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**BRAZILIAN FOREIGN TRADE**  
**AND ITS ROLE IN INTERNATIONAL COMPETITIVENESS**

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**A PANORAMIC OVERVIEW OF WORLD TRADE**

It is common knowledge that in the past 25 years the speed of world integration has accelerated, with dramatic increase in the flow of commodities, factors of production, technology and financial capital – characterizing the so-called internationalization of markets.

The growth in trade has been considerably faster than growth in world output. According to a recent article in the Economist, "global trade has grown 16-fold since 1950, far outstripping the growth in GDP (6-fold)"

This has marked a trend in international integration not matched in the post world war period. The liberalization of trade has obliged economies to specialize, increase productivity and improve their competitive advantage in order to survive. This also encouraged the increase in investments and thereby the increase in international movement of capital. Although this increase in the flow of capital has contributed to a greater vulnerability for countries dependable on foreign capital, it has been a phenomenon that fueled foreign trade.

Behind this phenomenon of internationalization is a tremendous development in technology with marked emphasis in computer science and telecommunications, which reduced costs of productions in every area and activity.

Another important cause for the increase in trade has been quite deliberate. Countries, either by their own decision or forced by GATT negotiations, reduced tariff and non-tariff trade barriers and opened their economies to foreign investment.

The Uruguay round of GATT negotiations reflected these changes in the nature both of trade and of trade barriers. The treaty, signed in 1994, created the WTO as a successor of GATT and increased the scope of liberalization to include services, intellectual property and environment protection. It has become more effective in solving disputes than GATT.

## A. A COMPETITIVENESS AND THE ROLE OF GOVERNMENT

### 1. THE NOTION OF COMPETITIVENESS

The classical notion of competitive advantage initially proposed by David Ricardo in 1817 was based on the fact that even countries that lack absolute advantage in the production of some goods, should still engage in international trade specializing in the production of goods where it has a comparative advantage. Following this principle, a country can still gain from trading certain goods even though its trading partners can produce those goods more cheaply. The comparative advantage occurs if each trading partner has a product that will bring a better price in another country than it will at home. If each country specializes in producing the goods in which it has a comparative advantage, more goods are produced, and the wealth of both the buying and the selling nations increases.

There is a quite different approach, which does not value so much factor endowments but instead, business environment and institutions that support competition. Michael E. Porter, "The Competitive Advantage of Nations", details such theory and application in the book. Porter's proposal is that in a modern global economy, a nation can choose to be competitive in certain industries applying coordinated policies toward such end with emphasis in increasing productivity. According to Porter, instead of asking why a nation is competitive, as there are many conflicting explanations for that, one should ask how to become more productive. In order to become competitive a nation must continually improve the productivity of its industries. Raising product quality or adding desirable features to a product or even by improving product technology could make this. Governments could have a role in this through supporting rising productivity in private sector by improving education, health and infrastructure. International trade stimulates productivity by eliminating the need to produce everything and therefore indicating the need for specialization. Porter suggests that competitive advantage be highly localized according to national economic structures, values, cultures, institutions. So the role of the home nation cannot be underestimated. Porter considers the determinants of national advantage a system he coined as the "diamond" system. The factors are: 1) Factor Conditions, 2) Demand Conditions, 3) Related and Supporting Industries, 4) Firm Strategy, structure and rivalry.

### 2. THE ROLE OF GOVERNMENT

Porter states that the role of Government in national competitive advantage is in how it influences the diamond factors. The influence can be either positive or negative. It can influence in factors of production through subsidies or capital markets or education. It must stimulate the other factors but it should not be the only source of competitive advantage reinforcing the determinants of national advantage so as to obtain a positive response by the private sector.

## I. FOREIGN TRADE AND THE NEW INDUSTRIALIZED COUNTRIES (NIC'S)

## A. THE SOUTH KOREAN EXAMPLE

The last decade has brought to the international arena important competitors from the group of medium income developing countries. Asian Newly Industrialized Economies – or the tigers – are good examples. From this group Porter chose South Korea as having the best prospects for international competition as it presents rapid growth in productivity and per capita income.

It is interesting to see the Korean example as it may represent the same category of developing countries in which we find Brazil, although with several particular cultural and structural traits. Korean export share in 1985, compared to industrialized nations comprises a narrow range of industries concentrated in final consumer goods. The exporting industries are also concentrated, as the top 50 Korean industry account for 52% of Korean exports. Its factor conditions present weakness in natural resources, many natural ports, shortage of arable lands, abundant human relatively cheap human resources with high average level of education. The role of Government in South Korea has been heavy and important. This has contributed to long range sustained and successful programs of education, substantial investment in infrastructure and efforts to promote exports through export insurance, tax credits and help in financing.

The entry of South Korea into world markets and its acquisition of a competitive edge in those markets are highly due to government incentives and its strategic management of foreign trade policy. This initiative has been detailed in a World Bank Research Publication of 1984: Korea's Competitive Edge by Rhee, Yung W. The book emphasizes two main systems for managing export promotion: tariff-free access to imported intermediate inputs necessary for the production of export goods and access of bank loans for working capital. This is no news at all as most developing countries have similar trade policies. What is presented in the publication as a real innovation is how these incentives have been implemented. Two institutional mechanisms have been created: A system for setting export targets which is basically a projection by firms of expected increases in exports and the practice of periodic trade promotion meetings which basically reviews progress toward export targets. These meetings are chaired by the president and attended by major officials responsible for trade policy, leading businessmen and export organizations. This mechanism has provided a forum for exchange of information and has caused enormous increase of efficiency by government bureaucracy in dealing with problems and devising rapid solutions.

## B. COMPETITIVENESS AND DEVELOPMENT

According to Porter development of nations or economic progress occurs by upgrading to ever growing competitive advantage positions by acquiring capability of competing in higher productivity industries. The imports of products that could otherwise be produced internally at higher costs are essential to enhance this capability and thereby penetrate the foreign markets competitively.

Porter identifies four stages of competitive development: factor-driven, investment-driven, innovation-driven, and wealth-driven. The first three involves progress and the last one decline. The

first stage of factor-driven economies draws advantage mostly from basic factors of production. Investment-driven are designed to upgrade factors to more advanced stages as well as to create infrastructure and permit a leap towards development. It depends highly on ability and willingness as well as political resolve being the role of government of fundamental importance. The innovation-driven stage depends upon a sophisticated demand due to higher income and higher level of education being the role of government in this stage of much less importance but still relevant in stimulating new business formation. The wealth-driven stage leads to decline as it is linked to past wealth decreasing investment and innovation.

The conditions for achieving higher levels of competitive advantage are, according to the diamond theory: factor creation mechanisms such as education and infrastructure, motivation or willingness by the people to improve their conditions of living through hard work, domestic rivalry as a condition for competition through fear of failure, demand upgrading, selective factor disadvantages which creates impetus for overcoming them and finally capacity for new business formation.

The main goal of government policy toward development of an economy regards the deployment of resources with increasing levels of productivity. Government all around the world are well aware of the need to improve competitiveness and they try to do so through an array of measures which in general consider at least some of the following: devaluation, deregulation, privatization, tax reform, improvement in education system, investment in research among others.

## I. THE BRAZILIAN CASE

### A. BRAZILIAN FOREIGN TRADE POLICY

The Brazilian economic stabilization program, the so-called Real Plan, after the new established currency, created immediate increase in domestic demand with the access of low-income consumers. This has increased demand for imports and absorbed part of previously exportable goods. The beginning of the decade of 1990 also marked a tremendous shift in foreign trade policy, mainly regarding the liberalization of foreign trade through reduction of import tariffs and the implementation of MERCOSUR so as to face the challenges of the globalization phenomenon.

With the increase in imports, Brazilian Balance of Trade reached in 1996 US\$ 5.5 billion and in 1997 US\$ 8.4 billion.

The goal is not just to reach a surplus in the Balance of Trade. It is also important to increase exports as well as imports of raw materials and capital goods. The result in the long run would reflect the importance of selective imports in order to modernize the Brazilian industrial sector. Another important factor is the volume of foreign investment: US\$ 17 billion in 1997, being US\$ 5.2 billion regarding privatization, while in the first half of 1998 the figures were US\$ 8.5 billion and US\$ 1.7 billion respectively. This inflow of capital reflects in part the confidence acquired by the country in this administration. Of course this has been put in doubt after the financial turmoil created in the aftermath of the Asian Crisis.

Some of the measures of Federal Government to increase exports: reduction or elimination of taxes on export goods, privatization of port services and reformation of export financing system.

Another measure is the Program of New Export Centers ("Polos") – PNPE. It tries to transform productive center scattered throughout Brazil into new export centers, with products adequate for international markets and with more involvement of small and medium businesses in the exporting process. This has already demonstrated good results.

On the import side, the Brazilian government is paying attention to operations that may result in jeopardizing certain sectors of the economy through disloyal commercial practices as well as risks of irreversible damages to newly created industries or under restructuring. Without risking the process of liberalization of trade, the government has not hesitated to fight predatory practices or illegal practices such as dumping.

Capital goods have followed a regular path influenced by privatization of capital intensive industries such as electric energy, telecommunications and mining.

Other governmental measures:

- resources for export financing (PROEX): from US\$ 950 million to US\$ 1.4 billion in 1998
- Implementation of the FGPC – Guarantee Fund for Competitive Promotion which guarantees risk of export operations financed by BNDES
- Creation of APEX – Agency for Export Promotion – which has the objective of implementing the policy of commercial promotion
- Creation of SBCE – Export Credit Insurance Company.

#### Exports Special Program – PEE

Another important innovation in trade policy was the creation the Exports Special Program (PEE) which has the objective of doubling Brazilian Exports by the year 2002. Joint Government and private sector goal of increasing foreign sales from US\$ 53 billion in 1997 to US\$ 100 billion in 5 years. This marks the advent of a new era of relationship between government and the private sector, in which the responsibility of achieving a national objective is divided between the two sectors. The Brazilian foreign trade has undergone great changes from 1990 on. One of the greatest changes has been de increase in traded goods of about 120% from US\$ 52 billion in 1990 to US\$ 114 billion in 1997. This expansion hides however an imbalance between import and export performance: while imports tripled from 1990 to 1997 from US\$ 20 billion to US\$ 61 billion, exports went up only 69% from US\$ 31,5 billion to US\$ 53 billion.

The process of transformation that Brazilian economy has undergone in latter years creates the conditions for sustainable growth in the medium to the long run, but at the same time it increases the necessities of imports in the short run. This imbalance is the cause of change from a surplus of US\$ 10.7 billion in 1990 to a deficit of about US\$ 8.3 billion in 1997 in the balance of trade. The factors that influenced Brazilian foreign trade: 1) opening of Brazilian economy with reform of foreign trade; 2) Process of economic integration with signature of Asuncion treaty, in 1991 and the consolidation of MERCOSUR as Customs Union, from 1995 on, 3) economic stabilization and the Real Plan in July of 1994; 4) State Role redefinition with privatization and constitutional reforms regarding economic issues; 5) Investment recuperation. Economic Liberalization – characterized by

the reductions in protectionist tariffs, the end of prohibition of a number of imports and gradual reductions of non-tariff restrictions.

Access to raw materials, intermediary goods and capital goods, more efficient machines and equipment, which in turn will aid the process of increasing competitiveness in all sectors of the economy. These changes increased competition in domestic market breaking strong links between economic activity and imports.

Regional Integration Process – MERCOSUR, in 1995, enlarged the scope of Brazilian trade liberalization establishing TEC – common external tariffs and free trade among members.

Economic Stability – The Real Plan resulted in expansion of internal market, as the low income population were incorporated in consumption. The end of hyperinflation and the increase in consumption had direct effect on imports. The exchange rate policy after Real Plan was not linked to export promotion and started to reflect more adequately market fluctuation.

State role redefinition – the opening of telecommunications and energy sectors and the acceleration of the privatization process have fundamental consequences to foreign trade. This process is helping recuperate investment in infrastructure although at the same time it means the increase of imports.

Investments – Direct Foreign Investments have unequal impact in Brazilian foreign trade. Foreign companies start establishing in a country by importing from their Head Office. In a second moment they start importing equipment and raw materials for production and only in a third moment they increase their export capacity.

The strengthening of Brazilian exports understood as an objective of the whole society will permit better conditions for sustaining economic growth while keeping foreign equilibrium, reducing the need for foreign savings and increasing employment for Brazilians. While the market and economy needs as well as the performance of foreign competitors in international markets grow more rapidly than the country's capacity of facing such challenges with conventional tools, there is a need for changing the model and establish a new paradigm. This is the reason for structuring the Export Special Program.

The Exports Special Program – PEE is an attempt to establishing a new kind of relationship between public and private sectors. Determining a target for exports to be achieved by the year 2002, the Program creates a point of reference not only for the government, but also for the productive sector. This way there is corresponsability toward a national objective. The ultimate goal is the call for a more effective participation of entrepreneurial leaderships in the exporting process.

The fundamental idea behind the PEE is to create a new form of managerial organization of Brazilian Foreign Trade. In the same way as in the Program Brazil in Action, PEE will

identify as entrepreneurship both support activities and productive sectors with exporting potential.

In order to integrate the program, there have been selected 56 productive sectors which will receive special attention from the Government, so as to conquer or extend their presence in foreign market. These sectors have been responsible for about 88% of Brazilian exports in 1997. Twelve support activities have been defined: Export Finance; Commercial Promotion, Quality and Technology, Enterprise Management and Export Culture; Trading Companies; Logistics; Market Access; Public Management; Tariffs Adjustment; Exchange Norms Adjustment; Export Investment; and Labor Issues.

**Directive Management:** This method represents a new paradigm of public action that contributes decisively for the solution of problems in priority sectors for the increase of Brazilian exports. This method is amply used by the private sector and will play an important role in achieving the goal of exporting US\$ 100 billion by the year 2002. The continuous growth of foreign sales is fundamental for the country to face their problems and challenges, specially the maintenance of employment and the economic stability gained with the Real Plan.

This management model through directives is better explained by some basic concepts. A directive consists in establishing a target and the necessary and sufficient measure to achieve it.

Three parts constitute every goal: one management objective, an amount and a period of time. A measure is a means or specific method to achieve the goal. Management is the idealization and execution of a plan of action to achieve the goal. It requires at first a problem analysis and its causes and then the definition and the execution of sufficient measures to solve them, i.e., in order to reduce the distance between the objective that would be achieved with simple management of routine activities and what is intended to be achieved as a goal.

The fundamental conditions for the Management by directives to be successful are the engagement of leaderships from high administration and determination of all involved in the pre-established global goal.

The implementation of Management by directives depends on the adoption of certain basic principles:

1. establishment of annual directives and long run directives for all managerial levels;
2. execution of action plans indicating priority and sufficient measures;
3. verifications of control items in the implementations of actions taken and distance towards the goals so as to evaluate achievement;
4. Analysis of results and goals and actions for correction

In the Export Special Program, the directive includes a target for increasing exports to US\$ 100 billion, in 2002, and the twelve areas of support. The general directive shall be divided in sector directives, with their goals and new level of measures. The 55 selected sectors and the 12 supporting areas will be accompanied by managers, each one responsible for their entrepreneurship and managerial autonomy.

The thematic management, in charge of supporting measures will be carried out by public sector servants who work in the institutions responsible for critical tasks associated with the problem in question. The sector management's are comprised of private sector professionals who shows leadership, initiative and creativity.

The management of the PEE will be conducted in two levels:

1. through meetings of management teams with the President of the Republic, so as to stimulate cooperation among managers;
2. Through the Chamber of Foreign Trade – CAMEX, who will manage the routine of the Program and who is responsible to monitor, support and articulate the program actions. CAMEX will also promote meetings with several sector and thematic managers so as to strengthen periodically the determination in achieving the established targets.

With the Export Special Program, the Government and the private sector indicates an ambitious trajectory for Brazilian exports so as to increase the contribution of foreign sector to the sustained economic stability.

It is interesting to notice the similarity of this program with the one implemented by South Korea and mentioned above. The Korean counterpart has been highly successful in increasing its exports from less than US\$ 100 million in the mid-sixties to over US\$ 20 billion in the early eighties. The Brazilian program is set to double its exports from US\$ 53 billion to US\$ 100 billion by the year 2002. It is hard to make such comparisons when we are dealing with countries with enormous differences in size, natural endowments, populations and cultures. It seems that a country with a population nurtured with Confucian values tends to regard the relationship with authorities more easily than a country with a population so heterogeneous as Brazil and with so much economic and social disparity from region to region.

The meetings with the president that has been so effective in Korea in the Brazilian case will certainly be held with the participation of representatives of different sectors rather than with the heads of firms themselves. That doesn't mean that it has no chance to be successful. It is impossible to imitate special institutional mechanisms between so different countries. One has to devise special mechanisms adequate with its own particular conditions. It is important to emphasize the important role of such representative organizations in taking the pledge of the several industrial sectors to the forum where the issues are decided. The program of Banco do Brasil – PGNI – below described in detail can be considered one of such channels connecting the firm with the policy makers.

## A. COMPETITIVENESS APPLIED TO BRAZIL



## BRAZILIAN COMPETITIVE ADVANTAGE

Before the reforms Brazil has undergone in latter years there was no authentic competition and free access to markets. It was characterized by strong governmental intervention, protectionism and the use of price controls as a means of fighting inflation. The reforms of recent years have changed that scenario to a great extent creating a more dynamic and competitive economy. The trend is toward less protectionism, lower tariffs although some elements of traditional interventionism still remain.

Before the 1990s, state-controlled monopolies were the main reason impeding competition. Mainly in heavy capital industries there was concentration either in state-owned companies or companies where there was strong participation of Federal or State governments.

Import Substitution was still a policy in use limiting competition through high tariffs. Until 1987 the average tariff level was 55.6%.

The reforms and structural changes in the economy increased the potential for competition but more seriously exposed Brazilian producers to competitive pressures from foreign imports. The competitiveness of Brazilian industry can be expected to benefit in the long run. However, the degree to which this takes place and the speed of economic transformation will depend importantly on how the industries face these changes. Anne O. Krueger emphasizes that "experience has been that growth performance has been more satisfactory under export promotion strategies than under import-substitution strategies."

Tariff Reforms: Average rate fell from 55.6% in 1987 to 14.2%. Although this was interrupted by tariffs increase on automobiles and consumer durable imposed in 1995.

### I. BANCO DO BRAZIL ROLE IN INTERNATIONAL COMPETITIVENESS

#### A HISTORIC OVERVIEW

Established in 1808, Banco do Brasil was the first Brazilian bank to operate in the domestic and international markets. Banco do Brasil has the double role of being a state-owned bank and a commercial bank. Being a mixed-economy entity, it has a role as a government agent that follows and implements government policy and at the same time being a profit-oriented institution it has to face market competitiveness. Its excellent grasp of the markets has enabled Banco do Brasil to operate abroad for more than 5 decades.

Beyond its large branch network located in almost 30 countries, Banco do Brasil widens its scope of action supporting its clients deals by using correspondent banking services with nearly 1,000 top banks located in 145 countries.

As a government agent Banco do Brasil had for many years an important role in foreign trade policy implementation while being responsible through its Foreign Trade Department – CACEX – for the management, issuance and study of import and export licenses as well as related services. This role has been dramatically changed in latter years as such responsibility was transferred to the Department of Foreign Trade linked to the Ministry of Industry and Commerce – MICT. With the creation of SISCOMEX, a system that permits automatic issuance of import and export licenses, the

role of the old Foreign Trade Department of Banco do Brasil, now SECEX, still deals with many services related to foreign trade although to a lesser extent.

This special role of Banco do Brasil developed an expertise in foreign trade and international financial operations unmatched by any other Brazilian commercial bank. Such expertise is an important differential in market competition as well as condition for offering quality services in foreign trade consulting to prospective international traders.

This extended scope of action is enlarged by Banco do Brasil's private communications network called BBNET, with which the bank promotes foreign trade transactions among clients in different countries.

Domestically, Banco do Brasil has the largest banking network in the country - almost 5,000 offices - of which more than 200 are able to perform foreign trade transactions in foreign exchange.

#### A. PGNI – PROGRAM FOR INCREASING INTERNATIONAL BUSINESSES

Banco do Brasil following the Federal Government Export Special Program and at the same time following the market trends launched its Program for the Generation of New International Business. It's designed to establish an alliance with middle market companies with potential of participating in the international market. The strategy is to share its experience in international trade and international financial operations and apply its structure to offer a broad range of services, which include consulting and aiding these potential traders, by offering its network of branches inside and outside the country.

The program also serves as a bridge between the government and the firms with potential of operating in international business. The international business managers of the program who are responsible for, among other things, visiting the prospective clients, have noticed that many of these firms are not aware of all financial facilities, services available and government programs aiming in helping them to reach the foreign markets. Many of these firms are far from central government and lack relevant information that could be fundamental in the drive to reach those markets. Banco do Brasil, who has branches spread throughout the country, is able to reach these firms and deliver the information they need, or even channel their claims and difficulties in meeting government requirements so that overlooked details of policies can be changed or become more adequate to their needs. This is one of the solutions that are specifically adequate for Brazil in applying institutional mechanisms dealing with export promotion policies. Different from geographically small countries such as South Korea, it is hard to put together firms and government at the same meeting table. The PGNI international business manager has the task of bridging this gap.

The program consists of a plan of action that started with 11 States (São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Santa Catarina, Rio Grande do Sul, Goiás, Espírito Santo, Bahia, Pernambuco e Ceará). In each state, a group of business managers were selected according to their experience and expertise so they could meet the clients needs regarding foreign trade.

## Objective:

- enlarge the number of clients potentially capable of operating in the international market;
- Increase the number of PROEX operations and thereby expand the base of Brazilian exporters;
- Assist the potential exporters in accessing international markets competitively;
- Generate new foreign trade businesses.

## Target Market:

- Middle Market (Invoicing from R\$ 1 million to R\$ 100 million);
- Engage in foreign trade or is potentially able to do so in the short run;
- Possess solid economic and financial health;
- Belong to high-emphasis sectors such as: food, chemicals, metallurgy, textiles, auto-parts, telecommunications and electronics, capital goods.

## Advantages for the clients:

- Better fees and tariffs according to reciprocity;
- Privileged flow of information and operational processing in credit analysis, and financial operation studies;
- Access to experienced professionals in foreign trade

## Main Products and Services:

### 1. ACC/ACE

It is an anticipation conceded to the exporter corresponding to the amount of goods sold abroad. It ranges from 180 days prior to shipment of goods (ACC) to 180 days after shipment and before payment by the importer (ACE). This anticipation constitutes a financing in national currency of the foreign currency to be received from the importer. The phase before shipment may be considered as an aid to finalize production. The phase after shipment may constitute a differential for marketing the goods once the importer has some time before effecting payment.

### 2. PROEX

Proex is a special program for financing Brazilian exports with National treasury resources at costs similar to those available in international markets. It is operated in two systems: financing and equalization. The financing is operated exclusively by Banco do Brasil, acting as Brazilian Treasury agent, in which it is possible to finance up to 85% of export value in the negotiated INCOTERM. The repayment period varies from 6 months to ten years depending on the degree of industrialization required for production. In the equalization system the funding is provided by commercial banks. In this system the Brazilian Treasury equalized the interest rates to international market levels allowing competitive conditions for national goods. The equalization is the difference between the maximum reference rates previously determined by BACEN (Brazilian Central Bank) and the minimum interest rate used internationally for financing.

### 3. IMPORT FINANCING

Financing of imported goods and services in order to aid the installation, growth or modernization of companies. The foreign branches of Banco do Brasil obtain funds with foreign correspondents in extremely competitive terms. Both short-term (up to 360 days) and long term financing (more than 360 days) are available. The long term financing is limited to the import of capital goods according to previously determined conditions of the credit line on which it was based.

### 4. FOREIGN TRADE CONSULTING

Banco do Brasil provides technical and operational assistance, identifying opportunities and alternatives for doing business with foreign companies. Its large experience in international business and use of its network of national and foreign branches help companies that are beginning to deal with highly detailed procedures that characterizes foreign trade. Most starting companies lack expertise in commercial, exchange and fiscal legislation. The number of branches in several countries abroad help identify producers abroad for specific demands in Brazil as well as promising markets for Brazilian goods.

Program history:

August/97: First phase of the project in regional superintendent branches in Sao Paulo with 71 chosen clients;

January/1998: Increase in the number of chosen companies to 300 in the region of Sao Paulo and extension to other regions of the country.

A recent research carried out by FUNCEX (Fundação Centro de Estudos do Comércio Exterior) reveals the growth of Brazilian small and middle market companies in foreign sales, from 17,2% in 1990 to 23,2% in 1996. Only the middle market sector contributed with an increase from 15.8% to 21.5%. 62% of the

companies say that most of the problem comes from difficulty in promoting their products abroad. 53% ignore the proceedings related to foreign trade such as certificate of origin, insurance, customs duties and so on.

PGNI since the second half of 1997 selected more than 2.8 thousand small and middle market companies in the 11 a.m. states. The companies receive lots of important information on how to deal with their difficulties.

#### Results:

The program contributed to the result that the average daily balance in ACC and ACE operations went from US\$ 1.57 billion to US\$ 2.06 billion in June/1998. The perspective for the second semester of 1998 is still better as the number of new ACC/ACE operations increased 33%. In first semester of 1998 PROEX had 34% more resources than the whole year of 1997, with 4,246 operations involving US\$ 13,8 billion. The program supported exports to 99 countries through 304 companies, being 103 using the PROEX for the first time.

The program initiated in 1997 is relatively new and the experience acquired during this period will help not only in its applications in other important regions of the country but also as a means of making it more effective. There are still a lot to be done in order to achieve the goal determined by central government Special Export Program - PEE of exporting \$ 100 billion by the year 2002. This will depend on the implementation of its policies in order to extend the reach of Brazilian goods in foreign markets competitively. This is not an easy task.

The reduction of tariffs on imports is not enough to make input raw-materials prices compatible with foreign prices, so DRAWBACK operations which reduces to zero the costs of taxes on imported raw-materials are fundamental in maintaining competitiveness. These operations are complex and the aid of a Banco do Brasil consulting manager is generally much appreciated by exporters. Due to balance of trade equilibrium matters the exchange rate has been adjusted regularly, but not at a pace much attractive to exporters, so this must be somehow compensated with other means such as compatible interest-rates in export financial programs such as PROEX.

The exporters must have some means of financing their export production, but if the interest-rate is too high, how are they going to face a competitive foreign market. The product ACC/ACE is there to do this job. Exporters need not only to know that these facilities are available but also how to get them and how to manage them. An important tool is the PGNI program. It is a contribution of Banco do Brasil and its employees in the fight for making the PEE successful.

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