

The impact of swiss investments in Brasil

Autor(en): [s.n][

Objektyp: **Article**

Zeitschrift: **The Swiss observer : the journal of the Federation of Swiss Societies in the UK**

Band (Jahr): - (1973)

Heft 1672

PDF erstellt am: **12.07.2024**

Persistenter Link: <https://doi.org/10.5169/seals-691170>

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THE IMPACT OF SWISS INVESTMENTS IN BRASIL

Western investments in developing countries has often been decried as a self-interested exercise allowing rich countries to plunder poor countries of their resources. To those that hold that view, Switzerland would be one of the worst offenders since until last year, it was the country that spent the most per capita in investments abroad. The 1-per-cent of GNP figure was almost attained on several occasions. The trouble was that only a fraction of that outlay (about 220 million francs a year) could be considered as disinterested public aid whereas the private sector has annually invested about a billion francs during the past three or four years.

A research team from the University of Lausanne made a study of Swiss investments in Brasil to assess their positive and negative effect. They found that the balance of payment penalty entailed by such investments in the way of dividends and repatriation of capital is minimal set against their social and economic advantages.

The Lausanne team comprising Professor Charles Iffland and his assistant Alfred Stettler, centered their attention on fourteen Swiss companies in Brasil accounting for 85 per cent of the total investment of 40 Swiss companies established in that country. The most important of these fourteen undertakings is Cicobra-Produtos Nestlé which runs thirteen factories and employs 5200 persons. Founded in 1921, the company currently buys 520 million litres of fresh milk for its products and also uses the natural resources of Brasil by producing Nescafé.

The second company under examination was S.A. Cortume Carioca, a tanning and leather business belonging to Bally and originally destined to deliver skins to the mother factory in Switzerland. This company has gradually diversified into the wood business, supplying railway sleepers and construction material, and in running modern chicken and cattle farms. Its wide range of products have helped to boost its exports from 0.8 million dollars in 1968 to over 60 million last year.

The third example mentioned by the Lausanne team concerns a company called Eternit do Brasil Cimento Amianto SA, part of the Holderbank group. This company has been operating an asbestos mine some 200 miles north of Brasilia. The area was completely uninhabited. Today, 1200 people depend on this mine and a township of 4500 inhabitants has sprung up in the neighbourhood.

The researchers claim that the first two examples mentioned have not only helped Brasil economically by increasing its production. They have also improved the quality of those raw materials on which the new industries depended. The third case gave birth to a completely new community serving as a catalyst for regional development.

The creation of jobs in under-developed countries (a description applying less and less to Brasil) probably represents the most valuable contribution of foreign investments. A new plant not only creates jobs directly within its own premises, it creates jobs indirectly by stimulating the activities of its suppliers and creating new demand. This indirect job creation has a three-level effect: a "first generation" effect is to create jobs among the supplying firms; a second generation effect concerns the employees of the firms that supply the supplying firms; a third generation effect is to stimulate retail trade, the entertainment business and transports by the generation of new buying-power.

Professor Iffland has not attempted to quantify the third-generation effect. But limiting himself to the more direct effects, he arrives at the following results which describe the job-creating impact of 14 Swiss firms in Brasil: Direct Employment—19,380 (in 1971); Indirect Employment (first generation) 26,300; Indirect Employment (second generation) 42,120. Total Employment: 87,800.

Admitting that in a country like Brasil there is only one active person per household, i.e. one job per 4,9 inhabitants, Professor Iffland arrives at the conclusion that 14 Swiss companies in Brasil representing an investment of 182.5 million dollars generate economic activities securing the livelihood of 430,000 persons.

This phenomenon is illustrated by the example of an industrial estate set up by Sandoz with the participation of Ciba-Geigy on the road from Rio to Sao Paolo. The new factories produced 531 new jobs but this has led to a doubling of the population of the local town in twelve years. The plant is moreover closely linked with the life of the community since its managers also share in the management of the local hospital, the chemistry school and support the educational authorities.

Criticism of Western investments is usually aimed at their allegedly high-rate of return on capital which is supposed to impoverish the Third World. Professor Iffland claims that this argument — the

macro-economic argument — is only one of the many aspects of foreign investments. In the case of Swiss investments, the figures he shows partly discount the macro-economic arguments of those who profess that the rich are plundering the poor. Of a total of 236.8 million dollars of investments in Brasil, some 40 Swiss companies repatriated dividends to the amount of 5.6 million dollars in 1971 (or 3.1 per cent of investments). Loan interests (2.7 million franc) royalties and know-how (6.4 million) brought the total of funds transferred back to Switzerland to about 14.7 million franc, or 6.2 per cent of total commitments. These firms have ploughed back about 2 million dollars of their own money in 1971.

Swiss companies in Brasil registered that year a 365-million dollar turnover. 179 million was spent on goods and services obtained in Brasil, 73 million was given away in taxes, and imports of goods and services totalled 42 million francs. Thus the added-value of their production rose to about 180 million francs, or 50 per cent of turnover.

To satisfy the critics of capitalist investments in developing countries, it would have been necessary to know the economic cost of setting up these factories with funds of Brazilian origin, or the cost importing the goods which would have had to be sought elsewhere had not Swiss investors decided to produce them in the country.

RUBENSTEIN RECEIVES A DISTINCTION AT MONTREUX

The pianist Arthur Rubinstein was awarded this year's *Diplôme d'honneur de Montreux*, an annual prize honouring great artists and remitted at the same time as the Montreux Annual Musical Record Award. The Ceremony was held in the romantic setting of Chillon Castle in the presence of such artists as Elizabeth Schwarzkopf and Walter Legge.

The late Kurt Furtwaengler, former leader of the Berlin Philharmonic Orchestra, was also honoured posthumously by an award for a collection of four records which have recently been released. The famous conductor spent the last years of his life in Clarens, above Montreux, and his widow, Elizabeth Furtwaengler, still lives there. She was present at the ceremony, and expressed her gratitude in a short address that the efforts she had devoted to keep the work of her husband alive should be rewarded in such a way.