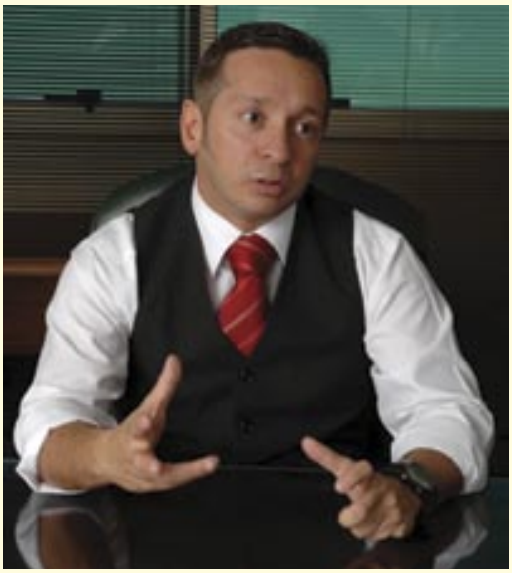
Diversification and innovation



Alessandro Teixeira

Chairman of Brazil's
Agency for Promotion of Exports and Investments (Apex-Brazil)

Klaus Kleber, from São Paulo

In reaction to the international financial crisis that began in September 2008, Brazilian exports fell by 22% in 2009. The decline would have been worse but for the diversification of Brazilian export markets, for which much credit goes to Brazil's Agency for Promotion of Exports and Investments (Apex-Brazil). The head of the agency, Alessandro Teixeira, talked with *The Brazilian Economy* not only about diversification but also about its new business centers in Moscow, Beijing. and Dubai, and other sales promotion initiatives — such as inviting businesspeople from 29 countries to watch the samba school parades. That initiative alone could translate into US$22 million in business.

***The Brazilian Economy* — This year Apex-Brazil's Carnival Project brought 150 businessmen and investors from 29 countries to Brazil. What have been the results so far?**

Alessandro Teixeira — We invited people who already do business with Brazil or with whom we formerly had a relationship, either as importers of our products or as investors. They would probably not be visiting the country otherwise but Carnival in Rio enjoys tremendous international recognition. The idea was to strengthen our bonds and intensify their business with Brazil, promoting personal contact with domestic exporters. One of the guests was James Charles Greenwood, Chairman of the Biotechnology Industry Organization. All biotechnology products the country exports will from now on bear the brand name, Br-Biotec, which will be launched at Chicago Bio 2010 next May. Within the next few weeks, we expect to complete business deals totaling US$22 million with other guests.

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At the World Economic Forum in Davos, French President Nicholas Sarkozy called for social and environmental standards for foreign trade. Could that bring about an escalation of protectionism? Will that affect Brazilian exports?

To some extent, yes. Brazil has made progress in adapting its exports to environmental sustainability criteria, but social and environmental standards apply to some countries, like Brazil, but not to others. What is needed, therefore, is to enforce environmental protection criteria and social protection schemes in all exporting countries without exception. The exceptions constitute protectionism.

The value of Brazilian exports in 2009, US$153 billion, was 22% less than in 2008. What is the forecast this year? Do you anticipate a healthy recovery in manufactured goods exports?

From January through the third week in February, Brazilian exports totaled US$20 billion — a 23% increase over the same period in 2009. Sales of manufactured goods increased by 9.5% in January and 10.7% in the first three weeks in February. Last year, Brazilian manufactured goods lost competitiveness primarily in the US and Europe, where markets contracted severely, but there is a manifest improvement in the US thanks to the recovery. However, the euro is losing value because of problems in the "PIGS" countries (Portugal, Italy, Greece, and Spain), so no improvement is expected in the European Union before the second half of the year. Our export target for 2010 is US$170 billion. It is unthinkable that we can even come close to the US$200 billion registered in 2008.

The decline in foreign trade has not been more severe because our markets are more diversified. What is Apex-Brazil's role in that?

Diversification and innovation are essential in our work. No longer are most of Brazil's exports going to the US, Europe, and Argentina. Although China has become our largest trading partner, today Brazilian goods reach all continents. Because of our broad range of products, we have been spared the crisis.

Of all Apex-Brazil international business centers, which is the most promising?

We have closed down the Lisbon and Frankfurt business centers. But we are active in Brussels, the seat of the European Commission, and Warsaw, because of its central geographical location. The new business center in Cuba is intended to cover not only Cuba but the entire Caribbean. When US sanctions on Cuba are lifted, that center should become a bridge to the US market. We have also opened business centers in Beijing, Moscow, and Dubai, in the United Arab Emirates.

Do you consider Eastern Europe promising?

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Yes, in particular for our manufactured goods. In our business center in Moscow, the idea is to promote trade not only with Russia but also with other former Soviet Union countries. We feel that there are good opportunities in the Ukraine, Kazakhstan, and Azerbaijan, to begin with.

Brazil is in general a democracy; but in the particular aspect of the partisan relationship with the economy, there appears to be a trend toward state intervention.

The Brazilian business community often refers to the exchange rate as a major stumbling block to exports. What other factors affect the "Brazil cost"?

Brazilian businessmen will have to learn to live with an overvalued currency, which most likely will not change in the medium term. In my opinion, it is not the value of our currency that most hampers exports but the volatility of the dollar. I also believe that Brazil has critical infrastructure deficiencies which must be addressed by PACs [Growth Acceleration Programs]. Brazilian exports are also in need of tax relief, an issue that the Brazilian Foreign Trade Council (Camex) is currently debating. We expect a package of measures to come out soon.

What kinds of agreements does Apex-Brazil sign with companies or business associations to promote exports?

We have signed agreements with 74 sectors of industry, agribusiness, and services, up from only 48 in 2006. Our intention now is to include the dairy industry, because Brazil is one of the world's major dairy production centers. The number of businesses covered by those agreements has grown to 10,000, representing US$24 billion in Brazilian exports.

Where have you seen the best results?

The results have in general been very positive, but if I were to highlight a single sector, it would be the meat sector. Weekly data reveal a 43% increase in Brazilian exports of fresh meat this year. That is an 18% increase in volume terms, and a 21% increase per ton in dollar terms. The major importers of Brazilian meat are Russia, Iran, Hong Kong, Venezuela, Algeria, Israel, Saudi Arabia, Italy, and Lebanon.

Can you give some examples of projects Apex-Brazil supports?

One of the most recent is the Brazilian Hereford & Bradford (BHB) project, a partnership between Apex-Brazil and the Brazilian Hereford and Bradford Association to promote the genetics of those breeds at internationally. An event in São Borja and neighboring towns in Rio Grande do Sul state brought 21 guests from Paraguay and Bolivia. Another project is Brazilian Publishers, our partnership with the Brazilian Book Council, CBL. The Paris Cookbook Fair awarded prizes to two Brazilian publications: *Copos de Bar e Mesa* by Edmundo Furtado (published by SENAC), and *Brasil a Gosto* by Ana Luiza Trajano (published by Editora Melhora-

mentos). The presence of Apex-Brazil at international events is an important part of our efforts to promote Brazilian products and services.

Because of a shortage of ethanol to supply the domestic market, reducing customs duties on imported ethanol is being considered. Is this an isolated problem, or do you foresee difficulties for Brazil to establish itself as a world-level ethanol exporter?
I hope it's just a temporary problem. Weather conditions have affected production, and as sugar prices soared the processing plants chose to produce sugar instead. Brazil has to tackle ethanol as a strategic issue; the sugar and ethanol industries must work in accordance with this view. If there is adequate planning, Brazil has all it takes to become a world player in ethanol.

How much do small- and medium-sized companies benefit from Apex-Brazil support?
Nearly 70% of our projects target micro and small businesses. Adding in medium-sized companies, that percentage would increase to 80%.

What options are available to small — and medium-sized companies to access credit from the National Bank for Economic and Social Development (BNDES)?
BNDES — I am on the management board — has lent fundamental support. The smaller businesses that use the BNDES card receive loans for working capital at a lower cost and have access to financing with longer maturities to modernize their production processes.

What is your assessment of the work being done to integrate export promotion and FINEP (Studies and Project Financing)?
FINEP has been extremely innovative, notably with regard to the design of exported goods, and has been an active partner of Apex-Brazil. During last year's year-end dinner, President Lula and other federal authorities and the exporting community were introduced to "The Best of Brazil," a presentation featuring Brazilian products and services recognized for their quality, innovation, and design. Instruments, jewelry, footwear, wine, food products, software, and medical and hospital equipment were produced with the support of Apex-Brazil's PISs (Integrated Sector Projects) in partnership with trade associations. Some of those products received design awards abroad, such as the IF Design Awards and the International Design Excellence IDEA Award.

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Does Apex-Brazil activity include support specifically to information technology exports?
We have been very active in the IT area, in partnership with its associations, by supporting initiatives to develop software, data security, electronic

games, etc. Apex-Brazil supports the Integrated Sectoral Program for the Segment of Software and Related Services developed by Softex (Brazilian Association for the Promotion of Software Excellence). This year we also joined the Brazil Project IT Emerging Players. The goal is to introduce Brazilian software and services in the international market and to promote the single brand, Brazil IT+. With this brand, Brazilian exhibitors expect to expand their presence in the most important showcase for these products in Hannover, Germany, in March. Brazil will have two stands, one for software companies, and the other for telecom companies. Softex, Softsul (Association Supporting Software Development in the State of Rio Grande do Sul), and Anprotec (National Association of Entities Promoting Innovation Projects) will be present.

What Apex-Brazil initiatives are there in the area of labor training, particularly for smaller businesses?

Although resources for labor training are limited, we offer the PEIEX (Project for Industrial Extension) in 26 centers in nine states and the federal capital. The project, launched a year ago, has been extended to 3,500 businesses, for a total investment of US$8.9 million. In 1,100 of those businesses, work has already been completed to build up the production process, product development, and management, so as to prepare the companies for the foreign market.

Brazil has to tackle the issue of ethanol as a strategic one; the sugar and ethanol industries, in turn, must work in accordance with this view.

Have the funds allocated to Apex-Brazil been increased? What is your assessment of trade promotion in Brazil compared to other countries?

Institutions like UNCTAD, the World Bank, and the International Trade Conference have recognized Apex-Brazil as one of the best governmental bodies promoting exports based on the concept of trade intelligence. Our current US$122 million budget is not expected to increase in the short term; however, trade promotion around Brazil definitely tends to expand.

How does Apex-Brazil apply the trade intelligence concept?

This process, which we are fully dedicated to, goes beyond mere data collection and systematization. Basically, it consists in the organization and in-depth analysis of business data from different countries, adding qualitative factors to turn them into knowledge that can guide companies and make them more competitive internationally. The purpose of the Apex-Brazil Trade Intelligence Unit is to integrate information from domestic and international imports and identify opportunities for Brazilian industry and products. We analyze the economies of trading partners, the prices offered by companies, logistics, structure and market access conditions, possible strategic partnerships, and potential clients. This wealth of trade information is made available to our partners through the Apex-Brazil website.

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