in the production of batteries of electric cars.
[79] In Portuguese, *Departamento Nacional de Produção Mineral*. In 2017, the body was replaced by the National Mining Agency (*Agência Nacional de Mineração*).
[80] In Portuguese, *Centro de Tecnologia Mineral*.

following passing of the law which established the National Policy on Solid Waste[81] in 2010 (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2013, p. 57).

RENAI and the MDIC organised events to attract investments in other sectors with potential positive impacts on sustainable development. So as to attract investments in Brazil's infrastructure the MDIC organised in 2008, in partnership with other Federal Government entities, international seminars which showcased opportunities of investment in projects of the Growth Acceleration Program (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2008, p. 33). In the following year, RENAI organised in Japan the "Brazil Business Seminar – Industrial Bio Fuel Technology and Infrastructure Business Opportunities" (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2009, p. 26). Later, in 2011, RENAI organised also in Japan a seminar in partnership with the Japan External Trade Organization to showcase opportunities of investment in Brazil's infrastructure (Celino, 2011, p. 23). In its efforts to promote investment in Brazil's infrastructure, RENAI also advertised projects of the Growth Acceleration Program to delegations comprised of potential investors, jointly with the government departments responsible for structuring the projects (E. Celino, personal communication, 6 November 2018).

The MDIC also carried out activities with potential positive impacts on sustainable development by seeking to promote investments resulting in innovation in Brazil. The ministry promoted the attraction of R&D centres to Brazil (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2015, p. 55), and the Federal Government considered prioritising investments in R&D to be strategic so that the country succeeds in increasing its industrial productivity and in promoting economic development (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2015, p. 102).

Brazil's multi-year plan for the period 2012-2015 (Ministério do Planejamento, 2016, p. 136) established that the ministry would be responsible for attracting 40 R&D centres of foreign companies, through fiscal, regulatory and credit measures. Among the measures taken by the Federal Government to promote the establishment of R&D centres in Brazil, the MDIC (2015, p. 102) cited the Plan Innovate Enterprise[82], through which projects in strategic sectors are selected to be financed by government agencies (Banco Nacional de Desenvolvimento Econômico e Social, n.d.).

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[81] In Portuguese, *Política Nacional de Resíduos Sólidos*.
[82] In Portuguese, *Plano Inova Empresa*.

Between 2012 and 2015, the MDIC (2016, p. 72) identified that 39 new R&D centres of multinational companies were set up in the country. These investment projects should contribute to the promotion of sustainable development in Brazil. Still, it is worth pointing out that the MDIC identified that these 39 R&D centres were set up in Brazil, but no information is available on the ministry's role in influencing, through investment promotion activities, the decision-making processes of the companies making these investments.

As previously mentioned, the MDIC also developed a project in partnership with Apex-Brasil aiming to attract R&D centres to the country (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2015, p. 102). The project sought to, for instance, identify strengths and weaknesses of the innovation environment in Brazil, benchmark Brazil vis-à-vis international competitors and recommend public policies on the issue (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2016, p. 71). As results of the project, the studies carried out as part of it subsidised formulation of Law Number 13243/2016 (which defined measures to promote research and innovation in the country); promotional material was produced to showcase the advantages of Brazil to investors; and events abroad were organised, in which over 200 representatives of multinational companies participated (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2016, pp. 71–72).

Another initiative carried out by the MDIC with measures related to promotion of R&D activities in Brazil was the Programme of Incentive to Technological Innovation and Intensification of the Productive Chain of Automotive Vehicles[83], known as Inovar-Auto. The programme, which operated between 2013 and 2017, offered fiscal incentives for companies which accomplished targets related to investments in R&D, expenditure in engineering and technology and in training of suppliers, production of economical vehicles and increase in the safety of vehicles (Ministério da Indústria Comércio Exterior e Serviços, 2018). Until 2017, 33 projects were accredited in the programme, with a strong presence of multinational companies (Ministério da Indústria Comércio Exterior e Serviços, 2018). Companies which chose, according to the rules of the programme, to increase R&D investments should spend, from 2015 onwards, at least 0.5% of their gross revenues in R&D activities in Brazil (Presidência da República, 2012). In 2015, the

[83] In Portuguese, *Programa de Incentivo à Inovação Tecnológica e Adensamento da Cadeia Produtiva de Veículos Automotores*.

expenditures of the accredited companies in R&D reached 0.57% of revenues (Ministério da Indústria Comércio Exterior e Serviços, 2018).

Considering the relevance of innovation for the promotion of sustainable development, the Inovar-Auto is a programme worth mentioning. Nevertheless, although foreign companies had a high relevance among the companies accessing the programme, the Inovar-Auto was not directed exclusively at multinational companies. Also, the initiative was not sensu stricto classified as a policy within the realm of investment promotion. Still, it could be a factor stimulating investments by multinational companies, which could have been complemented by activities such as identification of potential investors and facilitation services.

The MDIC also had among its responsibilities the attraction of investments to a less developed region. Brazil's multi-year plan for the period 2012-2015 assigned to the MDIC the task of promoting sustainable development in the western Amazon region, through mechanisms which aimed at attracting and consolidating investments based on factors such as education, innovation, science, technology and regional economic characteristics (Ministério do Planejamento Orçamento e Gestão, 2011, p. 152). The document did not specify whether those investments would be made by domestic or foreign companies.

Among the targets related to this task, the plan established the implementation of 60 new companies in the Manaus Industrial Sector[84] (especially those using local products as inputs) and a 6% increase in the number of companies set up in the Manaus Free Trade Zone[85] (however, the MDIC did not specify whether the investments would come from Brazil or from abroad) (Ministério do Planejamento Orçamento e Gestão, 2011, p. 153). This task assigned to the MDIC was related to sustainable development in two ways: it aimed to reduce regional inequalities and to promote investments which resulted in links to the local economy.

Until 2013, 41 new companies had been installed in the Manaus Industrial Sector and the number of companies established in the Manaus Free Trade Zone had risen 7% (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2014, p. 41). Of the 41 new companies established in the Manaus Industrial Sector, two were reported to use regional products as inputs (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2014, p. 81). Although no information is available on the number of foreign

[84] In Portuguese, *Polo Industrial de Manaus*.
[85] In Portuguese, *Zona Franca de Manaus*.

companies among the 41 which set up operations in the Manaus Industrial Sector, that is a relevant number considering that it refers to a period of time of only two years and that these companies invested in a relatively poorer region of Brazil, distant from the main economic hubs. On the other hand, the number of companies establishing links to the local economy is much less relevant.

Brazil's multi-year plan for the period 2012-2015 (Ministério do Planejamento Orçamento e Gestão, 2011, p. 138) also assigned to the MDIC the goal of attracting companies operating with biotechnology and nanotechnology, in order to promote competitiveness, economies of scale and a stronger supply chain in these sectors. Biotechnology and nanotechnology have the potential to be applied in solutions related to agriculture and the environment, areas associated with the promotion of sustainable development.

Lastly, in 2013 the MDIC participated in various initiatives to discuss policies directed at the aerospace sector, including a partnership with the United States to promote bilateral cooperation and foster investments in areas which include infrastructure and aviation biofuel (Ministério do Desenvolvimento Indústria e Comércio Exterior, 2014, p. 82). Investments resulting in improvements in Brazil's airport infrastructure and leading to greater use of cleaner energy in the aviation sector could also contribute to the promotion of sustainable development in the country.

6.10 Coninv/CAMEX[86]

6.10.1 Overview of the organisation

The CAMEX, body linked to the Ministry of Economy, was established in 2003 through Decree Number 4732 to formulate, coordinate and implement policies related to foreign trade of goods and services (Presidência da República, 2003b). Once the adoption of foreign trade policies involves the participation of various departments in the Federal Government, the CAMEX was created to coordinate actions related to the issue along with other government organisations. The CAMEX aims to ensure coordination of

[86] In addition to the bibliographic materials cited in this section, pieces of information on the activities of the CAMEX were also obtained from its website (Câmara de Comércio Exterior, n.d.-b).

government actions related to foreign trade, defining guidelines on the issue which will have to be adopted by Federal Government departments.

The decisions involving the CAMEX are made by a council composed of the Chief of Staff, the Secretary-General of the Presidency and the ministers of Industry, Foreign Trade and Services; Foreign Affairs; Finance; Transport, Ports and Civil Aviation; Agriculture, Livestock and Food Supply; and Planning, Development and Management[87] (Presidência da República, 2017a). According to Decree Number 9029/2017, the Secretary-General of the CAMEX is nominated by the Minister of Industry, Foreign Trade and Services and the MDIC is responsible for providing the structure necessary for the operations of the CAMEX (Presidência da República, 2017a). Between July 2016 and April 2017, these duties were under the responsibility of the MRE (Presidência da República, 2016c).

The CAMEX began to develop actions related to foreign investments relatively recently. In 2016, during the period when Michel Temer was acting president, Decree Number 8807 added to the responsibilities of the CAMEX promotion of investments and competitiveness (Presidência da República, 2016c). With regard to FDI into Brazil, the Decree defined that the CAMEX, when implementing the foreign trade policy, would have to take into account the foreign investments and technology transfer policies (Presidência da República, 2016c). According to Márcio Lima (personal communication, 11 June 2018), in its efforts to promote investments into Brazil the CAMEX formulates short, medium and long-term policies and coordinates the activities of the Federal Government organisations responsible for implementing these policies, so as to guarantee transparency among the organisations.

The Executive Secretariat of the CAMEX was given responsibilities related to investments which include i) proposing the creation of intergovernmental working groups to monitor and implement investment policies and coordinating their activities, ii) developing studies and proposing policies related to investments in partnership with Apex-Brasil[88] and iii) performing the role of foreign investment ombudsman (Presidência

[87] As a result of Provisional Measure 870/2019 (converted into Law Number 13844/2019), the Ministries of Industry, Foreign Trade and Services; Planning, Development and Management; and Finance (in addition to the Ministry of Labour) were incorporated into the Ministry of Economy. The Ministry of Transport, Ports and Civil and Aviation was renamed Ministry of Infrastructure. In spite of the ministerial restructuring promoted by the new legislation, the decrees which define the responsibilities of the CAMEX still mention the names of the ministries which were dissolved.

[88] Earlier, in 2015, Decree Number 8440 (Presidência da República, 2015a) established that the CAMEX would be invited to the meetings of Apex-Brasil's board of directors, without having the right to vote but being allowed to express its opinions.

da República, 2016c). The foreign investment ombudsman is responsible for receiving queries about investment related matters and responding them with support from the government organisations involved in the issue being considered in each case. Originally, the foreign investment ombudsman was the focal point for investors from countries with which Brazil partners through the Cooperation and Investment Facilitation Agreement (Presidência da República, 2016e). Later, the services provided by the ombudsman were expanded to investors from all countries (Presidência da República, 2019b).

The decree which assigned to the CAMEX responsibilities related to investments also established the creation of the Coninv, which is responsible for formulating proposals and recommendations to the CAMEX in order to promote FDI in and from Brazil (Presidência da República, 2016c). The Coninv was created to be a forum for discussion and coordination of policies related to investment promotion, given that actions on the issue have been carried out by sundry organisations in an individual and uncoordinated fashion (Ministério do Desenvolvimento Indústria e Comércio Exterior, n.d.).

The committee is composed of members from the CAMEX, the Office of the Chief of Staff, the SPPI and the ministries of Foreign Affairs; Finance; Agriculture, Livestock and Food Supply; Industry, Foreign Trade and Services; and Planning, Development and Management (Câmara de Comércio Exterior, n.d.-a). Members from the Brazilian Trade and Investment Promotion Agency and the Brazilian Agency for Industrial Development also comprise the Coninv without, nevertheless, the right to vote (Câmara de Comércio Exterior, n.d.-a). The presidency of the Coninv is shared by two members, nominated by the Minister of Foreign Affairs and by the Minister of Industry, Foreign Trade and Services (Câmara de Comércio Exterior, n.d.-a). The secretariat of the Coninv is shared by the executive secretariat of the CAMEX and by the MRE (Câmara de Comércio Exterior, n.d.-a). The Coninv holds meetings when summoned by any of its members and the policies proposed by the committee, if approved by the CAMEX, can be implemented through resolutions. Resolutions approved by the CAMEX can provide rules about investment, substituting decrees (M. Lima, personal communication, 11 June 2018).

6.10.2 Main activities of the organisation with potential positive impacts on sustainable development

Inasmuch as the CAMEX started to have responsibilities related to investments relatively recently and in the end of the period under analysis in this thesis (thus, actions

related to the issue were still being structured), information on its activities concerning FDI promotion is scarce, which compromises conditions to assess the potential impact of its actions on sustainable development. In mid-2018, when a member of the staff of the CAMEX was interviewed, there were ideas to create working groups to discuss actions to formulate investment policies directed at promoting sustainable development, but possibilities were still being negotiated (M. Lima, personal communication, 11 June 2018).

6.11 SPPI[89]

6.11.1 Overview of the organisation

The Brazilian Investment Partnership Program (PPI), linked to the president's cabinet, was created in September 2016 by Law Number 13334 in order to intensify the "*interação entre o Estado e a iniciativa privada por meio da celebração de contratos de parceria para a execução de empreendimentos públicos de infraestrutura e de outras medidas de desestatização*" [interaction between the state and the private sector through partnership contracts to execute infrastructure public projects and other privatisation measures] (Presidência da República, 2016f). Two bodies have been created to manage the programme: the Council of the PPI, responsible for duties such as recommending to the President the projects to be included in the portfolio, and the Special Secretariat of the PPI, whose responsibilities include support to the organisations responsible for executing the projects and implementation of actions to advertise the projects to investors. Once a project is included in the PPI, it will be considered a national priority, and the organisations responsible for it will have to take the measures necessary for its planning and execution.

In October 2019, the PPI portfolio comprised 74 projects, in the following areas: waterways, thermonuclear energy, railways, motorways, airports, ports, urban mobility, water infrastructure, hydroelectric power, electric power distribution, electric power transmission, mining and oil and gas (Programa de Parcerias de Investimentos, n.d.). The projects in the portfolio of the PPI have priority in obtaining environmental permits,

[89] In addition to the law which created the programme, pieces of information on the activities of the SPPI were also obtained from its website (Presidência da República, n.d.).

and the SPPI established in 2018 a partnership with the Ministry of Planning, Development and Management to provide technicians to the Brazilian Institute of Environment and Renewable Natural Resources in order to speed up issuance of environmental permits for the projects (Secretaria do Programa de Parcerias de Investimentos, 2018).

The SPPI has maintained a relevant cooperation with organisations involved in the promotion of FDI in Brazil. For example, Apex-Brasil is the gateway for companies interested in investing in the country's infrastructure (B. Eustáquio, personal communication, 18 July 2018). The organisation is responsible for the first contact with potential investors and for directing requests to the SPPI and to the departments responsible for the projects (B. Eustáquio, personal communication, 18 July 2018).

The MRE has also supported the SPPI in its efforts to attract potential investors in Brazil's infrastructure projects. For instance, the Investment Division supplied the SECOM network with information on projects structured by the SPPI, and diplomats in the SECOM network were instructed to advertise the investment opportunities (F. Bettarello, personal communication, 11 June 2018). Moreover, the Investment Division also organised missions abroad aiming to advertise opportunities of investment in projects structured by the SPPI, with participation of the SPPI's staff (F. Bettarello, personal communication, 11 June 2018). When organising these missions, the Investment Division also provided support in scheduling meetings with potential investors.

6.11.2 Main activities of the organisation with potential positive impacts on sustainable development

Within the period of time covered by this thesis, the SPPI participated in one international activity aiming to attract foreign investments. In November 2016, members of the Government, including the President of Apex-Brasil, the Minister of Foreign Affairs and the Secretary of the PPI, participated in a mission to Spain which sought to attract investments to Brazil's infrastructure (Godoy, 2016).

Similarly to the case of the CAMEX, due to the fact that the PPI was set up relatively recently and in the end of the period of time considered in the thesis, there is little information available to assess the possible impacts of the programme on promotion of sustainable development through FDI. Nevertheless, it is worth mentioning that although the body does not focus specifically on sustainable development, the efforts to

promote investments in Brazil's infrastructure may bring positive effects to the goal of promoting sustainable development in the country.

6.12 Conclusion

During the period analysed in this thesis, various organisations carried out activities to promote FDI in Brazil. There was significant overlap in their tasks, as well as attempts to divide and coordinate them. Investe Brasil, the Investment Office and Apex-Brasil engaged in both facilitation and marketing. The DPR/MRE and RENAI/MDIC focused on marketing activities, although the activities of these organisations in the efforts to attract FDI to Brazil were not limited to marketing.

Two other organisations participated in the efforts to attract FDI into Brazil. The SPPI was created to attract investments involving partnerships with the Government, while the role of the CAMEX consisted of the formulation of policies and coordination of actions amongst organisations involved in the efforts to promote FDI in Brazil. Due to the fact that the SPPI and the CAMEX started to develop actions directed at FDI promotion in the very end of the period under analysis in this thesis, there was little information available to evaluate their roles in the promotion of sustainable development.

Investe Brasil and the Investment Office, organisations created in the beginning of the period analysed in this thesis, are no longer operating. Unlike in the case of Apex-Brasil, provision of public funds for the operations of these organisations was not defined by law. Investe Brasil was a public interest civil society organisation (with the legal status of a private organisation). Resources were provided for its operation as a result of a partnership agreement signed with the Federal Government. The Investment Office was a department created by decree which operated with a very small structure in the presidential palace. It is worth mentioning that although the Investment Office is no longer operating, the body has not been officially closed down, as the decree which created it in 2004 has not been revoked. Not being supported by a stronger legal base which guaranteed the provision of funds, dissolving Investe Brasil and the Investment Office was not a difficult task in periods of government transition or changes in the political circumstances.

The brief existences of Investe Brasil and the Investment Office limited their capacity to develop actions aiming to promote sustainable development. Usually, government organisations require a couple of months to be structured and to start

operating with an adequate capacity. Taking this fact into account and considering that developing actions to foster sustainable development through investment promotion demands careful planning and thorough capabilities to coordinate actions along with the public and private sectors, it is no wonder that these organisations ended up developing a relatively small number of initiatives which could result in potential impacts on sustainable development.

After Investe Brasil and the Investment Office ended its activities aiming at investment promotion, RENAI was created and Apex-Brasil became the main organisation involved in investment promotion in Brazil. Apex-Brasil's investment unit and RENAI were created in a context of pluralisation of actors in Brazil's foreign policy and of strengthening of the MDIC. Considering the period under analysis in this thesis, Apex-Brasil and the DPR/MRE were the main actors responsible for promoting FDI into Brazil. Apex-Brasil started to carry out investment promotion activities in 2004 and the DPR/MRE had already been developing actions to attract FDI before 2002. Having operated for longer periods (in relation to Investe Brasil and the Investment Office), Apex-Brasil and the DPR/MRE managed to achieve more significant results in terms of investment promotion initiatives with potential to promote sustainable development.

The adoption of adequate strategies to reach out to potential investors may have contributed to the facilitation of projects potentially conducive to the promotion of sustainable development. The table below presents information on the number of events and roadshows related to sustainable development the Brazilian organisations involved in investment promotion participated in and the number of projects with potential to promote sustainable development these organisations facilitated, considering the period under analysis in the thesis.

Table 15 - Main activities associated with sustainable development carried out by the Brazilian organisations involved in investment promotion, 2002-2016

Organisation	# of events / roadshows	# of projects facilitated	Years of activity(1)
Investe Brasil	2	6	3
Investment Office	2	13	2
Apex-Brasil	8	45(2)	12
DPR / MRE	17	-	15
RENAI / MDIC	6	-	12
SPPI	1	-	1

Source: Own creation

(1) During the period 2002-2016

(2) During the period 2008-2018

In addition to these quantifiable results, relevant strategies and initiatives which aided the organisations' efforts to promote FDI related to sustainable development were adopted. The main strategies and initiatives are listed on the table below.

Table 16 - Main strategies and initiatives adopted by the Brazilian organisations involved in investment promotion in areas related to sustainable development

Strategy / initiative	Investe Brasil	Invest. Office	Apex-Brasil	DPR / MRE	RENAI / MDIC
Prioritisation of sectors related to sustainable development	✓		✓	✓	
Use of indices related to sustainable development to define priorities	✓		✓	✓	
Efforts to attract investments in innovation / R&D centres / technology transfer			✓	✓	✓
Advertising on the internet of investment opportunities in Brazil's economic and social infrastructure	✓				✓

Source: Own creation

The pieces of information presented on the tables above indicate that Apex-Brasil had the most prominent role in the promotion of investment projects with potential to foster sustainable development in Brazil. Apex-Brasil is the organisation which facilitated the largest number of projects with potential to promote sustainable development. Apex-

Brasil participated in outreach activities related to sustainable development and adopted relevant strategies to attract investments related to the concept. Unlike Investe Brasil and the Investment Office, Apex-Brasil managed to secure continuity of its operations. This may have been helped by a more stable legal instrument which has been guaranteeing the provision of public resources for its activities.

Concerning the organisations no longer operating, the Investment Office facilitated a significant number of projects related to sustainable development, in spite of its brief existence as a body engaged in investment promotion. This organisation was linked to the Office of the Chief of Staff, which granted it a significant potential to coordinate actions along with various government departments which may be involved in issues related to the facilitation of investments. It is worth noting that although the Investment Office facilitated over twice as many projects associated with the promotion of sustainable development as the number facilitated by Investe Brasil, the former organisation did not report a significant number of strategies related to the concept.

Investe Brasil reported the adoption of a significant number of strategies aiming to promote sustainable development, but it did not attain a very relevant result in terms of projects facilitated. Unlike the Investment Office, it did not have the support of a strong actor within the Government. In fact, Investe Brasil was a private organisation and was linked to the Government by a partnership agreement, a legal instrument which does not bind the parts robustly and which can be extinguished relatively easily.

Regarding the DPR/MRE, although it did not engage in facilitation, it had a relevant role in marketing activities. The DPR/MRE was the organisation with the most active involvement in outreach activities aiming to attract investments with potential to promote sustainable development (considering the number of events and roadshows). It had a prominent role in the organisation of overseas missions aiming to promote investments in Brazil's infrastructure and it also carried out other significant actions to attract to Brazil FDI potentially conducive to sustainable development. It is worth noting that the DPR/MRE is supported by a large network of diplomatic missions abroad, which could have aided the organisation of the overseas activities and facilitated the division of tasks with Apex-Brasil.

RENAI/MDIC also participated in events aiming to attract FDI with potential to contribute to sustainable development, but it had a more prominent role in advertising online opportunities of investments in Brazil's infrastructure. Thus, considering the most active Brazilian organisations involved in investment promotion which operated for a

considerable number of years, while Apex-Brasil played an important role in facilitating investment projects with potential contribution to sustainable development, the DPR/MRE contributed significantly to the efforts to reach out to potential investors.

7 FINAL REMARKS

The increase in international flows of FDI is one of the major aspects related to the intensification of economic globalisation in the last decades, as FDI is the main means used by multinational companies in their internationalisation processes. As a result of the greater presence of multinational companies in several countries, complex relationships have been developed between these actors and the governments of host locations, at national and subnational levels.

Multinational companies and their investments have been associated with various benefits to the host economy, such as job creation, provision of financial and physical capital, increase in tax revenues, technology transfer and rise in exports. Considering the potential benefits of inward FDI, several governments have been adopting proactive measures to attract investments to the locations they represent. One important tool to attract FDI is the concession of tax incentives by governments. In some cases, bidding wars by competing host locations have led to the concession of extremely generous tax benefits, resulting in loss of significant tax revenues which could be used in the provision of goods by the public sector.

Governments may also seek to attract FDI through investment promotion entities. Their activities include promotion of the image of the location they represent, actions to reach out to potential investors (including the organisation of overseas missions) and provision of advisory services to investors. Over the last decades, several governments, at national and subnational levels, have established such organisations.

Although FDI may bring benefits to the host location, its impacts may be negative or not as significant as the expected by host governments. The results of quantitative analyses about the net effects of inward FDI are inconclusive. In addition, the positive contribution of inward FDI may be conditioned by specific sectors and types of projects. For example, projects which involve technology transfer and strong links with the local economy result in greater benefits than projects which aim to access local markets avoiding high import barriers. Thus, an active and selective investment promotion policy is necessary to increase the chances a location has to benefit from FDI. Characteristics of the host economy also influence the impact that inward FDI may have on the location, and aspects related to promotion of economic development, such as a high-quality education, an adequate infrastructure and a sound business environment need to be in place so that the potential benefits of inward FDI are maximised.

However, these prerequisites are often difficult to be obtained and their benefits tend to take a long time to be reaped. This frequently leads governments to adopt investment promotion as a substitute for a broader, long-term policy focused on factors commonly associated with the promotion of economic development. The attraction of FDI is considered to be a relatively easy way of promoting development, generating income, increasing tax revenues and creating jobs. And governments of host locations usually make significant gains from the establishment of multinational companies, with potential positive impacts on incumbent candidates or parties in future elections. Also, the loss of an investment project to a competing location may result in negative impacts to the image of a government. As a result, frequently governments seek to maximise investments attracted in terms of quantity, paying less attention to their quality.

If governments wish to make an adequate use of public resources, the foreign investment policy should be focused on promoting investments which may result in positive effects to the economies and societies hosting the operations of multinational companies. One of the possibilities governments have in the efforts to reach that goal is using the foreign investment policy as a tool to promote sustainable development.

Sustainable development is a concept derived from the idea that income indicators are necessary but not sufficient to measure the well-being of a society. An adequate use of natural resources and improvement in social conditions are also aspects necessary to guarantee good living standards. The concept of sustainable development results from the assessment that the levels of exploitation of natural resources in the last decades may compromise the capacity of future generations to attain a good standard of living. So that the foreign investment policy can contribute to promote sustainable development, specialists recommend a strategy focused on specific sectors (such as economic and social infrastructure, climate change mitigation and food security and agriculture) and on certain indices (such as value added, jobs, greenhouse gases emissions and technology transfer).

Since the mid-1990s, following greater liberalisation of the Brazilian economy and the successful implementation of the *Real* Plan, which put an end to several years of intense monetary instability in Brazil, FDI inflows have been growing significantly and over the last years the country has been one of the largest recipients of FDI in the world. Most of the FDI entering Brazil recently is of the market-seeking type, usually made by multinational companies willing to access the country's domestic market, one of the biggest in the world.

Essentially, FDI promotion involves two main tasks. On the one hand, marketing activities (which include image building, provision of information on opportunities and investor outreach) are related to the efforts to advertise the advantages of a location as an investment destination (for example, through the organisation of overseas missions to contact prospective investors) and opportunities of investment in the location (for example, in the location's infrastructure). On the other hand, facilitation activities are related to the provision of advisory services to potential investors, including assistance in finding the most suitable location for a project, assistance in the processes required to obtain environmental permits and assistance in establishing contact with relevant actors. In addition, organisations involved in FDI promotion may propose the adoption of policies to improve the business environment of the locations they operate in.

Given the potential benefits of inward FDI, Brazil has been adopting various measures aiming to attract investments of multinational companies. In terms of the organisations involved in FDI promotion, an important event was the opening in 2002 of Investe Brasil, the first investment promotion entity established in the country. The organisation operated for a short period of time in the beginning of the period under analysis in this thesis. The Investment Office was another body with a brief existence in the 2000s. For most of the period 2002-2016, three organisations involved in investment promotion coexisted: Apex-Brasil, the DPR/MRE and RENAI/MDIC. While Apex-Brasil engaged significantly in investment facilitation, RENAI/MDIC and especially the DPR/MRE focused on advertising Brazil as an investment destination.

This thesis sought to answer the following research question: did the government organisations involved in FDI promotion in Brazil adopt adequate measures to foster sustainable development in the country between 2002 and 2016? The answer is yes. The Brazilian organisations involved in investment promotion adopted strategies and carried out activities in line with recommendations to foster sustainable development through investment promotion.

Strategies adopted by the Brazilian organisations involved in investment promotion and initiatives carried out by them indicate that these organisations did have a relevant role in promoting sustainable development through FDI. As a result of the actions carried out by the Brazilian organisations involved in investment promotion, projects which have characteristics associated with the promotion of sustainable development were facilitated by Investe Brasil, by the Investment Office and, mostly, by Apex-Brasil. It is worth noting that a good number of the initiatives carried out by the organisations with potential to

promote sustainable development were in the area of infrastructure (which traditionally is not the focus of these organisations) and aimed to promote innovation in Brazil (including through private equity and venture capital investments, which are not traditionally targeted by entities involved in investment promotion).

Yet, a more effective investment policy aiming to promote sustainable development could have been aided by more clearly defined strategies. The Brazilian organisations did report adoption of prioritisation of sustainable development related sectors and of indicators associated with the promotion of sustainable development. These strategies certainly contributed to the results of the organisations in terms of projects facilitated with potential positive impacts on sustainable development. But not very frequently have they adopted targets related to the facilitation of project types considered to have positive impacts on sustainable development.

During the period analysed in this thesis, four instances have been identified of adoption of quantifiable targets for promotion of investments with potential contribution to sustainable development:

- target assigned to the MRE of organising 25 roadshows to attract investments, including to the projects of the Growth Acceleration Program and to sectors related to green economy and innovation;
- target assigned to the MDIC of attracting 60 new companies to the Manaus Industrial Sector and of increasing 6% the number of companies set up in the Manaus Free Trade Zone;
- target of companies accredited in the Inovar-Auto of investing at least 0.5% of their gross revenues in R&D activities in Brazil; and
- target assigned to the MDIC of attracting to Brazil 40 R&D centres of foreign companies for the period 2012-2015.

So that the organisations could provide a greater contribution to the promotion of sustainable development in Brazil, specific targets such as the ones mentioned in the bullet points above could have been adopted by them more often. The organisations, notably Apex-Brasil, could have defined the number of projects it intended to attract to Brazil during a certain period of time in sectors associated with the promotion of sustainable development, as recommended by UNCTAD (2014, p. 191). Examples of sectors which could have been chosen are listed on Table 1, in section 4.6. It is worth

noting that Brazil has huge economic potential in some of the sectors listed on the table, including agriculture and renewable energy generation.

Another possibility would be the definition of targets according to indices considered to have positive impacts on sustainable development. Such policy is also recommended by UNCTAD (2014, p. 182). Although in some cases the organisations adopted indices related to the promotion of sustainable development (including targets for attraction of investments in a less developed region of Brazil and in projects aiming to develop R&D activities), the Brazilian foreign investment policy could have defined more frequently targets for indices such as the number of jobs it aims to create through investment projects set up in the country and the volume of exports it aims to generate through investments of multinational companies. Examples of indices which could have been chosen are listed on Table 2, in section 4.6.

It is worth mentioning that the effective promotion of sustainable development through FDI is no easy matter. Implementing a comprehensive strategy aimed at fostering sustainable development through investment promotion is such a difficult task that few governments and organisations worldwide have managed to adopt in a comprehensive manner the measures recommended to achieve that goal. Moreover, in the case of Brazil, although a couple of departments have been engaging in investment promotion, other international economic issues may receive more attention from the Government. In the case of Apex-Brasil, the main organisation involved in investment promotion over the last years, its main focus is export promotion. Still, Brazilian organisations involved in investment promotion between 2002 and 2016 managed to devise original ways to promote investments with potential contribution to sustainable development. Their activities included, for example, initiatives aiming to attract FDI in sectors which are not traditionally targeted by entities involved in investment promotion, notably in the case of infrastructure.

The main conclusion of this thesis is that Brazilian organisations involved in FDI promotion did have a relevant role in fostering sustainable development in Brazil, as strategies were adopted and activities were carried out to promote investments related to the concept, resulting in the facilitation of projects with potential to promote sustainable development. Still, additional measures could have been taken to foster sustainable development through FDI. These additional measures could have enhanced the potential impact of the investment promotion policy on sustainable development in Brazil. Brazil is a country with great potential to foster sustainable development through FDI, considering

that it has been recently one of the main FDI destinations worldwide, that the country has had a prominent role in the international forums of discussion about sustainable development and that it has a huge economic potential in areas related to the concept, such as food security and agriculture and climate change mitigation.

The following hypothesis has been formulated in this study: the organisations involved in FDI attraction in Brazil did not adopt between 2002 and 2016 adequate measures to promote sustainable development in the country through FDI. This hypothesis was not confirmed by this study, as a significant number of measures with potential impacts on sustainable development were taken by the organisations involved in FDI promotion in Brazil.

To some extent, a division of tasks was defined between the organisations, and the marketing activities developed by them resulted in the facilitation of investment projects with potential contribution to sustainable development. Nonetheless, it is worth mentioning that even though FDI may provide relevant resources for the promotion of sustainable development, the foreign investment policy alone is not capable of altering the development level of a country. If Brazil has the ambition of promoting long-term economic development allied to environmental sustainability and social inclusion, several other policies in other areas will need to be implemented efficiently. At the same time, improvements in the investment promotion policy may provide some additional contribution to the achievement of sustainable development goals.

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APPENDIX

APPENDIX A – Definition and concepts of FDI

The purpose of this appendix is to present the definition of FDI, allowing greater understanding of its nature and contributing to avoid misconceptions about the phenomenon. Besides presenting in detail the characteristics of FDI, it will explore its relation to multinational companies. The next sections will discuss issues such as the methodology for calculation of FDI, possible actors involved in FDI transactions and the relationship between FDI and multinational companies[90].

A.1 Definition of FDI: concepts, documents and accounts

FDI is defined as "a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy" (International Monetary Fund, 2009, p. 100). The methodology for calculation of FDI is defined through international convention. A common methodology allows data to be compared among countries and creates a single understanding about the concept, which may facilitate the formulation of public policies directed at this type of investment.

The main document which spells out rules for the calculation of FDI is the Balance of Payments and International Investment Position Manual, published by the International Monetary Fund. The first edition of the Manual was published in 1948, and the most recent edition of the document is the sixth (often called BPM6), published in 2009. The Manual provides a pattern for the collection of data on the international interactions of an economy. These interactions are registered in the International Investment Position and in the Balance of Payments.

The International Investment Position is a financial statement which shows the values of assets abroad owned by domestic economic agents and the values of liabilities in an economy owed to foreign economic agents. The difference between assets and liabilities is the Net International Investment Position and the result is either a credit (when

[90] Pieces of information presented in this chapter were obtained mainly from the International Monetary Fund (2009) and Vieira (2010).

assets are greater than liabilities) or debit (when liabilities are greater than assets) of an economy in relation to the rest of the world. In the International Investment Position, inward FDI is registered as a liability. The table below presents a numerical example of the accounts of the International Investment Position.

Table 17 - International Investment Position of Brazil, December 2018

Account	US$ millions
1. Assets	**903,839**
1.1 Direct investments	400,065
1.2 Portfolio investment	40,590
1.3 Financial derivatives	988
1.4 Other investment	87,480
1.5 Reserve assets	374,715
2. Liabilities	**1,493,904**
2.1 Direct investments	761,981
2.2 Portfolio investment	494,809
2.3 Financial derivatives	250
2.4 Other investment	236,864
Net International Investment Position (1-2)	**-590,065**

Source: Own creation based on data from the Central Bank of Brazil

The numbers of the International Investment Position refer to a point in time, normally the beginning of the period or the end of the period. The values presented in the statement result from the volumes of transactions taken place up to the period being considered, reflecting the accumulated values of positive and negative flows. In the case of Brazil, the country had a net liability to the rest of the world in December 2018, as the value of its Net International Investment Position was a negative number. Descriptions of the variables direct investments, portfolio investment, financial derivatives, other investment and reserve assets will be presented in this appendix, in paragraphs below.

The other financial statement which provides information on the international interactions of an economy is the Balance of Payments. It presents values of transactions between residents in an economy and non-residents for a certain period of time. The accounts which comprise the balance of payments are categorised according to the nature of the resources internationally traded. The table below presents a numerical example of the accounts of the Balance of Payments.

Table 18 - Balance of Payments of Brazil, 2018

Account	US$ millions
1. Current account	**-14,509**
1.1 Balance on goods	53,587
1.1.1 Exports	239,034
1.1.2 Imports	185,447
1.2 Services	-33,950
1.3 Primary income	-36,668
1.4 Secondary income	2,522
2. Capital account	**440**
3. Financial account	**-7,742**
3.1 Direct investment - acquisition of assets	14,060
3.2 Direct investment - incurrence of liabilities	88,319
3.3 Portfolio investment	8,901
3.4 Financial derivatives	2,753
3.5 Other investment	51,934
3.6 Reserve assets	2,928
4. Net errors and omissions	**6,328**

Source: Own creation based on data from the Central Bank of Brazil

The main accounts of the Balance of Payments are the current account, the capital account and the financial account. The current account measures volumes of trade and income transactions between an economy's residents and non-residents. Income is classified into primary and secondary. Primary income refers to income earned by economic agents for their contributions to production, such as workers' remuneration, dividends and interests. Secondary income measures values of transfers of resources between economic agents such as governments and charities.

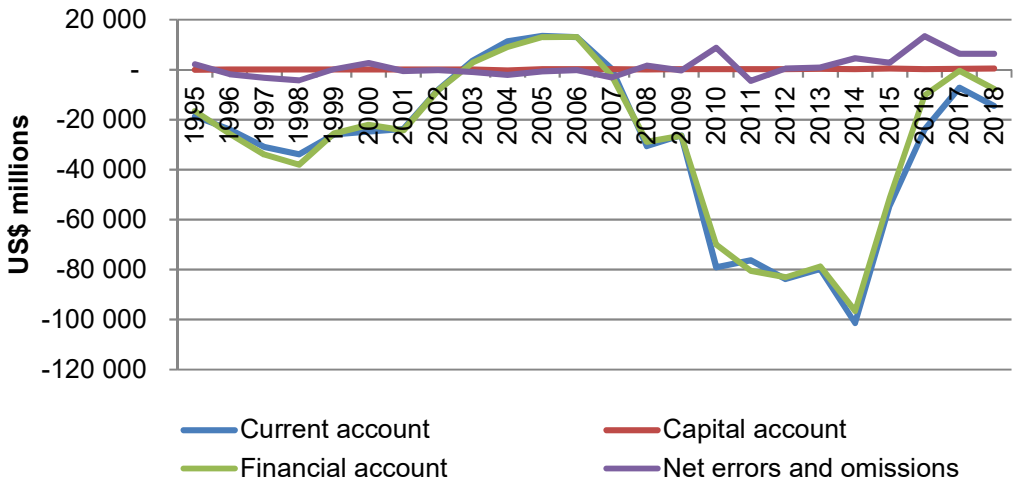
The capital account measures the values of transactions between residents and non-residents which involve non-produced assets (such as land), non-financial assets (such as licences) and capital transfers receivable and payable (such as debt forgiveness).

The financial account measures the values of transactions between an economy's residents and non-residents which involve financial assets and liabilities. As inward FDI is considered a liability, its value is subtracted in the calculation of the net value of the financial account. Thus, the value of "Direct investment - incurrence of liabilities" (US$ 88,319 million) is subtracted from the summation of the values of "Direct investment - acquisition of assets", "Portfolio investment", "Financial derivatives", "Other investment"

and “Reserve assets” (US$ 14,060 million + US$ 8,901 million + US$ 2,753 million + US$ 51,934 million + US$ 2,928 million = US$ 80,576).

It is worth noting that the Balance of Payment above is in equilibrium, as the current account deficit (US$ 14.5 billion) equals the sum of the capital account (US$ 440 million) plus the financial account (US$ 7.7 billion) plus net errors and omissions (US$ 6.3 billion). As the chart below shows, for the case of Brazil, inasmuch as the values of the capital account are relatively low, current account deficits essentially have been financed by the financial account.

Chart 11 - Values of main accounts of Brazil's Balance of Payments, 1995-2018



Source: Own creation based on data from the Central Bank of Brazil

In the Balance of Payments, FDI is one of the items of the financial account. In addition to FDI, the financial account comprises portfolio investment, financial derivatives, other investment and reserve assets.

Portfolio investment consists of international transactions of shares and bonds (including government bonds)[91] not classified as FDI or reserve assets. International transactions of assets in organised markets (such as stock exchanges) are generally classified as portfolio investment, but this kind of investment is not limited to such operations. Portfolio investment is characterised by a relatively anonymous nature of

[91] To facilitate the negotiation of bonds in secondary markets and the assessment of default risks, the issuer may hire a credit rating agency to evaluate its capacity to make payments related to the debt according to the stipulated schedule.

asset owners and by higher liquidity of assets. Portfolio investment usually implies a limited role of the asset owner in the decision-making process of the invested company.

Financial derivatives are assets negotiated in financial markets which have risks (and returns) linked to the value of other assets, to the value of indices or to the value of commodities. Other investment is a residual account which includes investments not classified as FDI, portfolio investment, financial derivatives and reserve assets. Lastly, reserve assets refer to resources readily available to monetary authorities to finance Balance of Payments deficits, to intervene in foreign exchange markets to influence exchange rates and to accomplish other economic policy goals.

Speculative capital flows which move across borders so as to seek short-term profits from differences in interest rates or from expected foreign exchange rate variations are called hot money. Usually these flows are more associated with portfolio investment and with financial derivatives, as assets classified within these categories are more easily tradable than assets classified as FDI.

FDI sent abroad is called outward or outbound FDI, and FDI entering a location is called inward or inbound FDI. FDI is a type of investment across borders characterised by control or a significant degree of influence by a non-resident over an enterprise and by a tendency towards creation of a long-term relationship between the parties. Due to these characteristics, FDI differs substantially from other types of international economic relations, such as foreign trade, licencing[92] and portfolio investment.

A.2 Actors and transactions related to FDI

FDI regularly involves allocation of sizeable amounts so that investors are granted participation in the management of an enterprise (or subsidiary) located in another country, and this is normally the investment made by multinational companies in their internationalisation processes (United Nations Conference on Trade and Development, 1998, p. 90).

In FDI transactions, acquisition of shares by an investor results in control over the invested enterprise or significant influence over it. Control occurs when the direct investor

[92] According to Garrido, Larentis and Slongo (2006, p. 4), "*através do licenciamento, a empresa que deseja se internacionalizar transfere para um parceiro no exterior o uso de sua propriedade industrial (patentes, marcas ou* know-how*) em troca de* royalties *ou outras formas de compensação*" [through licencing, the company interested in internationalising transfers to an overseas partner use of its industrial property (patents, brands or know-how) in exchange for royalties or other kinds of payment].

owns over 50% of the voting power in the direct investment enterprise[93] (in this case, it is considered a subsidiary) and significant influence takes place when the direct investor holds between 10% and 50% of the voting power in the direct investment enterprise (in this case, it is considered an associate)[94]. Ownership by a foreign investor of an equity share of less than 10% is registered as portfolio investment.

It is worth noting that the direct investment enterprise may or may not have shares floated on stock exchanges. Hence, the locus of negotiation of shares does not influence the definition of FDI. For example, an acquisition of shares which results in over 10% of voting power may take place in a stock exchange, which characterises the transaction as FDI. Transactions involving initial public offerings[95] tend to be registered as portfolio investment, as the acquisition of shares is usually diffuse. Nonetheless, if a single investor acquires ownership granting 10% or more of the voting power of an enterprise, the investment is registered as FDI.

When the acquisition of equity shares by a foreign investor results in significant influence or control over the management of an enterprise, a direct investment relationship is created between the parties. All companies under control or significant influence of the same direct investor are considered to be in a direct investment relationship. These companies are called fellow enterprises.

Control or influence over an invested enterprise may arise directly through ownership of shares in a company or indirectly through ownership of shares in a company which in turn has control or significant influence over one or more than one company, a situation in which a chain of direct investment relationships takes place, with each participant located in a different country. In such cases, the party which has control or significant influence over a company through an indirect relationship is considered the direct investor.

The minimum of 10% of shares necessary for the existence of a direct investment relationship is individual, i.e. valid for each investor. For instance, a company may be

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[93] In Brazil, the two main types of corporate governance structure are public limited companies (*sociedades anônimas*) and private limited companies (*sociedades limitadas*). In both cases, shareholders are granted voting power. Public limited companies may have shares traded in organised markets such as stock exchanges.

[94] In practice, control or significant influence may be obtained through shareholdings smaller than the ones defined in the FDI methodology. However, in order to avoid inconsistencies among FDI values calculated by each country and subjective definitions about the concept, government authorities should follow the official recommendations in calculating FDI statistics.

[95] An initial public offering is the floating of a company's shares on a stock exchange for the first time.

controlled by several non-resident investors, each owning equity shares equivalent to less than 10% of the voting power. In such cases, there is no direct investment relationship.

FDI is associated with a long-term relationship between the direct investor and the direct investment enterprise. An important characteristic of FDI is the fact that, in addition to financial resources, the direct investor may provide the direct investment enterprise with useful resources such as technology and operational expertise. Furthermore, companies which have established a direct investment relationship are more inclined to engage in mutual trade and financial transactions.

International mergers and acquisitions transactions involving shares equivalent to at least 10% of the voting power are registered as FDI, even though these transactions normally have a different nature in relation to other transactions classified as FDI. Often, mergers and acquisitions have as a consequence a mere change in the ownership of equity, rather than the provision of new resources for the direct investment enterprise.

Entities of various legal structures may be classified as direct investor. The direct investor can be an individual, a public or private enterprise, an investment fund, a government or international organisation, a non-profit organisation linked to a corporation or a trust[96]. Direct investment enterprise is also a concept which may assume different formats. It can be a branch, a notional resident unit[97], a trust, an investment fund or a corporation. Individuals and governments may be considered direct investors but not direct investment enterprises.

Although a direct investment relationship results from acquisition of equity which grants the direct investor significant influence or control, a significant part of financial transactions involving the entities engaged in a direct investment relationship is also classified as FDI. These transactions are called intercompany lending. Despite the fact that usually lending transactions are not associated with voting rights in the entity receiving the resources, credit operations involving entities which are in a direct investment relationship are registered as FDI.

Credit operations involving financial institutions which are in a direct investment relationship are an exception to the rule. Since one of the principal missions of financial

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[96] According to the International Monetary Fund (2009, p. 57), “a trust is a legal device by which property is held in the name of one party or parties (the administrator or trustee) who is under a fiduciary obligation to hold assets for the benefit of another party or parties (the beneficiary or beneficiaries)”.

[97] According to the International Monetary Fund (2009, p. 55), “when land located in a territory is owned by a non-resident entity, a notional resident unit is identified for statistical purposes as being the owner of the land”. Thus, FDI may also be associated with real estate investment.

institutions[98] is providing credit, international lending involving financial institutions, albeit belonging to the same group, is not registered as direct investment, but as portfolio investment or other investment.

Reinvestment of earnings which are due to the investor because of its ownership of equity in the direct investment enterprise is registered as FDI. Positive reinvestments are considered capital injections in the direct investment enterprise and negative reinvestments are considered withdrawal of capital. Reinvestments may be negative in cases of losses by the direct investment enterprise or in cases that dividends distributed are larger than profits earned.

Reverse investment occurs when the direct investment enterprise provides credit to the direct investor and when the direct investment enterprise acquires shares of its investor, as long as the stake does not reach or becomes greater than the threshold of 10% of voting power. Reverse investment may be used to withdraw investment or to organise internationally the finances of a multinational conglomerate. A round tripping operation happens when FDI flows enter a country and soon leave it to be allocated in a third entity located in the home country.

It is worth mentioning that goods and services may be transferred between entities in a direct investment relationship at prices lower than those charged in market transactions or even without involvement of any payment. For example, a direct investor may be willing to transfer machinery and equipment to a direct investment enterprise. When a direct investor provides goods and services to a direct investment enterprise at prices lower than market values, the transaction normally results in an increase in the number of shares owned by the direct investor in the equity of the direct investment enterprise.

The table below presents a numerical example of the accounts which comprise inward FDI, considering the case of Brazil.

[98] Deposit-taking institutions (including central banks), investment funds and other financial intermediaries, except pension funds and insurance companies, are considered financial institutions.

Table 19 - Brazil's inward FDI accounts, 2018

Account	US$ millions
Total Direct Investment Liabilities (1+2)	**88,319**
1. Equity capital – total	55,999
1.1 Equity capital, other than reinvestment of earnings	41,014
1.1.1 Invested in Brazil	46,187
1.1.2 Returned abroad	5,173
1.2 Equity capital – reinvestment of earnings in Brazil	14,984
2. Intercompany lending	32,320
2.1 Credits received from abroad	88,163
2.1.1 Headquarters abroad and subsidiary in Brazil	22,755
2.1.2 Subsidiary abroad and headquarters in Brazil (reverse investment)	45,568
2.1.3 Fellow enterprises	19,840
2.2 Amortizations paid abroad	55,843
2.2.1 Headquarters abroad and subsidiary in Brazil	21,656
2.2.2 Subsidiary abroad and headquarters in Brazil (reverse investment)	19,221
2.2.3 Fellow enterprises	14,966

Source: Own creation based on data from the Central Bank of Brazil

FDI comprises two main accounts: equity capital and intercompany lending. Both accounts may also present negative values. Hence, total FDI inflows may also be negative, depending on the values of these accounts.

Equity capital is divided into two categories, investments which are not reinvestment of earnings (1.1) and earnings reinvested in Brazil (1.2). Resources returned abroad (1.1.2) are subtracted from investments made in Brazil (1.1.1). Intercompany lending is also divided into two categories, credits received (2.1) and amortisations paid (2.2). In the calculation of the net value of the account intercompany lending, amortisations are subtracted from credits received.

It is worth noting that, despite having a short-term character, funds in transit (also called pass-through funds) are regularly registered as FDI. Resources related to these funds are invested temporarily in an enterprise located in an intermediate economy and are later directed to an enterprise in another economy with which the investor has a direct investment relationship. This kind of operation aims at accessing fiscal incentives offered by the locations through which funds in transit flow. These flows have little impact on the economies through which they pass.

Special-purpose entities, holding companies and financial institutions which support non-financial enterprises with which they have a direct investment relationship are usually associated with funds in transit. These funds have been circulating not only

in tax havens but also in large economies such as the Netherlands. Hence, funds in transit are regarded as responsible for causing distortions in FDI statistics. Recently, the share of these funds in relation to total FDI flows has been increasing substantially. Between 2009 and 2017, pass through funds rose from about 30% to almost 40% of global FDI (Damgaard, Elkjaer, & Joahannesen, 2019, pp. 12–13).

According to Damgaard, Elkjaer and Johannesen (Damgaard et al., 2019),

> in practice, FDI is defined as cross-border financial investments between firms belonging to the same multinational group, and much of it is phantom in nature – investments that pass through empty corporate shells. These shells, also called special purpose entities, have no real business activities. Rather, they carry out holding activities, conduct intrafirm financing, or manage intangible assets – often to minimize multinationals' global tax bill. Such financial and tax engineering blurs traditional FDI statistics and makes it difficult to understand genuine economic integration (p. 12).

A.3 Calculation of FDI

In Brazil, FDI values are calculated by the Central Bank of Brazil[99] through analysis of foreign exchange contracts. These contracts are deemed to be representative of the transactions completed between residents and non-residents. Only organisations authorised by the Central Bank of Brazil are allowed to operate in the foreign exchange market, and all contracts need to be registered at the Central Bank of Brazil.

Foreign exchange contracts identify the parties in a transaction and provide information on its nature and purpose. In these contracts, there are specific codes to identify transactions involving acquisition of equity share and provision of credit. Thus, the Central Bank of Brazil is able to calculate FDI statistics through analysis of foreign exchange contracts.

It is worth noting that in FDI statistics usually the sector registered is that specified in foreign exchange contracts, according to the National Classification of Economic Activities[100] code of the direct investor, and the origin of the investment is the country where the immediate investor is located, following international statistics standards. Therefore, frequently sectors associated with holding companies and countries through which funds in transit pass are highly relevant in FDI statistics.

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[99] In Portuguese, *Banco Central do Brasil*.

[100] The National Classification of Economic Activities (*Classificação Nacional de Atividades Econômicas*) is the classification used by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*) in the production of data according to sector of activity.

FDI stocks are calculated by summing the value of accumulated equity capital to the value of accumulated intercompany lending. To measure changes in the values of FDI stocks, the prices of shares traded in stock exchanges or in any other organised markets are preferably used. Nevertheless, when shares are not publicly traded, the value of the assets may not be easily available. Hence, it is necessary to use a proxy. Alternative methods to estimate the value of shares include use of a recent transaction price; evaluation by managers, board members or independent auditors; valuation by summing the present values of expected earnings or by using a sector average of the price/earnings ratio; use of the value of shares according to book value; and use of the price of shares of a company belonging to the same group which has publicly traded stocks.

Thus, values of FDI stocks do not change solely in response to FDI flows entering and exiting an economy. Changes in FDI stocks may also occur due to variations in share prices and because of foreign exchange rate fluctuations[101]. These factors may diminish the importance of flows in explaining changes in FDI stocks.

Information about FDI stocks are provided by the Census of Foreign Capitals in Brazil[102], a survey carried out by the Central Bank of Brazil. The first edition of the Census was published in 1996, referring to data collected in 1995 (Banco Central do Brasil, 2018, p. 30). Between 1996 and 2006, data for the Census were collected every five years (1995, 2000 and 2005) (Banco Central do Brasil, 2018). From 2011, the Census started to be published annually, considering a sample of companies smaller than the one used for the quinquennial editions of the Census (Banco Central do Brasil, 2018). While all companies having a non-resident owning equity capital are required to provide information for the quinquennial surveys, the annual editions are limited to a sample of large companies (Banco Central do Brasil, 2018).

A.4 Relevant characteristics of FDI and its relation to multinational companies

[101] Cuiabano (2014) has commented about changes in the value of foreign investments in response to exchange rate fluctuations, stating that "*por exemplo, enquanto o dólar valia R$1,69 ao final de 2010, esse valor subiu para R$1,83 ao final de 2011, uma desvalorização de 8,5% em um ano. Um investidor estrangeiro que tenha trazido R$1.690 (ou US$1.000) para o país em 2010, se resolvesse retirar essa quantia do país ao final de 2011, teria o valor equivalente a US$923,5, ou seja, perda de US$76,5*" [for example, while one dollar was worth R$ 1.69 in the end of 2010, this value rose to R$ 1.83 in the end of 2011, a devaluation of 8.5% in one year. A foreign investor which had allocated R$ 1,690 (or US$ 1,000) in the country in 2010 and decided to withdraw the resources from the country in the end of 2011 would have been able to remit US$ 923.5, i.e. a loss of US$ 76.5].

[102] In Portuguese, *Censo de Capitais Estrangeiros no País*.

Although FDI is commonly associated with international financing for creation or expansion of productive capacity in an economy, FDI (a cross-border investment) differs in essence from gross fixed capital formation (a domestic type of investment). While FDI refers to financial investments (equity capital and intercompany lending), gross fixed capital formation measures expansion of an economy's production capacity through acquisition of fixed capital, i.e. goods used in production processes repeatedly, without being consumed by them.

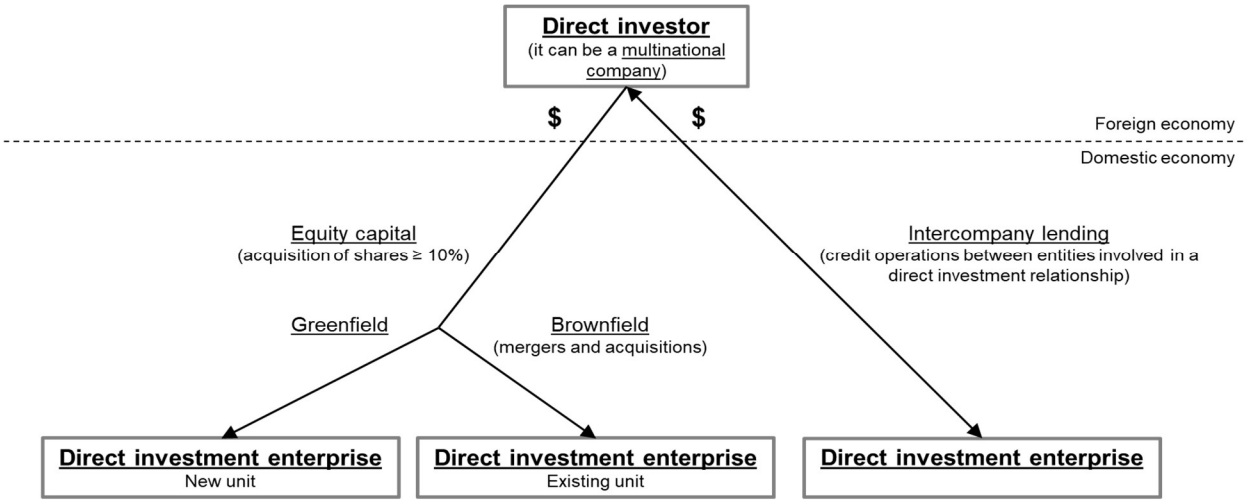
FDI is generally classified in two types: greenfield and brownfield. Greenfield FDI results in creation of production capacity (for example, the construction of a new plant) whereas brownfield FDI refers to international mergers and acquisitions, involving existing units (Qiu & Wang, 2011, p. 836).

The international expansion of multinational companies is usually associated with FDI flows, for example in the services sector, in extraction of natural resources or in industrial activities. UNCTAD defines multinational companies alluding to the 10% threshold of equity capital necessary for the existence of a direct investment relationship. According to UNCTAD's website (n.d.) transnational corporations are

> incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. A parent enterprise is defined as an enterprise that controls assets of other entities in countries other than its home country, usually by owning a certain equity capital stake. An equity capital stake of 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise, or its equivalent for an unincorporated enterprise, is normally considered as a threshold for the control of assets.

The figure below presents how main concepts and types of transactions associated with FDI are related. The actors involved in FDI transactions are identified within boxes, definitions are underlined and the arrows indicate directions of the flows.

Figure 2 - Main definitions and transaction types associated with FDI



Source: Own creation

Note: Reverse investment also occurs when the direct investment enterprise acquires shares of its investor, as discussed above. Such case in not shown on the figure.

Equity capital operations, which take place when the direct investor (which can be a multinational company) acquires shares in the direct investment enterprise equivalent to at least 10% of the voting power, are presented on the left-hand side of the figure. These operations may be of two different types. When a direct investor acquires shares with the aim of establishing a new production unit in the host location, FDI is classified as greenfield. When a direct investor acquires shares with the aim of securing equity capital of an enterprise which owns an existing production unit, that is to say, the investment resulted in change of shareholding, FDI is classified as brownfield, referring to mergers and acquisitions.

Intercompany lending operations are presented on the right-hand side of the figure. They take place when credit operations between two entities already involved in a direct investment relationship are carried out[103]. When the direct investment enterprise provides credit to its direct investor, i.e. the resources originate from the host location, a reverse investment occurs.

[103] Greenfield FDI may also be associated with intercompany lending when resources are provided with the aim of establishing a new production unit.

Finally, in order to understand the reasons why countries receive different volumes of FDI and to facilitate the identification of most appropriate FDI policies by host locations, it is worth discussing the main determinants of this type of investment.

Aspects linked to the economic conditions in the host location may have a strong influence on the investment decision. When investors adopt a market-seeking strategy the factors influencing FDI are linked to the characteristics of domestic and regional markets (Dunning, 1997, p. 219). Market-seeking FDI is made particularly by companies that own advantages derived from possession of specific assets (M. Laplane et al., 2001). When investors adopt a resource-seeking strategy, factors influencing investment decisions are linked to a location's physical and human resources (Dunning, 1997, p. 219). Multinational companies adopt an efficiency-seeking strategy with an intention of rationalising production at regional or global levels (Dunning, 1997, pp. 218–210). When strategic asset-seeking FDI is made by investors, they aim to get access to resources and skills such as innovatory capabilities, organisational expertise and distribution channels (Dunning, 1997, p. 218).

The business climate and regulation may also influence locational decisions related to the internationalisation process. Aspects which may be taken into account include, for example, rules applied to entry of FDI and to operations of foreign companies, rules on operations of markets (concerning, for instance, competition and mergers and acquisitions), existence of international investment agreements, privatisation policies, trade policies related to tariff and non-tariff barriers and the complexity of the tax system (United Nations Conference on Trade and Development, 1998, p. 92).

When it comes to foreign trade policies, multinational companies have been taking advantage of international economic conditions relatively more open which resulted from several rounds of trade liberalisation (Gilpin, 1987, p. 234). Nonetheless, not only higher degrees of liberalisation have stimulated the expansion of multinational companies, as in many occasions these companies have set up operations abroad to access local markets protected by trade barriers (Gilpin, 1987, p. 240).

Lastly, investment facilitation measures adopted by locations seeking to attract FDI may influence the decision-making process. Possible actions taken by governments with that goal include i) efforts to advertise the advantages of a location as an investment destination, ii) investor outreach, iii) investor advisory and iv) adoption of incentives (which can be, for example, the concession of tax benefits and the provision of public facilities). Frequently, investment facilitation measures are adopted as a result of

competition, among national and subnational governments, for investments of multinational companies.

It is important to point out that several aspects related to the host location may influence an investment decision, and generally it is difficult to identify the most relevant determinant. Also, although the factors affecting FDI decisions were presented separately, they may be analysed jointly by the actors responsible for internationalisation processes.

In conclusion, this appendix aimed to present main definitions and characteristics of FDI, a major concept of this thesis. Having a thorough understanding of the concept facilitates comprehension of the roles and activities of organisations involved in FDI promotion in Brazil.

APPENDIX B – Reports made available by Brazilian organisations involved in FDI promotion

Organisation (department)	**Years**
Apex-Brasil - Management Reports	2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016
Apex-Brasil - Sustainability Reports	2012, 2014/15
MRE (General Secretariat) – Management Reports	2009, 2010, 2012, 2013, 2014, 2016
MRE (Undersecretariat General for International Cooperation, Trade Promotion and Cultural Themes) - Management Reports	2008, 2009, 2010, 2011, 2012, 2013
MDIC (Executive Secretariat) - Management Reports	2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016
MDIC (Secretariat of Production Development) - Management Reports	2008, 2009, 2010, 2011, 2012, 2013

APPENDIX C – Interview scripts

Apex-Brasil/Investe Brasil

a. Does/did Apex-Brasil/Investe Brasil carry out actions to attract investments in projects with potential to promote sustainable development? For instance, organisation of missions and seminars, production of promotional materials, etc.
b. Does/did Apex-Brasil/Investe Brasil have any definition of priority sectors to guide investor facilitation and/or outreach? If so, which are/were the priority sectors? Does/did Apex-Brasil/Investe Brasil have any definition of targets related to projects facilitated and/or attracted in priority sectors?
c. Does/did Apex-Brasil/Investe Brasil have any definition of indicators to measure the impact on sustainable development of projects facilitated by the organisation or to define priority in facilitation and/or outreach activities? For instance, value added, jobs, environmental impacts, technology transfer, etc.
d. Did Apex-Brasil/Investe Brasil establish any partnership with investment promotion authorities from major sources of FDI into Brazil in order to identify, attract and facilitate projects which contribute to sustainable development?

CAMEX

a. Does the CAMEX develop any actions to formulate or coordinate a national policy to attract foreign investments which contribute to sustainable development?
b. Has the CAMEX ever put forward proposals to create instruments aiming to grant incentives to projects or sectors which may contribute to sustainable development?
c. Has the CAMEX ever coordinated the creation of working groups to discuss the possibility of production of studies related to attraction of foreign investments which contribute to sustainable development?

d. Has the CAMEX ever carried out activities to identify and disseminate information and best practices related to attraction of investments which contribute to sustainable development?
e. Has the CAMEX ever organised workshops and seminars focused on attraction of foreign investments which generate positive impacts on sustainable development, with participation of public and private agents?

DPR/MRE

a. Does/did the DPR carry out any actions to attract investments which contribute to the promotion of sustainable development? For instance, organisation of missions and seminars, production of promotional materials and market studies, etc.
b. Does/did the DPR have any definition of priority sectors for the attraction of investments and of targets for attraction of investments in these sectors? If so, which were the priority sectors and what actions were taken to attract investments in these sectors?

RENAI/MDIC

a. Does/did RENAI develop any actions to support the formulation, implementation and evaluation of policies to attract and facilitate investments which contribute to sustainable development?
b. Has RENAI ever put forward, in the committees it participates in, proposals and recommendations to promote sustainable development through policies to attract and facilitate FDI?
c. Does/did RENAI develop any actions to analyse and advertise information on investment opportunities and projects which contribute to sustainable development? Does/did RENAI have any data bank or online platform containing information about investment projects with potential to promote sustainable development?
d. Does/did RENAI implement any initiatives to disseminate information and practices related to investments which contribute to sustainable development?

e. Has RENAI ever promoted workshops or seminars which provided information about promotion of sustainable development through investment attraction and facilitation?

SPPI

a. Does the SPPI carry out any activities to attract investments in projects which contribute to the promotion of sustainable development? For instance, organisation of missions and seminars, production of promotional material, etc.
b. Does the SPPI have any definition of priority sectors to guide activities aiming to support and/or advertise investment projects? If so, which are the priority sectors?
c. Has the SPPI defined any indicators (for instance, physical capital formation, human capital improvement, contribution to the energy matrix, increase in renewable energy production, etc.) to measure the impacts of projects on sustainable development? If so, which are the indicators? Are these indicators used to define prioritisation for support to and/or advertisement of projects?
d. Does the SPPI carry out or request the production of studies on the environmental impacts of projects in the portfolio of the PPI?
e. Has the SPPI ever established any cooperation with development finance institutions so that companies investing in Brazil through partnerships with the Government have access to resources to finance projects which contribute to sustainable development?

APPENDIX D – Original names in Portuguese of the organisations listed on Table 6

Translation into English	Name in Portuguese
Brazilian Federation of Banks	Federação Brasileira de Bancos
National Association of Financial Market Institutions	Associação Nacional das Instituições do Mercado Financeiro
National Association of Securities Dealers	Associação das Empresas Distribuidoras de Valores
Brazilian Association of Leasing Companies	Associação Brasileira das Empresas de Leasing
National Association of Investment Banks	Associação Nacional dos Bancos de Investimento
Brazilian Association of Real Estate Loans and Savings Companies	Associação Brasileira das Entidades de Crédito Imobiliário e Poupança
National Association of Brokers	Associação Nacional das Corretoras de Valores
National Association of the Credit, Financing and Investment Institutions	Associação Nacional das Instituições de Crédito, Financiamento e Investimento
National Confederation of Industry	Confederação Nacional da Indústria
National Confederation of Transport	Confederação Nacional do Transporte
National Confederation of Agriculture	Confederação Nacional da Agricultura
National Confederation of Commerce	Confederação Nacional do Comércio
Brazilian Association of Infrastructure and Basic Industries	Associação Brasileira da Infraestrutura e Indústrias de Base
Brazilian Association of Industrial Engineering	Associação Brasileira de Engenharia Industrial
National Association of the Construction Industry	Sindicato Nacional da Indústria da Construção Pesada
Federation of São Paulo State's Construction Industry	Sindicato da Indústria da Construção Pesada do Estado de São Paulo
Brazilian Association of Machinery and Equipment	Associação Brasileira da Indústria de Máquinas e Equipamentos
Brazilian Electrical and Electronics Industry Association	Associação Brasileira da Indústria Elétrica e Eletrônica
Brazilian Union of Trade Fair Promoters	União Brasileira dos Promotores de Feiras
Association of Pension Funds	Associação Brasileira das Entidades Fechadas de Previdência Complementar
National Federation of Private Insurance and Capitalization Companies	Federação Nacional das Empresas de Seguros Privados, de Capitalização e de Previdência Complementar Aberta
São Paulo Stock Exchange	Bolsa de Valores de São Paulo
Rio de Janeiro Stock Exchange	Bolsa de Valores do Rio de Janeiro
Minas Gerais – Espírito Santo – Brasília Stock Exchange	Bolsa de Valores Minas – Espírito Santo – Brasília
Brazilian Mercantile & Futures Exchange	Bolsa de Mercadorias & Futuros
Center for the Custody and Financial Liquidation of Private Issues	Central de Custódia e Liquidação Financeira de Títulos
Ministry of Planning	Ministério do Planejamento, Orçamento e Gestão
Ministry of Foreign Affairs	Ministério das Relações Exteriores
Ministry of Finance	Ministério da Fazenda
Ministry of National Integration	Ministério da Integração Nacional
Ministry of Development, Industry and Foreign Trade	Ministério do Desenvolvimento, Indústria e Comércio Exterior
Ministry of Mines and Energy	Ministério das Minas e Energias
Ministry of Transport	Ministério dos Transportes
Ministry of Communications	Ministério das Comunicações
Ministry of Labour and Employment	Ministério do Trabalho e Emprego
Ministry of Agriculture	Ministério da Agricultura