

RPT81

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: SAO PAULO

Country: BRAZIL

THE MAIN DEVELOPMENTS AFFECTING THE ECONOMY WERE THE SIGNING OF THE IMF AND FOREIGN DEBT NEGOTIATIONS (PRIVATE BANKS & PARIS CLUB) WHICH RE-INTEGRATED BRAZIL INTO THE INTERNATIONAL FINANCIAL COMMUNITY & REOPENED THE DOORS TO INTERNATIONAL CREDITS, GREATLY NEEDED TO REVIVE THE STAGNATING ECONOMY. THE ECONOMY IS NOT PULLING OUT OF A NEAR RECESSION AND SHOULD END THE YEAR AT A MODERATE GROWTH RATE. EXPORTS ARE AT UNPRECEDENTED LEVELS AS IS THE TRADE SURPLUS (US \$18). INFLATION REMAINS HIGH, BUT MEASURES HAVE BEEN TAKEN TO REDUCE SPENDING. PROSPECTS FOR EXPORTS OF CANADIAN GOODS AND SERVICES GOOD. THE DOWNWARD TREND AFFECTING SOME OF OUR TRADITIONAL EXPORTS (WHEAT, NEWSPRINT) WILL CONTINUE AS BRZLN IMPORT SUBSTITUTION PROGRAMS REACH MATURITY. ON THE OTHER HAND, THE OBJECTIVES OF THE NEW INDUSTRIAL POLICY WHICH ARE TO (1) REDUCE PROTECTION OF MATURE INDUSTRIES AND (2) LIBERALIZE IMPORTS AND FACILITATE INFLOW OF NEW TECHNOLOGY, WILL OPEN THE DOOR GRADUALLY FOR COM COYS. ALREADY, THE LIST OF PROHIBITED ITEMS HAS BEEN CUT IN HALF, IMPORT QUOTAS FOR MANY ITEMS ELIMINATED & IMPORT AUTHORIZATION PROCEDURES SIMPLIFIED. FURTHERMORE, CUTBACKS IN GOV'T INVESTMENT PROGRAMS IN RESPONSE TO IMF PRESSURE WILL FORCE STATE ENTERPRISES SUCH AS PETROBRAS, CVRD, ELECTROBRAS & TELEBRAS - TO SEEK NEW SOURCES OF REVENUES TO MEET THEIR INVESTMENT REQUIREMENTS. THE SOLUTIONS BEING PROPOSED (DEBT/EQUITY CONVERSIONS, INCREASED USE OF OFFICIAL AND SUPPLIER CREDITS) PRESUPPOSE HEIGHTENED RECEPTIVENESS TO IMPORT OF GOODS, SERVICES AND TECHNOLOGY. AGAINST THIS OPTIMISTIC ECONOMIC SCENARIO IS THE UNCERTAINTY SURROUNDING THE NEW CONSTITUTION AND THE UPCOMING PRESIDENTIAL ELECTIONS. THE 2 MAIN OBJECTIVES OF OUR TRADE PROGRAM FOR 89-90 ARE 1. TO MAINTAIN MARKET SHARE FOR OUR TRADITIONAL EXPORTS AND 2. CONSOLIDATE OUR POSITION IN PRIORITY MARKET NICHE ALREADY IDENTIFIED. THE FIRST PHASE OF OUR DIVERSIFICATION STRATEGY FOCUSED ON IDENTIFYING NEW MARKET NICHE. WE HAVE INTRODUCED HUNDREDS OF NEW COMPANIES TO THE BRZLN MARKET & IDENTIFIED NUMEROUS OPPORTUNITIES. THE TASK NOW IS TO PRIORIZE: THAT IS, TO ALLOCATE OUR LIMITED RESOURCES TO COMPANIES AND/OR PROJECTS BEARING THE GREATEST POTENTIAL FOR SUCCESS IN THE SHORT AND MEDIUM TERM. WITHIN THE PRIORITY SECTORS LISTED BELOW IN SECTION 5-1, THE FOLLOWING TYPES OF ACTIVITIES ARE PLANNED: (1) SPECIALIZED FAIRS AND MISSIONS, WITH A PREFERENCE FOR COYS THAT ARE FAMILIAR WITH THE MARKET AND HAVE IDENTIFIED A NICHE; (2) LIMITED USE OF SEMINARS WHERE BENEFIT CAN CLEARLY BE DEMONSTRATED (SUCH AS LIVE-STOCK IMPROVEMENT); (3) GREATLY INCREASED USE OF CIDA INC. PROGRAM TO FACILITATE JOINT VENTURES; (4) INCREASED USE OF EDC CREDIT FACILITIES AND FINANCING PROGRAMS AS WELL AS DEBT/EQUITY CONVERSION AND OTHER NON-CONVENTIONAL FINANCING MECHANISMS; (5) CLOSER COORDINATIONS BETWEEN POSTS' ACTIVITIES AND GREATER REPORTING (SEE SECTION 2-1); (7) ENHANCED COVERAGE OF OTHER STATES WITHIN OUR JURISDICTION.