

# BRAZILIAN FOREIGN POLICY AND INVESTMENTS IN ANGOLA<sup>1</sup>

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## Introduction

The change of presidency from Fernando Henrique Cardoso to Luiz Inácio Lula da Silva is understood as a turning point in the orientation of Brazilian foreign policy (Vigevani and Cepaluni 2007). During Lula's mandate, Brazil experienced steadily increase of the flow of direct investments. In this context, Brazilian multinationals started operations and services provisions in developing countries. In Africa, Angola emerges as the main destination of Brazilian investments. The connections between foreign policy and firms' internationalization are central to understand the recent pattern of the economic activities of Brazilian companies in Angola. This paper argues that the internationalization strategies of Brazilian companies in the country are related to the movements of the Brazilian foreign policy. Therefore, we posit the hypothesis that changes in foreign policy paradigm and government incentives have significant weight in the recent profile of Brazilian foreign direct investments.

African countries are often considered as places of insecure political institutions for foreign direct investment (FDI) (MIGA/World Bank Group 2013)<sup>4</sup>. However, many countries in these regions have undergone a process

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1 A first version of this paper has been presented at Brazilian International Relations Association Conference (ABRI) 2015.

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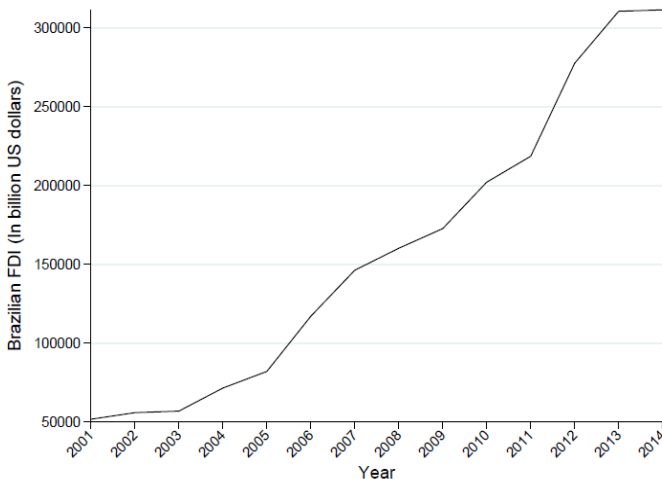
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4 One of the main political risk rankings can be found here: "Political Risk Index"

of democratization in the 1970s, which resulted in more attractive environments for foreign investors (Pandya 2014). These processes, as a rule, incorporated social sectors in political institutions, also expanding the role of business in the economy. Despite the growth of investments has accelerated since the 1990s in countries as South Africa, many others have not benefited from investment flows, much because of historical political instability, beyond the difficulties faced by economies (Asiedu 2002; Collier and Gunning 1999). Therefore, good relations with international sources of FDI are an important aspect of many African countries to foster development through international investments.

Brazil is a traditional receiver of foreign investment and only on the beginning of the XXI century became a significant foreigner investor in comparison with developed countries (Motta Veiga and Rios 2014; Fleury, Fleury, and Borini 2013). The first destinations of the Brazilian investments were Latin American countries, much due of the cultural proximity and similar socioeconomic characteristics (Fleury, Fleury, and Borini 2013). In recent years, especially since the Lula's government (2003-2010), Brazilian companies began to penetrate other regions and are now present in most countries (Arbix and Caseiro 2011), surpassing the boundaries of its neighbours. As we can see in the figure above, Brazilian foreign direct investments faced a dramatic growth since 2003.

Figure 1: Evolution of Brazilian Foreign Direct Investments (2001 – 2014)



Source: the authors. Based on data from Brazilian Central Bank.

<https://www.prsgroup.com/category/risk-index>

What make Brazilian investments go to the Global South? Some suggestions in literature arise the hypothesis that the shift in Brazilian foreign policy motivated by the end of bipolarity in the 1990s had the distinctive feature of strengthening South-South cooperation (Milani and Carvalho 2013; Souza 2012). This could mean also the increase in economic flows. If the change in the direction of Brazilian foreign policy is expressed by the quest to reduce its dependence on a few countries (mainly North) and by the greater autonomy of their choices in international matters (Vigevani and Cepaluni 2007), may there be consequences to Brazilian investors.

As detailed by Milani and Carvalho (2013, 13), the first signals of Global South's counterpoint to the North dominance can be traced back to the Bandung Conference, occurred in Indonesia in 1955. Since then, until the creation of the Brazilian Agency for Cooperation, many initiatives have been done by the Brazilian government to strength its position as a regional leader, not automatically aligned to traditional powers. This trend was revived in the 2000s, during the Lula's government, who sought to expand ties with the southern countries, through bilateral and multilateral mechanisms, as international institutions (Vigevani and Cepaluni 2007, 290). The promotion of investments and trade flows are some of the main instruments to strength bilateral relations and, in this sense, it is plausible to think this redirection in political terms may be related to the emerging pattern destination of Brazilian FDI.

Among the actions undertaken by the Brazilian government in the context of South-South cooperation, one that stands out most is the International Cooperation for Development (ICD)<sup>5</sup>. In the official discourse, it is characterized by the relationship's horizontality between the donor and a partner in order to preserve the autonomy of the recipient country. It is characterized by the absence of conditionalities and by the understanding that development promotion mechanisms are im-

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5 For the Brazilian Cooperation Agency (ABC), the International Technical Cooperation (term used by the Agency) comprises " financial aid, technical support, training of human resources, technology transfer process, donating equipment and materials, among other mechanism. They were - and still are - widely used in the operationalization of cooperation" (ABC). However the definition of ICD is still object of controversy (Souza 2012).

portant to closer relations between countries<sup>6</sup>. According to Milhorce (2013), the Brazilian ICD has contributed to the increasing recognition of the confidence of countries in the southern hemisphere, especially in countries of Portuguese-speaking Africa (Lusophone Africa).

Even though fully justifiable though the lens of the foreign policy paradigms shift, Brazilian cooperation in Africa has been questioned due the lack of insularity of the initiatives in relation to national private interests (Duarte 2014). In the view of Souza (2012), the ICD granted by developing countries, like Brazil, is similar to that of OECD countries<sup>7</sup>. In the author's view, "both are used as political and diplomatic instrument and promotion of economic interests, and are not intended exclusively or primarily for the development of partner countries or 'receptors'" (2012, 91). Similar point of view is proposed by Apolinário Junior (2014), who demonstrates how the Brazilian cooperation could be linked to the support gained by Brazil in the board of directors of important international financial institutions such as the IMF and the World Bank.

Major recipients of cooperation for the Brazilian development in Africa, Lusophone African countries are also some of the most frequent destinations of investment by Brazilian companies in the Continent. The foreign policy in direction to the South, in this regard, may be an important drive to the expansion of Brazilian multinationals towards the region. When comparing the practices of international cooperation of Brazil, India and China, André de Mello e Souza (2012), points out that the motivations of South-South cooperation are similar to those offered by OECD countries. By conclusion, the author argue that it can be understood as a political-diplomatic instrument and, at the same time, and instrument to promote its economic interests (2012, 91).

Once Brazilian companies are diversifying their investment location, this requires new explanations about what are the reasons for their choices. We hypothesized that the relationship between foreign policy and foreign direct investment is critical to understanding the role of policy on business decisions and the incentives for the internationalization of Brazilian companies. Among the possible new inter-

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6 From the official website of the Brazilian Cooperation Agency. <http://www.abc.gov.br/>

7 This view is shared by Milani (2012).

pretations, we argue that the type of relationship Brazil has with other countries, the support of the Brazilian government, cooperation agreements and international political affinities are important instruments for the internationalization of Brazilian firms in Angola.

The proximity between states can affect the behaviour of investors by facilitating interactions between economic agents and thereby reduce information asymmetries, diminish risks of expropriation and favour investments (Gupta and Yu 2007)<sup>8</sup>. In the case of US investments abroad, there is evidence that the political proximity of the host countries with the US reduces entry barriers and costs for American business (2007, 05)<sup>9</sup>. Similarly, the proximity policy may also reduce seizure of risks. When evaluating Chinese investments, Duanmu (2014) argues that the magnitude of the risk to which these companies are submitted is associated with the strength of political relations between the Chinese government and the recipient countries. These explanatory mechanisms may also be true in the case of Brazilian investment in Angola.

Foreign policy is an important inductor of Brazilian investments in Africa. With the increasing volume of FDI in recent years and the expansion of state aid dedicated to them, the questions about the connections between international business and politics gained relevance (Caseiro and Masiero 2014) . This article seeks to address this issue by providing information that contributes to the understanding that geopolitical interests expressed in Brazilian foreign policy may be linked to economic interests. The case of Angola is illustrative in this sense. The intricate relationship between international development cooperation, business internationalization and political and ideological interests of an autonomous foreign policy are central to the comprehension of the economic ties between Brazil and Angola. In this article, we will examine some of the main approaches to the role of the political dimension for business internationalization processes and analyse suggestions from literature about the changes in Brazilian foreign policy and its possible economic effects. The last step of this article is dedicated to

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8 The authors make a wide systematization of literature which binds the influence of politics relations on the economic flows, as investments.

9 The reduction of information asymmetries can also facilitate process of merger and acquisition, as it favors articulation between foreign and domestic actors.

expose some of the data supporting the argument.

## Brazilian relations with Angola

After a long period of low intensity relations, interaction with Lusophone Africa countries became more frequent. The creation of the Community of Portuguese Language Countries, in 1996, during the Fernando Henrique Cardoso's government, is an important example of the evolution of the relations (Vigevani, Oliveira, and Cintra 2003). However, circumstances and intensity of the relations between Brazil and African Countries would only change during Luis Inácio Lula da Silva administration. As pointed out by Visentini and Silva (2010), the change in government from Cardoso (1995 - 2002) to Lula (2003 - 2010) represents a new chapter in terms of the importance of developing countries to the Brazilian Foreign Policy.

African countries represent possible strategic alliances to the country's weight and aspirations in multilateral arenas as well opportunities for Brazilian market (Visentini and Silva 2010). These favourable characteristics have been better explored only during Lula's government, to whom many attributes his own personal engagement in approaching Africa as an essential element of the strengthening bonds with these countries (Visentini 2014; Oliveira 2015). During his government, Lula officially visited Angola three times (2003, 2007 and 2010)<sup>10</sup>, signed 45 bilateral agreements with the country<sup>11</sup> and has been an active interlocutor between South America and African Countries (e.g. IBAS and Africa-South America Summit).

According to Barbosa et al. (2009), economy and politics are needed to understand the Brazilian foreign policy in Africa. As reported by the authors, opportunities for Brazilian exports and internationalization of firms influence Brazilian disposition to cooperation in the continent. However, from their point of view, the fact that Brazilian firms are continually going to Africa is not enough to say that Brazil is

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<sup>10</sup> Having chosen to visit the country in its first year of government is indicative of the strategic importance that Angola now has for the government.

<sup>11</sup> The data can be found in the Brazilian Ministry of Foreign Relations database (<http://daimre.serpro.gov.br/>)

taking advantage as an emerging power in the area. There is still some regional dependence regarding China and USA in particular that put Brazil in a fragile position to exert geostrategic interests in the region.

A slightly different comprehension about the Brazilian presence in Africa is discussed by White (2010). To the author, the Brazilian approach towards the Continent is relatively successful because it is based in the broad components. Combining (1) economic interests through the internationalization of its firms with (2) visits, strategic partnerships (e.g., IBSA) and (3) cooperation projects, Brazil reached to increase its influence as an emerging power in Africa. However, points the author, its position is still low in comparison to India and China. What differentiates Brazil presence from the Indian and Chinese is the plurality of actors involved and the mix of agencies, firms and governmental actions. More than *de facto* presence, these characteristics improve the Brazilian soft power in the continent, and assure a crescent good image. The consequences of this disposition can be seen in the frequent support from African countries to Brazilian positions in multilateral forums (White 2010).

Among the African countries, Angola has a prominent role in Brazilian foreign policy. In 1975, after emancipation movements, Brazil was the first country to recognize the independence of Angola. According to Lima (2005), the recognition of the first Angolan independent government, during the Brazilian military government, is a landmark of Brazilian autonomous and active diplomacy in Africa (2005, 28). Nonetheless, the relationship only became more intense in the 1990s, with the visit of Fernando Henrique Cardoso to the region and the beginning of trade negotiations between Brazil and the Mercosur with the SADC (Southern African Development Community)<sup>12</sup>. During Cardoso's government, sending military troops to a peace keeping mission in the country is considered by Vigevani et al. as a step towards the resumption of interest to Brazilian companies in the country (Vigevani, Oliveira and Cintra 2003, 55).

Angola has experienced high economic growth rates in the last decade. With an average economic growth of 10 % p.a. between 2001

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<sup>12</sup> Composed by South Africa, Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

and 2013<sup>13</sup>, at income per capita Angola reached US\$5.17 million in 2013<sup>14</sup>, owing to these factors the fifth largest African economy has received attention from Brazilian companies. Due to business opportunities in critical areas to the country, such as oil and gas - which accounts for 46 % of its GDP and 96 % of its exports (World Bank, 2013) -, mining, agriculture and infrastructure (Iglesias and Costa 2011) large Brazilian companies had been easily seduced. With these characteristics, Angola has received Brazilian investments in the oil and construction sectors since the late 1970s (Iglesias and Costa 2011)<sup>15</sup>, and has become, in recent years, the main recipient of Brazilian investments in the continent (US\$ 1.3 billion in 2013).

The attractiveness of the Angolan economy to Brazilian companies is also reflected in opportunities for exports. From 2001 to 2014, exports to the African country grew by more than 8 times<sup>16</sup>. For this reason, the country has become the second largest Brazilian trading partner in sub-Saharan Africa (Ministério das Relações Exteriores 2013). The increase in the economic flows also affected Angola's view about Brazil. According to Iglesias and Costa (2011, p.16), Brazil figures among the three most important countries in terms of relevance and influence<sup>17</sup>.

The Brazilian trade model in Angola has as one of its foundations the financing guarantees of the National Bank for Economic and Social Development (BNDES) to finance exports of goods and infrastructure services. According to Vilas-Bôas (2014), Angola is not the only country to receive this type of guarantee, but it is the only country to have a special account for it (the "oil account")<sup>18</sup>. The BNDES financing incentives for exports of goods and in-

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13 The Angolan economy showed a growth rate of around 18% in 2006, 23% in 2007 and 14% in 2008. After the 2008 crisis, which affected oil prices and the inflow of FDI to the country, the growth has decreased. However, regained momentum in 2011 (4%) and in 7% in 2013.

14 Compared to US \$ 7.604 million, which is the average of upper-middle income in developing countries. Source: The World Bank (<http://data.worldbank.org/data-catalog/world-development-indicators>)

15 Petrobras started its operations in the country in 1979. Odebrecht begins its activities in Angola in 1984.

16 Which represent an amount of US\$1,2 bi in 2014 (MDIC – Brazilian Ministry of Development Industry and Trade).

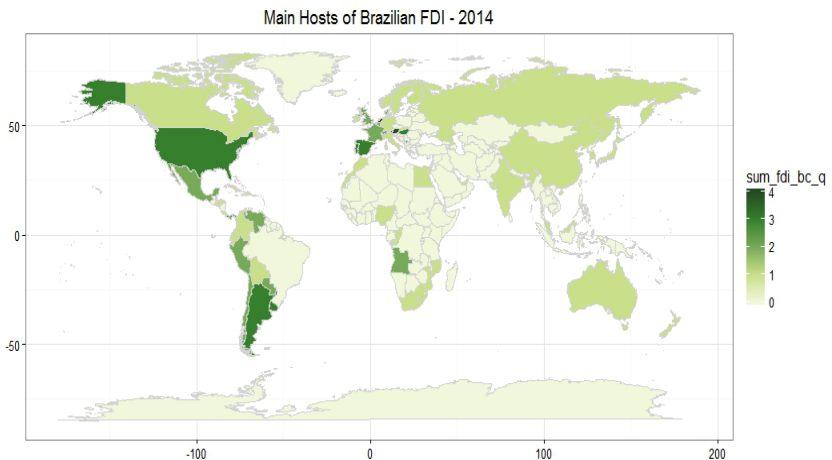
17 Odebrecht is the biggest private employee of the country (Vieitas and Aboim 2012).

18 A especial report about the issue can be seen in Valor Econômico (02/05/2012). Accessed May 20, 2016. [http://www.valor.com.br/brasil/2640008/brasil-quer-replicar-com-outros-pais-](http://www.valor.com.br/brasil/2640008/brasil-quer-replicar-com-outros-pais)



frastructure services in Angola has benefited, at least since 2007, some of the most important companies in the construction sector as Odebrecht, Camargo Correa, Queiroz Galvão and Andrade Gutierrez. While that consolidates the participation of Brazilian companies in the region, as suggested by Vilas-Bôas (2014), it is interesting to note that the main contractors of the engineering companies are governments. Thus, the construction companies in Angola, by reason of the oil account existence, have been directly benefited by the relations between the Angolan government and the Brazilian government.

Figure 2: Map of the distribution of Brazilian Foreign Direct Investments - 2014



Source: the authors. Based on data from Brazilian Central Bank. Light green (no or very low stock of FDI) – Dark green (high volume of capital stock)

## Political determinants of brazilian Investments in developing countries

Foreign investment in general, and the internationalization of companies, in particular, are objects of study in various areas of the humanities and are even the basis of an area of knowledge, the so-called *international business*<sup>19</sup>. Although the international business area has no exclusivity on the issue, the field is common reference for most researchers. It is from the de-

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es-da-africa-modelo-de-comercio-com-angola

<sup>19</sup> The area holds a broad debate on the issues and has researchers of different fields, such as Administration, Economics, Political Science, International Relations, Sociology, Anthropology and Psychology.

bate in the area that the main explanatory theories about the trajectories, strategies, causes and effects of internationalization are formulated.

The most common way of understanding the internationalization of Brazilian companies is considering it as a later step to exports. In situations where certain markets have significant share in company's exports, to open subsidiaries, representative offices and / or technical assistance are natural steps (CNI 2013, 45). Among other explanations often cited as reasons for the internationalization of Brazilian companies are the diversification of strategies and minimization of risks in relation to Brazil's economic cycle (Hirataka and Sarti 2011), access to new technologies (Arbix, Salerno, and Negri 2005), reduction of costs and learning to cope with international competition (Cyrino and Tanure 2009), the improvement in macro and microeconomic domestic environment (Casanova and Kassum 2013) and the incentives and financing schemes of host countries (Caseiro 2013).

As soon as examples of companies internationalization from developing countries began to proliferate, the main explanatory approaches about the determinants of internationalization started to be questioned about their suitability for emerging markets contexts (Cuervo-Cazurra and Ramamurti 2014; Cuervo-Cazurra 2012). Although disseminated, this kind of explanation is subject to controversy. The authors working with the Uppsala model, in which the Brazilian investments abroad are seen as a result of gradual strategies began to be questioned much because of the profile that Brazilian investments took from 2004 on (Arbix and Caseiro 2011; Casanova and Kassum 2013)<sup>20</sup>. In the opinion of Arbix and Caseiro (2012), recent governmental policies to internationalization altered the strategies of Brazilian multinationals. Among the explanations provided by the authors, there is the state support for the creation of large business groups, the national champions. The public support via institutions such as the BNDES intensified the internationalization of Brazilian companies and has been essential to the creation of large and competitive multinationals.

The new approaches emphasize innovative strategies of market entrance (Mathews 2006), the skills developed to deal with institutional environments uncertainties (Guillén and García-Canal 2009), the comparative advantages derived from the country context (Fleury, Fleury, and Borini 2013; Rugman and Verbeke 2004) and adaptation strategies that value specific advantages and at the same time reduce the liabilities of being foreigner (Ra-

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20 For these researchers, the companies first settle in neighboring countries (Latin America) and then proceed to more remote areas (Fleury, Fleury, and Borini 2013; Parente et al. 2013). These explanations are based, as a rule, in the argument that the cultural and geographical proximity reduces the risk of business investments.

mamurti and Singh 2009). Looking at the origin context of emerging multinationals brought to attention the role of institutions in business decisions (Kostova and Zaheer 1999; Kostova 2002), enlarging the political dimensions considered important to the international behaviour of firms. This and other aspects cited have been incorporated to international business studies, albeit it is still very detained to the incentives and relations between companies and bureaucracies in origin and host countries.

The Brazilian literature of international relations has given increasing attention to the role played by Brazilian transnational corporations in the international insertion of Brazil (Jank and Tachinardi 2007; Sennes and Mendes 2009)<sup>21</sup>. On many occasions, partnerships between the Brazilian government and firms succeed to increase the international presence of the country by promoting the expansion of the productive activities of Brazilian companies abroad.

Public incentives for internationalization are often linked to programs of cooperation for international development in regions in which the country seeks to increase its influence<sup>22</sup>. The internationalization of public corporations and national research institutions like Embrapa, Fiocruz, Sabe-sp, among others, seems to be encouraged through incentives generated from technical cooperation projects promoted by the Brazilian Cooperation Agency<sup>23</sup> (Barbosa 2012). In general, these programs seek to replicate the national expertise in projects in the areas of sanitation, agricultural development and housing construction - knowledge which many developing countries can benefit by taking advantage of the experience gained by these companies in Brazil.

In regional integration issues, the internationalization of Brazilian companies is often encouraged by the government in order to strengthen its regional presence from large projects. Private companies in the area of infrastructure, as important Brazilian construction companies - Odebrecht, Camargo Correa, Andrade and Gutierrez and Queiroz Galvão, to name some

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21 Examples in literature (Alem and Cavalcanti 2005; Alves 2011; Campiolo and Pesavento 2013; Carvalho 2012; Iglecias 2011; Menezes 2012; Vasconcellos 2014; Vianna 2010; Caseiro e Masiero 2014).

22 See (Guimarães 2001; Sennes and Mendes 2009)

23 Example is the Pro-Savana program, in which the Brazilian government (through the Brazilian Cooperation Agency in partnership with Embrapa) seeks to develop agricultural production in savannah areas in Africa based on the successful adaptation of the “Cerrado”, a kind of biome found in the Center-West of Brazil (which has similar conditions to African savannas). The potential of this program, in addition to externalities for some African economies, could result in investment opportunities for entrepreneurs of Brazilian agribusiness sector. See: <http://www.cnpmf.embrapa.br/destaques/Mocambique.pdf>

the most known - are important agents in projects related to regional energy integration, infrastructure, logistics and transport (Castro 2012; Couto 2008; Luxemburg 2009; Vasconcellos 2014; Vilas-Bôas 2011). Other domestic companies are part of the group benefited by the Brazilian government in these areas, as are examples Petrobras and Vale do Rio Doce.

Also in strategic areas for the national development as the technology-intensive industry, the Brazilian government's actions have fulfilled an important role in the internationalization of Brazilian companies (Arbix, Salerno, and Negri 2005). Those with a high degree of technological expertise and innovation potential as Embraer, Marcopolo, Weg and Braskem are supported by government institutions<sup>24</sup>. The aim is to obtain access to knowledge and technology, while ensuring the competitive insertion of Brazilian companies in these sectors. The international presence of these companies ensures the Brazilian government participation in strategic global markets in the areas of security and defence, transportation, energy, among others.

As pointed out, Brazil has put forward institutions to promote Brazilian trade and investments overseas, such as the Brazilian Export and Investment Promotion (APEX) and the National Bank for Economic and Social Development (BNDES) that occupy essential roles in support the internationalization of Brazilian companies<sup>25</sup>.

It is in the interest of the business community that the Brazilian government establishes agreements in search of investment opportunities and credible commitments for Brazilian investments abroad, with particular attention to its role in developing and planned economy countries (CNI 2013). From businesses point of view, in addition to the guarantees of ownership and property rights, the advantages created by the Brazilian government presence may represent real market opportunities. Obtaining operational permissions and access to knowledge, technologies and strategic assets can be facilitated to Brazilian companies depending on the kind of presence the Brazilian government has established with the investment host country. In particular, technological development agreements and technical cooperation can promote the activities of Brazilian companies, increasing their competitiveness or mean-

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24 Sometimes BNDES is a shareholder of these companies. Case studies about the trajectories of internationalization of them can be seen in (Parente et al. 2013)

25 The "Report of the Brazilian Investments Abroad 2013" organized by National Industry Confederation (CNI) prescribes some desirable attributes of being adopted by the Brazilian government in order to promote the internationalization of companies. Among the recommendations are: a) the coordination of investment promotion initiatives (economic diplomacy); b) the defense of the interests of Brazilian companies in relation to governments of host countries (especially in developing countries) and c) the negotiation of agreements to promote and protect investments (BITs) in order to mitigate political risks (CNI 2013, 12).

ing privileged business opportunities.

## Brazilian Foreign Policy and Investments in Angola

Understood as political risks for investments, the possibilities for discretionary actions of countries are linked to the characteristics of their political and institutional environment. Such practices and decisions can occur due to the diffuse understanding about the impacts of foreign investment (Jensen and Lindstädt 2013), and they may be related to institutional quality indicators (Buchanan, Le, and Rishi 2012). Political risks, according to Henisz (2000), impact the decision of going abroad and the entrance mode of companies in a country, and “is a function not just of the structure of the institutional environment but also of the characteristics of the investment” (2000, 335). When going to places where institutional uncertainties are high, as in Angola, political connections and international agreements between governments may have an important function in diminishing political risks (Büthe and Milner 2012; Guerin and Manzocchi 2009; Jensen 2008)<sup>26</sup>. Domestic institutions are important for attracting FDI (Jensen 2003) and inconsistencies in attracting investments may occur due to lack of investor guarantees that the governments will not undertake measures that affect them negatively (Büthe and Milner 2012, 35) as are examples the forced nationalization of companies, taxing profit remittances, corruption, among others (Busse and Hefeker 2007; Xu and Shenkar 2002)<sup>27</sup>. In addition, according to Schneider and Frey (1985), the ideological affinity of recipient and origin governments can change variable costs for business, encouraging the flows of investments between the countries as it facilitates the opening of communication channels, promotes cooperation between the parties and reduces information asymmetries.<sup>28</sup>

From the many suggestions in the literature about how the policy choices of countries affect the investment and trade provision of national companies and observing the behaviour of some Brazilian companies in Africa, we argue that this kind of relation is a central part of the internationaliza-

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<sup>26</sup> According to Buthe and Milner (2012), the more democratic a country is, the greater is the effect of preferential agreements and free trade agreements on the level of investments received by the country. Similar explanation is found in the works of Tuman and Emmert (2004), for whom firms seeking to expand market may be attracted to a country when it participates in regional free trade agreements or custom unions.

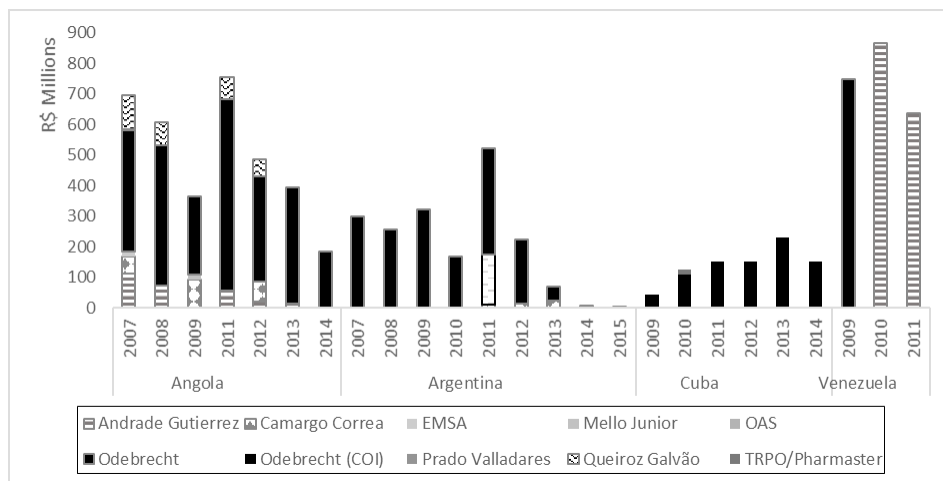
<sup>27</sup> Types of political risks are better detailed by Henisz (2000).

<sup>28</sup> In the Brazilian case, as interpreted by Vigevani and Cepaluni (2007), the “experience of Lula da Silva government suggests a significant weight of ideas, tempered by the constraints of international realities - political, economic and strategic” (p. 276).

tion of Brazilian firms in Angola. A series of descriptive data on investments, trade, cooperation projects and BNDES support to companies operating in Angola corroborates the argument of economic gains encouraged by government incentives and the policy actions taken by the Brazilian foreign policy, the so called South-South cooperation<sup>29</sup>.

According to a survey from Dom Cabral Foundation (2014), 12 of the 100 most transnationalized Brazilian companies operate in Angola. Among them, at least 7 are from the construction sector and are subject to receive special indirect benefits from the Brazilian government. The Development Bank (BNDES) counts with a special line of credit to foreign clients to buy services from Brazilian companies and it has benefited largely some of the most important firms in the construction sector. The BNDES financing data on exports of engineering services and capital goods show that, from 2007 to 2014, Angola was the country that most received the modality. Among the benefited companies, Queiroz Galvão, Andrade Gutierrez, Camargo Correa and, especially, Odebrecht can be listed and are present in the country since the 1980s.

Figure 3: BNDES disbursement by firm, year and country



Source: the authors. Based on data from BNDES (2015).

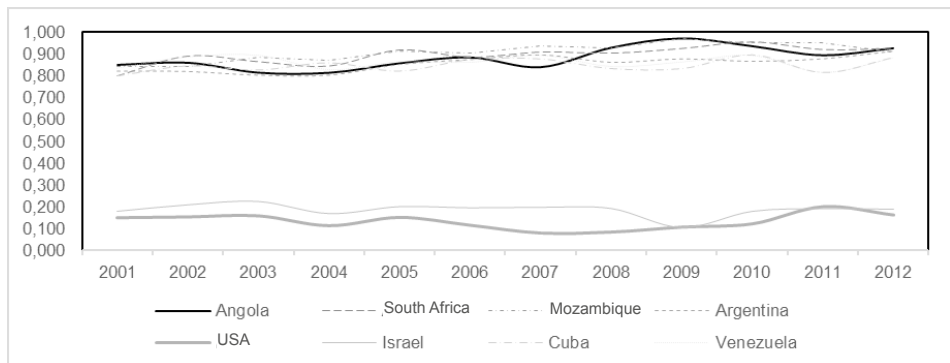
The list of the top countries that are preferred destinations of BNDES benefits does not reflect the role of political and ideological affinities between

29 The assumption that the BNDES financing are indicative of governmental proximity to the country, exports destination of goods and services is presumed here.

the Brazilian government and partner countries. One way to verify this connection is ascertaining the alignment on international issues of these economies with regard to Brazil. Among the works seeking to find similarities and proximities between countries from the positions taken in international bodies, stands out the voting pattern of the representatives at the United Nations General Assembly (Gartzke 2000; Voeten 2012).

Because of its broad scope, alignment from the votes in the UNGA is often considered a good indicator of affinity between countries<sup>30</sup>. Examples in the Brazilian foreign policy literature are relevant. Amorim Neto (2011) evaluates the relative weight of domestic and systemic political variables in determining the Brazilian foreign policy. Particularly, it is in the interest of the author to demonstrate how the convergence of votes between Brazil and the United States at the United Nations General Assembly is a good indicator of changes in the direction of Brazilian foreign policy over time. Similarly, Malamud (2011) assesses in what extent Brazil is a regional power using the UNGA votes as a proxy to evaluate the adherence of countries in the region to the Brazilian positions. Ramanzini and Ribeiro (Ramanzini and Ribeiro 2013) compare the convergence of Brazil and China to some of their key strategic partners. The authors' findings strengthen the hypothesis that the political alignment between Brazil and China is followed by the increase in trade and investment relations between the countries.

**Figure 4: Votes Convergence in the UNGA (2001 - 2012)**



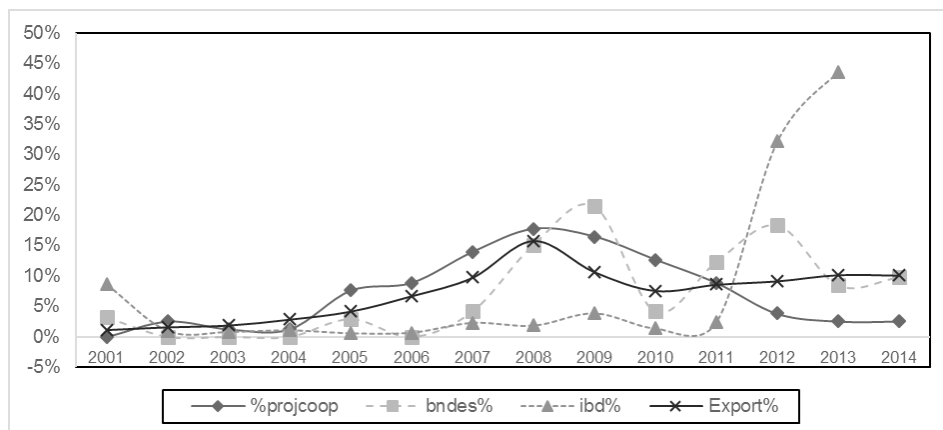
Source: the Authors. Data from Bailey, Strezhnev and Voeten (2015).

As we can see in the figure above, Angola had a high alignment with Brazil in relation to the pattern of votes in the UNGA between the years of

<sup>30</sup> These data was summarized and made available to the public by Erik Voeten, and they are available on the Harvard Dataverse Network (<https://thedata.harvard.edu/dvn/>).

2001 and 2012. This alignment is similar to that of other countries that are also common destinations of BNDES export incentives, namely, Argentina, Cuba and Venezuela. Analysing more precisely the variation of the convergence in the UNGA between Angola and Brazil, it is possible to see that in the period between 2006 and 2010 the alignment reached its peak. Coincidentally, this was also the period of growth of [1] the number of cooperation projects between Brazil and Angola, [2] the volume of disbursement from BNDES which benefited Brazilian companies and [3] the volume of Brazilian exports to the country. Also, it comprises the period in which Lula da Silva made three official visits to the country (2003, 2007 and 2010).

**Figure 5: Number of Cooperation projects, BNDES disbursement, Brazilian FDI and Exports to Angola (2001 - 2014)**



Source: the authors. Used data from Aid Data 3.0, BNDES, Brazilian Central Bank and Brazilian Ministry of Development, Industry and Trade (MDIC).

Preliminary statistical tests suggest a positive relationship between the variables- a relation that is even greater when considering the investment and trade variables lagged. The results were not brought here by the absence of more robust data able to allow any suggestions of causality. However, a simple correlation test points out the values of 0.67 between cooperation (projcoop) and votes in the United Nations General Assembly (UNGA), 0.87 between exports and cooperation and 0.80 between the votes in the UNGA and the financing of exports provided by BNDES. Although we are avoiding to presenting more elaborate theories about the effects of Brazilian cooperation over the flow of Brazilian investments in Angola, it is plausible to argue that the Brazilian economic activity in Angola, partly captured by the FDI and by the exports is related to major political events involving both countries. In the



case of exports, there is a clear relation between the increase of the Brazilian foreign policy activities (official visits, UNGA votes and cooperation projects) and the increase in exports.

Although this relationship is not clear in the case of the investments, it is reasonable to interpret that the Brazilian companies in Angola benefit from the actions of Brazilian foreign policy, especially large groups of engineering. If we consider the exports of services as a signal of direct activity of firms in Angola, it is clear that the stimulus provided by the BNDES works as a fundamental mechanism of connection between the Brazilian government and the host client, which is in this case mainly the Angolan government. The firms, the final beneficiaries of this relationship, by its chance, strengthen the Brazilian presence in the country. The causality is not clear, but these evidences may show us that there is a complementarity between governmental and private interests behind the Brazil and Angola bilateral relations in the last years.

## Final Remarks

When dealing with Brazilian investments in Africa, Souza (2012) suggests that the Brazilian development cooperation has contributed to financing the exports of goods and services, especially through incentives promoted by the BNDES. The evidences here presented meet with the author's view and point out that between 2001 and 2014, Brazilian companies have benefited not only from cooperation for development, but also from a broader political relation between the governments. The behavior of Angola and Brazil in the United Nations General Assembly, the number of cooperation projects signed between the countries, presidential visits, and public incentives as the BNDES credit line for exports, corroborates the argument that the economic benefits of Brazilian companies are associated to international political alignment of the countries.

The quest for autonomy as a primary objective of the orientation of Brazilian foreign policy - in which policies are oriented around the South-South cooperation as opposed to the hegemonic parameter of North-South cooperation - can induce external behavior of Brazilian companies. The intertwining between foreign policy and internationalization strategies of Brazilian companies can be seen as an important drive for the operation of Brazilian firms in developing countries, and in particular in Angola.

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## **ABSTRACT**

The literature has given increasing attention to the role played by Brazilian transnational companies in its international insertion. In this context, special attention has been given to Brazilian private activities in Africa and, in particular, in Angola. Some countries in Sub-Saharan Africa are understood as potential markets for investments, especially given the similarities of the challenges for development and expertise of some of the Brazilian firms in sectors as agriculture, mining and civil construction. The objective of this paper is to try to capture possible relations between Brazil-Angola bilateral relations over the international operations of Brazilian firms. Our argument is that the business environment to investments has been favoured by a simultaneous international political alignment, as a consequence of the changes in the Brazilian foreign policy orientation.

## **KEYWORDS**

Brazil; Angola; International Political Alignment; Foreign Direct Investments; South-South Cooperation.

*Received on June 28, 2016.*

*Approved on July 01, 2016.*