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INTELLIGENCE AND RESEARCH

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CFR
6-4-75BRAZIL INVESTIGATES TRANSNATIONAL CORPORATIONS

The Brazilian Congress has authorized a Parliamentary Commission of Inquiry to examine the actions of transnational corporations and their future role in Brazil. The commission follows the publication of a Government-sponsored study showing that foreign-owned enterprises dominate important sectors of Brazil's economy.

The commission is expected to present proposals:

- modifying the present system of profit remittances abroad and the regulations for payment of royalties; and
- setting guidelines to govern the activities of multinationals and orient them toward selected sectors corresponding more closely to Brazilian interests.

Criticism of the transnationals has been led by the opposition Brazilian Democratic Movement Party (MDB), which won important gains in last November's congressional elections. On this issue, however, the Government party appears to be in general agreement with the opposition. The press has also called for greater control of transnational enterprises.

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Corporate Support of Geisel Is Diminishing

Brazilian industrialists have become concerned with their weakening position relative to foreign-owned firms and state-controlled corporations, and their enthusiasm for the Geisel administration has diminished noticeably. These industrialists have been the principal civilian supports of the military-based regime and any alienation of their affections could have profound political implications, particularly if they should side with military nationalists opposed to President Geisel's political "decompression" program.



*Geisel Is No Longer
Fair-Haired*

Confrontation on Transnationals Is Unlikely...

There is virtually no likelihood at present that Brazil will adopt any policy leading to confrontation with the transnationals. Moreover, Brazil needs large inflows of foreign capital to maintain its balance-of-payments deficits at a manageable level. The administration may, however, be stimulated to define its own policy for direct foreign investment along lines expressed in the recently completed Economic Development Plan.

...But Increased Regulation Is Expected

Although Brazil will remain an attractive market for foreign capital, the long-term outlook is for increasing regulation of transnational corporations. The congressional commission is important principally as an indicator of heightened Brazilian sensitivities over "denationalization" of the economy and of a change in attitude about the proper role of the transnationals. ~~CONFIDENTIAL~~

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