



Friendly Fire

Brazil needs urgently to achieve a huge increase in its exports in order to generate a higher number of jobs and enlarge the country's development. Brazilian exports account for only about 1.2% of the international sales, being, therefore, incompatible with the tenth largest economy in the world.

Since 2006, however, instead of rising, the volume of the Brazilian exports of manufactured products is dropping. It is important to point out that the manufactured products have large added value, in other words, besides they be more valued, they are great job generators. That drop began before the world crisis, which started showing its negative effects in Brazil at the beginning of the fourth quarter of 2008. It is evident that the restriction of international market caused by the crisis worsened that problem making that the competition among manufacturing producers became harder.

After all, which are the causes that reduce in volume the Brazilian foreign sales of manufactured products?

Lectures made by representatives of Brazilian industries associated to interview and informal conversations with leading entrepreneurs of the sector, led us to the conclusion that industrial foreign sales have been punished by the huge exchange rate valorization, the Government's high tax burden and the high cost of the logistics in the country.

Those factors lead to a loss of competitiveness and profitability in the sales to abroad and they make that the Brazilian industrial entrepreneur doesn't go to international market with firm determination. He is intended for domestic market.

We highlight that the main reasons for the reduction in export volume of industrialized products are caused by ourselves, that is, by the lack of Government's objective attitudes. It is an authentic "friendly fire".

How to eliminate or minimize those problems that we created against ourselves?

At first, we will focus on the exchange rate problem. Exporters know that it is a complex problem and they don't demand the change of the floating exchange rate system. They also know that it is the most appropriate system in normal conditions, since it is used by almost all of developed countries in the world. There are, however, other solutions to be thought, on this occasion in which Brazil is receiving a huge entrance of foreign capital in the short term. That atypical flow increases a lot the national currency and makes Brazilian products less

competitive on international market, besides facilitating the entrance of imported products damaging the Brazilian industry. Opening bank accounts in foreign currency, permission for exporters to keep a part of the export revenue abroad, reduction in interest rates, purchase of dollars by the Central Bank, the Central Bank's participation in the future exchange rate market, use of "Fundo Soberano" to reduce the exchange rate pressure, taxation on the foreign speculative investment, etc, they are some solutions to be considered towards that aim.

The Government, recently, gave a step towards the right direction. It is the tax of 2% on the profits from foreign investment funds and stock market. All of the analysts are unanimous in affirming that this measure won't solve the problem, but it indicates that the Government has already moved searching for a solution and is aware to the problem. The Government, above all, has to guarantee exchange rate stability, without damaging the economy.

In respect to the taxes on export companies, Brazil is the unique country in the world that exports taxes. In Brazil, there is a fair law that doesn't work in practice. The company that produces manufactured products for export, has the right to receive back the collected tax concerning exports. The bureaucracy, however, is so complicated that the industrial entrepreneur gives up obtaining that credit. A lot of times they prefer to export raw materials, which don't generate jobs, or manufacture the products abroad, thus, avoiding the national tax burden on the manufactured products.

Today, the tax credits to be received by exporters amount up R\$ 35 billion. If the Government accelerated the reception of those credits it would be an intelligent measure with compensatory economic returns to Brazil, because the current conditions are moving away the industries from foreign market.

Regarding the high cost of the logistics infrastructure in Brazil, the solution is at the Government's hands. It has to reduce its expenses, mainly those with personnel, in order to provide in a constant way more resources to be applied in investments in infrastructure. Efficient ports, modern equipment for loading and unloading, highways in good conditions, reduction in operational costs, less bureaucracy, in short, all of those items represent more competitiveness for Brazilian products, with social and economic gains for all the Brazilians.

We have, therefore, to think about those problems and seek to solve them.

