

# Number of trading enterprises and foreign trade

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In 2007 75% of Brazilian exporting companies were micro, small, and medium-sized enterprises. When considering total exports, however, their share was just 7.8%.<sup>1</sup>

Increasing the number of companies in the country's export base — particularly small and medium-sized enterprises — is part of a program to boost exports. However, the difficulties these enterprises face in maintaining regular foreign trade are well-known. Bureaucratic processes and in accessing credit are two of the main obstacles. The Brazilian Export Promotion Agency (APEX) has now launched a program dedicated to helping boost the exports of small and medium-sized enterprises.

Even though there are no detailed data related to company size, the number of exporting companies was 19,446 in 2005. By 2007 the total had increased to 23,528. True, the total fell to 23,021 last year, but that still meant an 18% increase between 2005 and 2008. During the same period, exports increased by 67%.

In 2008 according to the Foreign Trade Office the number of importing companies was 36,843, a 48% increase from 2005. The volume of imports amounted to a 135% increase. Average exports by company rose from US\$6.1 million to US\$8.6 million, and imports from US\$2.9 million to US\$4.7 million. The expansion of exports and imports, although partly explained by the increase in the number of businesses, can be attributed to the increase in the volume of trade carried out by each company.

**Company size** — 2007 data show that large companies (those with over 200 employees and exports exceeding US\$20 million) account for 92% of exports. Independent of company size, most companies export less than US\$1 million: 75% in 2007, and 73% in 2008 (16,817 companies). The change is not significant. On the import side, the figures are similar. The percentage of companies importing up to US\$1 million was 77% in 2008 (28,546 companies).

There are no data broken down by company size. However, the five largest exporters in 2008 (Petrobrás, Vale, Embraer, Bunge Alimentos, and ADM of Brazil) account for 23% of Brazilian export revenue. The two largest companies alone export 17% of the total; they trade over US\$10 billion, the other three US\$2–US\$5 billion. On the import side, the five largest companies (Petrobrás, Embraer, Alberto Pasqualini, Bunge Fertilizantes, and CISA Trading) account for 21% of total imports.

**Markets** — We selected eight major destination markets for Brazilian exports in 2008 plus India and South Africa, two countries that are a priority for Brazilian trade policies. On the import side, Italy ranks 9<sup>th</sup> and France 8<sup>th</sup>; however, for purposes of this comparison, Italy was selected. India and Russia are not among the 10 most important markets for imports.

The first table shows the number of companies exporting or importing up to US\$1 million. Apart from the US market, the number fell or remained constant for all countries. The fall suggests either that companies have increased the value of their operations, or that there has been a concentration of exports in commodities, which are normally traded at higher volumes. The smallest concentrations in this bracket are the countries where the sale of commodities is predominant, such as Russia, China, and Holland. On the import side, the increase in the number of companies in Nigeria (from 50% to 77%) and in Russia (from 27% to 66%) that trade under US\$1 million suggests a possible increase in the number of companies, large and small, that are not associated with purchases of large volumes of commodities.

Increasing the number of companies in the country's export base, particularly small and medium-sized enterprises, is part of a program to boost exports.

It is not possible to establish a clear relationship between the increase in trade and the increase in the number of companies. The most significant variation in exports between 2005 and 2008 was in China, 140%; however, the number of companies increased by only 9.8%. In India, the number of exporting companies increased by 27.2% while foreign sales rose by 98%. The ratio of increase in the number of exporting businesses to values exported is 0.26 (a ratio of 1 would indicate that the two increases are identical).

On the import side, the ratio is higher, 0.35, but it also suggests that other factors must be taken into account to explain the rise in imports. It is worth noting that the increase in the number of importing companies is higher than that of exporting companies. China deserves special attention: The number of importing

**Table 1**  
**Share of Brazilian enterprises that export/import up to US\$1 million by main markets**

	Exports		Imports		
	2005	2008		2005	2008
Germany	84	80	Germany	89	86
Argentina	85	82	Argentina	86	81
Chile	90	90	Chile	88	83
China	76	73	China	90	87
United States	76	79	United States	88	86
India	83	87	India	94	90
Japan	84	84	Japan	91	90
Russia	69	65	Russia	27	66
Netherland	77	69	Italy	93	91
Venezuela	90	83	Nigeria	50	77
South Africa	87	85	Korea	93	90

Sources: Ministry of Development, Industry and Foreign Trade ([www.desenvolvimento.gov.br](http://www.desenvolvimento.gov.br)); IBRE-FGV preparation.

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companies rose 117%, against a 9.8% increase in the number of exporting companies.

**Explanation** — An appreciated exchange rate and higher prices for commodities are among the factors that could explain the greater increase in the number of importing than exporting companies. Furthermore, the reduction in the number of companies trading under US\$1 million and the increase in imports in some markets confirm that the scenario may have been more favorable for companies whose imports had lower values.

The increase in the number of companies explains part of the increase in Brazilian exports in recent years. Programs aimed at boosting exports should assess other benefits deriving from small and medium-sized companies participating in

**Table 2**  
**Number of Brazilian exporting enterprises**

	Number of enterprises		Change in number	Change in exported
	2005	2008	of enterprises (%)	value (%)
			2008/2005	2008/2005
South Africa	1,626	1,577	-3.0	28.0
Germany	2,645	2,978	12.6	75.9
Argentina	6,080	6,662	9.6	77.3
Chile	4,118	4,405	7.0	32.2
China	1,952	2,143	9.8	140.0
United States	6,903	7,249	5.0	21.7
India	835	1,062	27.2	98.3
Japan	1,494	1,810	21.2	-3.1
Netherlands	1,960	2,176	11.0	75.6
Russia	668	827	23.8	59.5
Venezuela	2,571	3,046	18.5	131.6

Sources: Ministry of Development, Industry and Foreign Trade ([www.desenvolvimento.gov.br](http://www.desenvolvimento.gov.br)); IBRE-FGV preparation.

**Table 3**  
**Brazil: Number of importing enterprises**

	Number of enterprises		Change in number of enterprises (%)	Change in the imported value (%)
	2005	2008	2008/2005	2008/2005
Germany	7.607	9.328	22,6	95,7
Argentina	4.874	5.390	10,6	112,4
Chile	1.246	1.379	10,7	133,6
China	7.158	15.533	117,0	274,3
Korea	2.252	3.175	41,0	132,6
United States	11.662	15.444	32,4	102,3
India	2.052	3.201	56,0	196,2
Italy	6.368	8.102	27,2	102,6
Japan	4.038	5.677	40,6	99,9
Nigeria	24	44	83,3	153,7
Russia	425	514	20,9	361,4

Sources: Ministry of Development, Industry and Foreign Trade ([www.desenvolvimento.gov.br](http://www.desenvolvimento.gov.br)); IBRE-FGV preparation.

foreign trade. As companies become more efficient through experience, they may diversify the risks associated with demand cycles; in addition, insertion in the international market may lead to a permanent increase in a company's activities. An analysis of markets and products is an essential part of this type of policy. The data show that the opportunities for expansion in recent years have been concentrated on import activity, which is partly explained by the exchange rate. ■

<sup>1</sup> The Foreign Trade Office (SECEX) has not yet reported disaggregated trade data by company size for 2008.