IBRE commentary

Changes in industrial policy

Fierce protectionism has been a feature of Brazilian industrial policy for the last three decades. Nowadays, this has to face domestic and external restrictions, such as great financial problems in the public sector and a wide gap between Brazilian and international standards for industry and technology.

A change has been felt in some countries, where the role of the state in economic affairs has been reduced. Only now, this has been true in the case of Brazil.

Liberalization as a solution to our crisis with the country taking part in the technological revolution now in progress is an imperative.

A concentration of power in the hands of the state makes this liberalization through governmental decrees hard to come by.

Integrated sectorial programs will be established by the C.D.I. (Council for Industrial Development). There are questions to be asked, however: how can the state decide which sectors will benefit? How to evaluate investment priorities in poor areas, and so on?

We will only succeed in our tariff reforms if we adopt free regulations for imports, as we're doing with exports already. We don't believe this step will be taken and a tendency for an increase in average tariffs for imports will be also observed, all as a result of the new regulations.

Political conflicts

Opening to external markets is in conflict with the new constitution. Politicians still favour protectionism and an economy aimed at domestic consumption, all void of practical significance in the world now.

All gives us a picture far remote from that of a real liberalization of our economy. State still holds a monopoly: the decision of what sectors will be able to get into "modern times".

Let's look back at the 1950's: bureaucrats felt it was a "modern" thing to be a nationalist and favour state ownership.

For a stronger industry

Brazilian industry can be on its own in order to reach reasonable standards of competitivity with domestic and international markets to place its products.

Change in industrial policy and tariffs system can only be backed in they're part of a first step into true liberalization, with the abolition of any hindrance to free enterprise by governmental agencies. If no other measure is taken, practical results coming from such changes are higly uncertain. The presentation to the country of the new industrial policy as the liberal idea in economics turned true can show an even worse result ideologically. An eventual failure in this policy can be held against this idea.

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