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**EEC 92:
reflections
on brazilian
business**

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EEC 92: REFLECTIONS ON BRAZILIAN BUSINESS

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EEC 92: reflections on Brazilian business

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Introduction

The world economy may be expected to undergo significant developments in the coming decade, carrying through, indeed, with the intensive transformation process that has characterized it over the whole of the present century.

Two trends in this development deserve highlighting here. The former has to do with the establishment and enhancement of economic blocs, of which the project for the definitive integration of the EEC market in 1992 is undoubtedly the most radical and most highly consolidated example. The second - contradictory but at the same time complementary to the former - provides continuity in the process of internationalization of enterprises and industries observed in the course of recent decades, implying the redefinition of the respective growth strategies and characterizing the world economy as a unified, global competitive space. It should be emphasized here, in particular, that the second trend, initially associated with the large corporations in the developed economies, has increasingly become a threat and a challenge to smaller companies as well, including those in the newly industrialized countries.

The present text to some extent takes up these two questions in examining the impact of the Europe 1992 project on Brazilian exports to that market and the probable reactions of Brazilian firms when faced with that project.

The text contains two sections. The first one takes into account recent experience and focuses on the EEC as a market for Brazilian exports, looking into its significance by contrast with alternative markets, the structure of trade in terms of sectors and countries, the role of the General Preference System and the obstacles arising from the existence of non-tariff barriers. The second section examines the foreseeable impact of EEC92 on Brazilian exports, endeavoring to reflect the perception of the Brazilian enterprises. It is also intended to identify the probable strategies of such firms in response to the emergence of EEC92.

The EEC as a market for the Brazilian exports: recent experience

1. The twelve countries now constituting the EEC have been comprising a market for Brazilian exports of the same magnitude as the United States. Annual exports to these countries have oscillated around US\$6.9 billion, corresponding to nearly 26,5% of the total value exported by Brazil; in the case of the United States these values are, respectively, US\$7.3 billion and 28%. [1]

Brazilian imports from the EEC(12) have increased from the range of US\$2.1 billion up to 1985 to about US\$3.5 billion in more recent years, rising from 12.5% to 22% of Brazil's total imports (a similar trend was observed in imports from the U.S. which increased from nearly US\$2.6 billion to US\$3.4 billion). [2] As a result, trade with the twelve EEC countries has shown a surplus, which corresponds to 35% of the total surplus on the Brazilian trade balance.

2. Brazilian annual exports to three EEC countries have exceeded the amount of one billion dollars: Netherlands (about US\$1.6 billion); Germany (US\$1.3 billion) and Italy (US\$1.2 billion). These three countries, which account for 60% of Brazilian sales to the EEC(12), are followed by France (circa US\$750 million), the United Kingdom (US\$700 million) and Benelux (US\$600 million) (Table 1).

These values make it clear that Brazilian exports have a rather small share in total imports of each of the twelve EEC countries: the largest shares correspond to the Netherlands (2.4%), Spain (1.8%), Portugal (1.8%) and Italy (1.3%) and the average percentage is 1.0%.

3. From the viewpoint of the sector of origin of Brazilian exports to EEC(10), the manufacturing industry predominates: only 5% of total exports correspond to agriculture products and just above 10% to mineral raw-materials (Tables 2 and 3).

In the manufacturing sector, the Food products industry appears as the largest exporter, accounting for about 30% of total exports to the EEC(10). It is worth noting, however, that this figure underestimates the real importance of this industry

as the industrial classification currently in use in Brazil includes the production of "vegetal oil" and of "oil-cake, flour and other solid residues of oil seeds" in the Chemical industry rather than in the Food products sector. Hence, although statistical data show the Chemical sector to be the second largest exporter to EEC, with a share of 22%, almost 17 percentage points of that share correspond to products extracted from oil seeds. Once this misallocation is corrected, the Food products industry exports rise to almost 50% of total exports to the EEC(10).

Of the other sectors, even the most important ones have a small share in total exports to the EEC(10) when compared to the Food products industry: Chemicals (after the mentioned adjustment) and Transport equipment, in the range of 4-5%, and Paper and pulp, Textiles, Basic metals and Machinery and equipment, in the range of 3-4%.

A comparison of Brazilian exports to the EEC(10) and those to the United States shows that the agriculture products and the mineral raw-materials have larger shares in the EEC market (Table 3). The compositions of the manufacturing sector exports to the two markets, however, are rather similar. Although the Tobacco, Textiles and Chemicals sectors account for larger shares of exports to the EEC and the Wearing apparel, Basic metals, Machinery and equipment and Transport equipment industries are more important in the case of exports to the United States, the differences between the corresponding percentages are not significant, except in the cases of Chemicals (in 1986) and apparel. [3]

Table 5 presents the product composition of Brazilian exports to the EEC(10), indicating that three items - vegetal oil, oil-cake, flour and other solid residues of oil seeds; coffee; and iron ore - account for 40% of total exports. Table 5 also shows that the annual exports of the following products exceeded US\$100 million dollars in 1986: steel; non-ferrous metals; motor vehicles; wood, sawn and chipped; pulp and chemical wood pulp; chemicals; textiles; meat and meat products; and tobacco.

The products listed in Table 5 can be grouped according to a specific classification - to be used later in the analysis of the implications of the EEC92 - which distinguishes between agriculture and agro-industrial products (corresponding to about 55% of total exports), mineral raw-materials and natural resource intensive products (about 16%); low technology manufactured products (16%) and metal and mechanical products with major technological content, and chemical products (13%).

4. The importance of the EEC(10) market to the exports of the different Brazilian economy sectors is shown in Table 4. This market buys between one third and one half of Brazilian exports of agriculture products and mineral raw-materials, as well as of Wood products, Tobacco, Paper and pulp and Chemicals. In relation to the Textiles and Food products exports, the share of the EEC countries is about 25%. As for the other sectors, the EEC market accounts for less than 15% of total exports.

On the other hand, it is worth emphasizing how small is the share of Brazilian exports in total EEC imports. Except for Food products and Tobacco, this share is always below 1.5% and often less than 1%. For Tobacco, the percentage is about 7%. In the case of Food products, the corresponding share is around 6.5% if the products extracted from oil-seeds are included, and 5% otherwise.

It is worthwhile noting that, in relation to the above mentioned products and sectors, with the exception of the Food products, the EEC market is more important to Brazilian exports than the U.S. market (Table 4). In the case of Food products, exports to the two markets are quite similar. Sales to the United States predominate, however, in the case of the Non-metallic mineral sector, the basic metals and metal products manufacturers and, specially, the Wearing apparel industry. [4]

5. The share of each of the twelve EEC countries in Brazilian exports of the different classes of products to the EEC market is shown in Table 6.

It is necessary to emphasize that these data can not be

strictly compared with the other figures presented in this paper on the sectorial composition of the Brazilian exports. Those figures refer to the sectors as defined by the Brazilian industrial classification whereas the data shown in Table 6 originally referred to the 21 categories of the Brazilian standard trade classification (NBM). These 21 categories were further aggregated into eleven classes in order to bring them as close to the industrial classification as possible. As a result, Mechanical machinery and equipment and Electrical equipment and apparatus exports were lumped together. Moreover, agriculture product exports and exports of the Food product, Beverage and Tobacco industries were also brought together; in this case, however, even the figures corresponding to this broad class in the two sets of data can not be compared, as the products extracted from oil seeds are classified in this broad sector in one case and in Chemicals in the other one. As for the other classes, differences between the two sources are not significant.

Table 6 shows that the exports of "Agriculture products plus Food products, beverages and tobacco" are quite evenly distributed almost the twelve EEC countries, with the largest share corresponding to the Netherlands. On the other hand, export destinations of some classes of products are highly concentrated in one or two countries: Non metallic products in Germany (60%) and United Kingdom (20%); Transport equipment in Italy (63%), France and Germany (11% each); Wood products and furniture in the United Kingdom (55%) and Germany (18%); Machinery and equipment in Italy (50%) and Germany (21%); Paper and pulp in Belgium and Luxemburg (52%) and in Germany (16%); and Basic metals in the Netherlands (41%) and Italy (26%).

6. Brazilian exports to the EEC have benefitted from the General Preference System: 30% of total exports to the EEC (10) in 1984 and 1985 were undertaken under such schemes. Among the main markets for Brazilian exports within the EEC, sales under the GPS were particularly important in the United Kingdom (50% and 45% in those two years, respectively) in Italy (39% and 49%) and in Germany (34% and 39%). Shares of exports under the GPS

scheme were between 19% and 26% in France and the Netherlands, and 16% in Belgium (Table 7).

From the point of view of the different sectors, the General Preference System was more important to the exports of Tobacco, Textiles, Wearing apparel, Wood products, Non metallic mineral products, Machinery and equipment and Transport equipment. For these sectors, the GPS accounts for more than 70% of sales to the EEC(10) (Table 8). The GPS scheme is of relative importance to the Paper and pulp, Basic metals and Electric equipment and apparatus sectors, in which its shares in the sector exports are between 30% and 45%. It is worthwhile noting that the 20% percentage associated to the Chemicals industry is misleading since it hides a very large share of the GPS exports in the case of the chemical products and the small importance of such a scheme for the exports of products extracted from oil seeds. The General Preference System is not relevant to exports of agriculture products (about 10%) and of Food products (15%). Mineral raw-materials are practically excluded from the GPS in the EEC. [5]

7. Side by side with possible benefits associated with the General Preference System, Brazilian exporters have also faced obstacles and difficulties in access to the EEC market resulting from (i) the preferential treatment granted by the EEC to exports by other countries, (ii) quantitative restrictions on their sales in that market, and (iii) the undertaking of inquiries into the practice of dumping and into the violation of the GATT Code on Subsidies.

8. With regard to the privileged treatment assured to other countries, note should be taken of the preferential tariffs granted to countries in Africa, the Pacific and Caribbean, within the structure of the Lomé Convention, and the bilateral agreements with Mediterranean countries. The impact of that treatment on Brazilian exports mainly affect tropical agricultural products since, in the case of the other products, other mechanisms are superimposed thereon. [6] Hence, in relation

to manufactured products, the free access provided to products from the European Free Trade Association-EFTA countries, renders irrelevant the preferential treatment ensured by the Lomé Convention.

On the other hand, for non-tropical agricultural products, the obstacle to the access to the European market are mainly the result of the EEC's agricultural policy and, in particular, its application of high tariffs and quotas and of the variable customs rights, which do away with possible competitive advantages of exporting countries. It should be noted, however, that the effects of that EEC policy on Brazilian exports are limited, inasmuch as the variable customs rights affect few items on the Brazilian export list (some of which, however, are of importance, such as meat, fruit juice and products, tobacco, sugar). [7]

9. With regard to the quantitative restrictions, note should be taken of the voluntary agreement on iron and steel and the Multifibre Agreement. In relation to the iron and steel products, it is worthwhile noting that, as will be considered later in this study, Brazilian exports had been the target of successive investigation of disloyal commercial practices in the early eighties. The agreement on restriction of exports established in 1985, with quotas subject to yearly renegotiation, has not, however, turned out to be an obstacle to Brazilian exports to the EEC, except in the case of the small quotas stipulated for Portugal and Ireland. As a matter of fact, Brazilian exporters did not use up the quota that had been assigned to them (specially in 1985, 1986 and 1989). On the other hand, Brazilian firms have felt the impact of frequent alterations in technical standards in Germany and, to a lesser extent, in the United Kingdom, as a factor hampering better performance in those markets. [8]

Despite the fact that annual rates of growth authorized for Brazilian exports were reduced in the more recent version, the Multifibre Agreement has also not produced an inhibiting effect on sales by the textile industry and the apparel industry in the European market, though it may have indeed proved restrictive in

the case of specific products. It may be noted that the Brazilian producers showed themselves favourable to maintaining the Agreement on the medium term, which reflects their concern in avoiding competition from new producers of developing countries in the developed country markets.

10. As to investigation of disloyal commercial practices engaged in by the EEC involving Brazilian exports, a study by Funcex turned up six proceedings over the 1979/1987 period for violation of the GATT rules on subsidies, and fourteen having to do with the practice of dumping. [9]

Of the six cases involving subsidization, only the one referring to soya bean flour ended up with a non-subsidy decision. The cases entailing solutions unfavourable to Brazilian exports referred to footwear (started in 1976; concluded with a price agreement); women's footwear (1981, agreement on suspension and export tax); cotton yarn (1983, quota agreement); hot rolled sheets (1982); and cold rolled sheets (1982; in the last two cases the surcharges of the antidumping proceedings prevailed).

Of the fourteen cases concerning dumping, three concluded with decisions favourable to Brazilian exports, namely: tool steel (started 1979); compressors (1980); and ordinary carbon steel wire rods (1985). Of the remaining cases, six resulted in price agreements: iron joints (1980); wood fibreboard (1982); iron and steel shovels (1984); binder and bale twine (1985); ferro-alloys (1986); and Kraftliner paper (1987). In three cases, despite a conclusion running counter to Brazilian exports, the respective decisions were suspended based on the voluntary agreement on iron and steel products established in 1985: hot-rolled sheets (1982); cold-rolled sheets (1982); and hot-rolled coils (1982). Unfavourable decisions were handed down in a case referring to oxalic acid (1984) and a second one dealing with iron joints (1985).

The effects of these cases on Brazilian exports to the EEC were examined in the afore-mentioned study by Funcex which looked into the evolution in the series of exports of the affected products. These series indicate that the commencement of

the inquiries almost invariably occurred in the year in which exports of the respective products peaked or in the year following; they also show that, with the exception of iron joints and oxalic acid, the volume of exports fell off after the commencement of the respective investigations. [10]

11. The Funcex study was aimed also at evaluating the protection derived from the existence of non-tariff barriers applicable to Brazilian exports to the EEC, based on indicators of the incidence of such barriers.

Two indicators were adopted, namely (i) the coefficient of frequency, reflecting the percentage of the flow of commodities affected by non-tariff barriers, and (ii) the coefficient of coverage indicating the percentage of the value of the commodities subject to non-tariff barriers. [11]

Tables 9, 10 and 11 sum up the main results from the Funcex study. It is worthwhile noting that the sudden increase in the coefficients in relation to the EEC in 1985 is due to the action by Greece in imposing import deposits. The impact of that policy - restricted to one country alone - on the indicators, notwithstanding the small volume of Brazilian exports to Greece, is due to one particular characteristic of those indicators: the weighting structure reflects not the weight of each State member of the EEC, but rather the number of products exported or the value of exports to the EEC countries as a group. In any event, since the deposits introduced by Greece were abolished in 1987, the figures for the years prior to 1985 should be considered as being more representative of the level of protection prevailing in the EEC.

Results for the EEC indicate the absence of non-tariff barriers in the case of mineral raw-materials (Table 9). On the other hand, the coefficient of frequency associated with agricultural products is high and significantly above that for manufactures (with due rectification in relation to the influence of Greece), mainly reflecting the EEC agricultural policy. It is interesting to note, however, that the coefficient of coverage referring to agricultural products is close to zero, bearing out

the fact that the non-tariff barriers associated with the EEC agricultural policy do not affect the main items in the Brazilian export list to the EEC market. [12]

The Fundex study differentiated between the non-tariff barriers defined by the common commercial policy of EEC and those adopted individually by specific countries (Table 10). The results obtained bear out the fact that, if the Greek import deposit is left out, the restrictions derived from the common policy of the EEC are more frequent and affect Brazilian exports more than the non-tariff barriers imposed by individual countries. That result is undoubtedly significant from the point of view of an evaluation of the possible effects of the EEC92 project on Brazilian exports. It should be noted, however, that the data bank utilized includes practically none of the technical barriers and phytosanitary regulations applicable within the EEC; this omission tends, therefore, to induce greater under-estimation of the occurrence of non-tariff barriers at an individual country level than for the EEC as a whole.

Finally, the results presented in Table 11 indicate that the coefficients associated with non-tariff barriers applicable to Brazilian exports alone are a good deal less substantial than those applicable indiscriminately to imports from any country.

Brazilian enterprises and Europe 92: perspectives

12. The evaluation of Europe 92's foreseeable impact on Brazilian exports presented in this section basically reflects the perception of Brazilian enterprises. It results from interviews with Brazilian businessmen, industry association representatives and government officials. Those interviews were complemented by information from specialized publications, as well as by the results from a survey with industrial enterprises undertaken by the Confederação Nacional da Indústria - CNI, the Brazilian industry association. Though this survey was intended for a more general purpose, it covers questions relevant on the topics here discussed.

The choice of the enterprises to be interviewed took into account both national firms and foreign subsidiaries, especially: (i) those sectors with significant exports to the EEC and the top rank export firms to that market; (ii) sectors and firms which have been facing or may come to face obstacles in their access to the European market due to protectionist policies and practices; (iii) European multinational subsidiaries exporting to the EEC market; and (iv) firms which already have outlined a strategy of expansion in the EEC.

13. The interviews clearly reveal the Brazilian businessmen's perception that the process of integration of Europe should affect third countries exports to that market and, therefore, it may also affect Brazilian exports. Nevertheless, as some of the important features of the EEC92 project are not yet clearly defined, it is difficult for the Brazilian firms to evaluate not only the magnitude but even the direction of its effects.

The foreseeable effects of EEC92 on the exports of a country such as Brazil are generally associated with the impact of the European integration process on:

- (i) the demand growth rate in the EEC;
- (ii) the conditions to access to the European market;
- (iii) the Brazilian firms' competitiveness vis-à-vis EEC corporations;
- (iv) the Brazilian firms' competitiveness vis-à-vis third country enterprises.

14. The first of these aspects is possibly the only one regarding which the EEC92 effects are clearly defined. Actually, the increase in the EEC growth rate induced by the integration process will imply general expansion of the demand in the European market, which will encompass those products currently or potentially exported by Brazil. Likewise, the unification of taxes - and particularly the elimination of the consumer taxes, which will become restricted to alcoholic beverages and tobacco - may also have a positive impact on the demand. [13]

It depends, however, upon the other factor outlined above whether this market growth will effectively imply an increase in external trade and, particularly, on Brazilian exports.

15. To start with, it is worthwhile focusing on the conditions of access to the European market and, specially, on the question of protectionism in the context of EEC92. Expectations are rather contradictory on this respect. It has already been said that the very conception of the European integration process points to an open economy; hence, "fortress Europe" would result from the increased efficiency and competitiveness of European corporations rather than from trade restrictions with regard to the rest of the world

A different evaluation - opposite to the first one and possibly more widespread than that - suggests, however, that the counterpart of European market unification will be more frequent use of protectionist mechanisms against competition from third country producers. Several factors could lead to such an evolution. First, it has been suggested that the very adjustment process among the different national situations tends to sanction the most protected markets and hence to increase the average protection level. Furthermore, the increase in protection against third country competition may come to compensate the acceptance by some of the EEC countries of greater ease of access to other EEC partners. In addition, from the point of view of the developing countries, negotiations with the EEC as a whole may imply the loss of advantages already obtained in bilateral agreements.

Therefore the predominant view has it that, despite a the long run tendency towards an open economy, the immediate result of the EEC92 is likely to be an increase in the protection level in the European market.

Nevertheless, the general opinion is also that the increase in protectionism will be characterized by a flare-up of antidumping actions, which will be associated with the progressive reduction and eventual elimination of quantitative restrictions to imports. It is worthwhile noting that this

probable evolution is not specifically attributed to the emergence of the EEC92 but would reflect a more general trend in the world economy. This evaluation seems to reflect U.S. efforts to eliminate in the near future the voluntary restraint agreements on steel and the Multifibre Agreement - which are two of the most relevant cases of quantitative restrictions from the Brazilian exporters' viewpoint.

16. Despite the emphasis on protectionism, the Brazilian firms understand that the share of Brazilian exports in the EEC market will be affected also by the different impact the European integration process will have upon the competitiveness of the various firms selling to that market.

The competitiveness of EEC corporations will be positively affected by the changes in the European industrial structure, to be induced by the emergence of a unified market. These changes are likely to bring about a more efficient resource allocation, larger economies of scale and the redefinition of the industrial interdependence system, as well as to stimulate the technological development through the concentration of both financial and human resources.

It is noteworthy, however, that the increase in the competitiveness of the European enterprise will not necessarily have negative effects on Brazilian firm shares in the EEC market, as Brazilian exports do not compete in general with those European industrial sectors more likely to benefit from the European integration process. In fact, the impact of this process on the efficiency of EEC'S industry seems to be concentrated in those sectors in which intra-EEC trade expansion has been hindered by the existence of significant non-tariff barriers (specially those of a technical nature) or by national government buying policies.

As for third country exporters, the competitiveness of Brazilian firms may be negatively affected by the preferential treatment traditionally conceded by the EEC to the EFTA countries, to the Mediterranean countries and to the participants of the Lomé Convention, which is likely to be maintained or even

extended in the context of a unified Europe.

On the other hand, the process of European integration may threaten the market position of Brazilian firms which have found a niche in some particular national market but do not have the capacity to compete in an unified European market.

17. As already mentioned, this evaluation of the EEC92 implications reflects the perception of a group of Brazilian firms with closer experience of the European market features. It is worthwhile complementing that perception with the more general view of the Brazilian firms as whole about the European market and about the policy to be adopted to face the emergence of economic blocs.

Such a view can be extracted from a survey undertaken by the Confederação Nacional da Indústria, through a questionnaire submitted to 550 firms among the two thousand largest Brazilian industrial enterprises. That survey had wider purposes than the subjects focused by this paper. Actually it was intended to investigate the opinion of the top Brazilian industrial executives on competitiveness and industrial strategy. Nevertheless, two questions of the CNI's survey are of particular interest to this paper and correspond to aspects outlined here.

18. Table 12 sums up the businessmen's evaluation of the importance of the different regional or national markets to Brazilian exports in the next ten years. It may be noted that, although economic bloc formation is not mentioned in this specific question, it immediately follows another question that focused on the alternative reactions of Brazilian economy and firms to the emergence of those blocs (specially mentioning the EEC and USA/Canada). So one might suppose that the existence of those blocs was taken into account when the importance of the various markets was evaluated.

Table 12 points out that, according to the evaluation of the enterprises themselves, the West European market will be particularly important in the next ten years for the Apparel and Textile sectors and, to a lesser extent, for the Food products,

Paper and pulp and Transport equipment sectors. It is interesting to observe that the Apparel and Textiles sectors, as well as the Transport equipment industry enterprises have also emphasized the importance of the US market. That market was also emphasized by the basic metals and the mechanical and electrical equipment producers which did not ascribe, however, great importance to the European market. On the other hand, the Textile and Apparel industries are precisely those which, followed by the Food products and Paper sectors, have ascribed less importance to the Latin American market. [14]

19. The CNI's survey also investigated the firms' evaluation about the efficiency of Brazilian alternative strategies in reaction to the emergence of economic blocs. Five alternatives, not mutually exclusive, were presented in the questionnaire: "re-orient the economy to the domestic market"; "create similar blocs in Latin America"; "increase Brazilian investment abroad"; "raise the economy's productivity in order to increase its capacity to compete in the new blocs"; "preserve multilateralism through the strengthening of GATT".

The alternative chosen as most efficient by the great majority of the firms in all sectors - increased competitiveness - evidently reflects the common sense (Table 13). On the other hand, most sectors agreed on rejecting the reorientation of the economy towards the domestic market as an alternative of meagre efficacy, as well as on supporting the constitution of economic blocs in Latin America and the strengthening of multilateralism and GATT (the Wearing apparel industry was particularly emphatic on this latter point).

The major divergence among the views of the different sectors refers to the Brazilian investment abroad. This alternative is not seem as very efficacious by the enterprises as a whole, though it is slightly more appreciated by Transport equipment (basically car parts) manufacturers and Paper and pulp firms. It is necessary to note, however, that these results reflect the perspective of the sectors as a whole and, hence may conceal the perception of specific segments of such sectors,

which may even imply the firm's effective decision to react to the emergence of an economic bloc through investment abroad. In the Apparel industry, for example, in which just a very small group of firms considers this alternative as quite effective, three cases have been identified for which the establishment of productive subsidiaries in Europe is being undertaken.

It is, therefore, worthwhile going beyond the results suggested by this survey and examining the strategies which were outlined by the firms of different sectors in the interviews undertaken in the present study.

20. However, before focusing on the Brazilian firms strategy facing the emergence of EEC92, it is convenient to emphasize that, to the uncertainties and indefinitions still surrounding the project of an unified Europe, one can add the equally uncertain perspectives for the Brazilian economy in the next few years. In particular, it is worthwhile outlining some points of the current agenda of the economic policy debate which seem to be relevant for the questions here focused.

The first point concerns to the consensus on the necessity of overcoming the public sector fiscal crisis, as a condition to the control of inflation and to the further recovery of the process of economic growth. A likely element of such a policy is a significant reduction, or even the elimination, of the incentives and subsidies still existing in the Brazilian economy, including those directed to exports - which, as well known, have played a major role in the growth of Brazilian exports during this decade. On the other hand, the recessive effects of the public sector adjustment policy may lead to the re-orientation of the productive capacity towards overseas markets, bringing about a renewed drive to export as occurred in the early eighties.

A second point of the agenda of the present economic policy debate refers to the proposal of opening the domestic market to competition from imports, through a revision of the protectionist policy which would involve reduction of tariffs and, especially, elimination of existing non-tariff barriers. This proposal

suggests that the import policy initially take into account the current competitive capacity of the Brazilian manufacturing sector but also that it progress slowly in order to induce technological up-dating and increased competitiveness.

21. The analysis of the Brazilian enterprises reaction strategy facing EEC92 should take into account the characteristics of the exporting firms and the nature of the export products.

In regard to the nature of the exports to the EEC, four different groups of products may be distinguished, namely:

(a) mineral raw-materials (iron ore and concentrated ores) and natural resource intensive products (unworked aluminium and tin and pulp);

(b) agricultural and agro-industrial products (orange juice, the soy complex, coffee, tobacco);

(c) low technology manufactured products, typical of NIC's exports (textile, wearing apparel, footwear, steel products, auto parts);

(d) metal and mechanical products with major technological content and chemical products.

As already mentioned in the previous section, the agriculture and agro-industrial products (group b) account for about half of the exports to the EEC. The rest is almost equally divided amongst the other groups.

The natural resource-intensive products benefit from comparative advantages that are not likely to be affected by the emergence of EEC92. On the other hand, the exports of the group (d) products frequently constitute eventual (petrochemicals) or marginal exports by the export firms; furthermore, they are often undertaken by multinational corporations (such as Fiat, for example) and hence depend on the the global strategy of such corporations. [15]

Therefore, the implications of the emergence of EEC92 affect more clearly those products included in groups (b) and (c) and may call for a response from the producers of such goods.

22. Nevertheless, the effectiveness of such a response will depend upon the characteristics of the firm. In this respect, it is opportune to distinguish, among the national firms, those whose presence in overseas markets is only marginal (and some times even incidental) and those which effectively have a growth strategy in the world market (though sometimes not very clearly formulated).

In the former case, the emergence of the EEC92 may be a cause for worry but will hardly evoke radical answers. Alternatives here may involve, for instance, a simple attempt to compensate in other markets possible losses in the EEC or the effort to keep on being competitive through cost reduction, quality improvement and, perhaps, product changes aimed at meeting the new requirements of an unified consumer market or new technical and legal regulations.

A significant number of Brazilian export firms, however, have already incorporated the external market into their planning scheme and economic reckoning, that is, they have already integrated the expansion in the world market into their growth strategy. For such firms, the possible threats that may arise from the EEC92 cannot be taken passively. Furthermore, to the more dynamic of such firms, the emergence of EEC92 is seen more than as a source of threats, as a source of opportunities to be explored from the point of view of their external market growth strategy.

The literature on foreign investment and multinational enterprises, drawing on the experience of the developed country corporations, clearly shows that the growth process in the external market frequently induces the exporter to go beyond the mere commodity exports through a progressive and growing engagement in activities abroad. Traditionally, this progressive engagement involved, as successive but not necessary steps, the building up of a trade network (through representative offices, warehouses, technical assistance network) and the establishment of subsidiaries to assemble and/or produce abroad. More recently, some new forms of participating into specific markets (joint ventures, contracts for the transfer of technology and

franchising) have come to facilitate the firms' expansion overseas - and, in particular, to favour those enterprises which, due to their size, do not have financial and managerial capabilities for establishing fully-controlled subsidiaries abroad.

Historical experience also shows that the decisive steps in this progressive engagement were generally brought about either by the threat imposed by protectionist measures which hindered the access to a specific national market or by the attempt to gain competitive advantages in an attractive or promising market.

For many Brazilian firms, the emergence of the EEC92 corresponds, for one or the other of those reasons, to one of these decisive moments. It is worthwhile noting that the different reactions of the Brazilian firms to the EEC92 do not reflect their particular sectors' viewpoint. In fact, the same industry may include both firms contemplating a limited reaction and firms which plan or already have effective investments in the EEC in order to ensure themselves a more significant presence in the unified European market.

It may be emphasized, moreover, that the decision to invest in the EEC countries does not necessarily reflect a previous significant participation in that market. In many cases, the reaction to the emergence of an unified European market through investment in this area seems, above all, to reflect an incipient strategy of internationalization which is prior to and independent of the EEC92 project.

23. Exporters of agro-industrial products provide some examples of decisions to invest in the EEC which seem to reflect basically a defensive movement intended to buttress positions already achieved in the European market.

Such is the case, for example, of the establishment of a blending station for concentrated orange juice in Southern Italy (Reggio Calabria), through an association between four Brazilian exporters (including the two largest exporters of juice to the EEC - Cutrale and Citrosuco), and Italian entrepreneurs. The enterprise appears to have as its key objective the elimination

of difficulties and friction in the marketing of the Brazilian product, due to the opposition of Italian producers. Indeed, by mixing Brazilian and Italian orange juice concentrates, the new unit will ensure the absorption of a significant proportion of the relatively minor local output.

Also of a defensive nature are the investment plans of soya bean derivative exporters. These projects would involve the setting up of units for processing soya beans in Europe, so as to boost exports of the product in natura and thus circumvent obstacles that might be raised by the EEC to imports of processed products. There are, however, expectations that this initiative may also foster exports of processed products themselves, which would be marketed through the distribution channels set up for the European output.

Of similar nature is the joint venture recently established in Germany by the most important Brazilian producer and exporter of wood agglomerates (Duratex) for setting up in Hanover an industrial unit for beneficiation and sale of wood fibre and wood agglomerate sheets. The joint venture involves a traditional importer of Duratex products (Groteloh), with a 40% share in the new undertaking, and was established after an eight-month negotiation process. The choice of Hanover reflects the importance of the German market, which accounted for about 15% of total exports by Duratex in 1988 (US\$41 million), as well as the concentration of the German furniture industry in this town. The Brazilian company is also thinking about the possibility of a second unit, to be located in Portugal.

On the other hand, there are situations in which the possibility of making investments to uphold market participation in the EEC, though envisaged, face difficulties in coming into fruition. That is, for example, the case of the steel firms which condition engagement in productive activities in Europe to the acquisition of existing facilities, since the European market affords no scope for the establishment of a new production unit.

24. Side by side with these defensive movements, situations can be singled out in which the decision to invest in the EEC

does not result from an effort to maintain a position won in European countries but appears, instead, to reflect a decision to establish a beachhead and build up a competitive position in the unified market, as a part of a strategy of growth abroad.

The apparel industry provides examples of this strategy. The EEC absorbs less than 10% of the exports of this industry, whose products are sold above all in the U.S. market (to the extent of over 80%). Notwithstanding, at least three different companies in the sector reacted to the emergence of EEC92 by investing in Europe - more particularly in Spain and Portugal.

Thus São Paulo Alpargatas, the largest producer of apparel and footwear in Brazil, has acquired a Spanish clothing manufacture firm, with participation in the markets of most of the EEC countries as well as in Eastern Europe and Africa. From the point of view of the Brazilian firm, it was less a matter of obtaining production facilities than of penetrating into the marketing channels of the Spanish company. Another example is that of Hering, also one of the major Brazilian companies in the sector, that is setting up a production unit in Extremadura, Spain, in association with Portuguese capital. Then there is Staroup, a firm of smaller size, that is setting up in the North of Portugal, also in association with Portuguese interests, with a production capacity equivalent to 25% of its productive capacity in Brazil. It should be noted that Staroup has had previous experience of productive activities abroad, through a joint venture in the Soviet Union.

These three undertakings are clearly aimed at overcoming difficulties for entering the European market, and at thus ensuring a standing in that market in advance of the advent of EEC92. The marketing channels for the output of these European units may be expected to be utilized, moreover, for the distribution and sale in the EEC of Brazilian output by such firms. It should furthermore be pointed out that the decision in favour of a location in Portugal and Spain is due not only to cultural bonds but also to the expectation of eligibility for the incentives stipulated by the Community for investments in the region.

In the metal and mechanical sector, Metal Leve and Cofap provide further examples of decisions to invest in the EEC that mainly reflect a strategy of growth abroad.

The exports of Brazilian car parts industry amounted to about one billion dollar in 1988 which correspond to 10% of industry's total sales (in addition, the engine and auto parts exports of the Brazilian subsidiaries of multinational vehicle manufacturers amounted to US\$900 million). [16] Metal Leve and Cofap are not only the two largest Brazilian car parts manufacturers but also the two largest exporters among them. Metal Leve exports (US\$50 million in 1988) correspond to 17% of its total sales. The firm has exported to more than fifty countries but the United States market accounts for about 70% of its sales abroad. The firm forecasts, however, an increase in its sales to Europe where it has made export contracts with new costumers such as Daimler-Benz, Volvo and Renault. Metal Leve has a fully-controlled productive unit in the United States which started up by the end of 1988 and has sold its production (pistons) to Caterpillar. The emergence of EEC92 has prompted Metal Leve to establish a production unit in Portugal. The firm has not decided as yet if the undertaking will be also a fully-controlled subsidiary or if it will have the Portuguese development agency as a minority shareholder.

Cofap's exports (about US\$90 million) account for 18% of its total sales but the firm plans to increase this share to 40%. Cofap is considering the establishment of a technological research centre in Germany and the construction of a production unit at a site not yet decided on in the EEC.

The policy of expansion in the world market with which these projects are associated - induced to some extent by the growth of exports of the Brazilian subsidiaries of multinational vehicle manufacturers - also stems from the recognition that the competitiveness of a car parts producer will increasingly depend on its ability to attain scales of production and financial capacity that nothing but a solid insertion in the world market can assure.

Finally, it is worth noting that this movement towards the

EEC in the context of an overall strategy of growth abroad is not restricted to manufacturing firms, as exemplified by Odebrecht, one of the largest Brazilian construction firms. This firm, like other large construction companies, has moved into the external market since the early eighties, undertaking large and important projects in many Third World countries. Recently, Odebrecht has taken over a Portuguese construction firm, through which it intends not only to gain access to the EEC market and to open a new door to Africa but also to enhance its competitive position in the world market. This strengthening is expected even to result from the possibility of borrowing under more favourable conditions in the international financial market where it may present itself under an European façade rather than as a Brazilian firm.

Conclusions

EEC has rivalled the United States as the most important market for Brazilian exports, accounting in particular for significant shares of the agriculture and agro-industrial products, as well as of mineral raw materials and natural resource-intensive product exports. The competitiveness of Brazilian products in the European market, which often reflects natural competitive advantages, has been enhanced by General Preference System schemes in some cases but also had to face obstacles and difficulties resulting from the preferential treatment granted by the EEC to other countries' exports and to non-tariff barriers (specially, antidumping proceedings and inquiries into the violation of GATT rules on subsidies).

Brazilian entrepreneurs are quite aware of the possibility that the emergence of Europe 92 may affect their export performance in the EEC. To be sure, a more definite evaluation of this impact is hindered by the uncertainties and lack of definition still surrounding the unified Europe project. Nevertheless, the predominant view is that, despite a long term tendency to an open economy, the immediate result of the EEC92 is

likely to be an increase in the protectionist level in the European market.

The implications for the Brazilian exports are bound to differ in the various industries and classes of products. For instance, mineral raw materials and natural resource-intensive products benefit from competitive advantages which will not be affected by the emergence of Europe 92. As a matter of fact, the impact of the EEC92 is more likely to be felt by agriculture and agro-industrial products and low-technology manufactured products, which may be the target of protectionist measures and/or have to face fiercer competition from exporters from newly industrialized or developing countries.

On the other hand, the response of the Brazilian enterprises to the EEC92 seems to depend basically on the role played by the external market in their growth strategy. For those firms whose presence in overseas markets is only marginal, the emergence of EEC 92 will hardly evoke a radical reaction, even if it comes to threaten their presence in the European market. In this case, the reaction may be either to undertake a special effort to keep on being competitive in that market or move to another overseas market. Those firms which already have a growth strategy in the world market are likely not only to react more strongly to possible threats arising from the EEC92 but also to focus on the unified European market as a source of opportunities to be taken into account in their growth strategy.

The undertaking of investment in the EEC and the setting up of production units abroad appears as a frequent response of such firms to the EEC92 project. In some cases, such a decision corresponds to a defensive move intended to strengthen positions already achieved in the European market. In other, it reflects the intention of establishing a competitive position in the unified market, independently of any prior significant participation in such a market but possibly stealing a march on potential competitors, as part of an incipient strategy of internationalization.

NOTES

[1] Brazilian exports to Japan, the next most important market, amount to about US\$1.5 billion and correspond to only 6%-6.5% of total Brazilian exports.

[2] In the text and in appended tables, the notation EEC(10) will be used to indicate statistical information for the group of ten countries which comprised the EEC prior to the entry of Portugal and Spain; EEC(12) indicates statistical data on the group of 12 countries currently comprising the EEC.

[3] The composition of Brazilian exports to Japan is quite different from those associated with the EEC and the United States as the mineral raw-materials (30-35%) and the basic metals (20%) account for half of the total exports (Table 3).

[4] The Japanese market is of some importance to Brazilian exports in the case of the Mining, Basic metals and Paper and pulp sectors; nevertheless, even in such cases, its share in Brazilian exports is much lower than that of EEC and/or United States (Table 4).

[5] In relation to the United States, thirty three per cent of Brazilian exports were undertaken under the General Preference System in 1984. The GSP scheme was rather important to the exports of Basic metals and Machinery and equipment (more than 60% of such exports) and of relative importance to Wood products and furniture, Paper and pulp, Transport equipment and Chemicals (about 1/3 of the corresponding exports).

[6] Yet that treatment affects products which are important from angle of the Brazilian export list, such as green coffee, cocoa paste and meat products, all of which are exempt under the Lomé Convention but subject to duties of 5%, 11% and 17% respectively, in the case of Brazilian exports.

[7] Lia Vals Pereira, "O proteccionismo dos países desenvolvidos e

o acesso de produtos brasileiros aos mercados externos", Rio de Janeiro: Funcex, 1989 (to be published).

[8] The importance of technical barriers as an obstacle to Brazilian exports has been studied by a survey carried out by the Brazilian Technical Standard Association (ABNT). Through a questionnaire submitted to 910 Brazilian exporters, the survey identified 191 cases in which technical barriers hampered the expansion of the Brazilian firms' exports. To be sure, in many cases (43%) the difficulties arising from technical standard abroad were ascribed to the poor quality of the Brazilian product. Nevertheless, in many other cases (32%), the barrier was associated with deficient specifications of the technical standard of the importing country and with the existence of national specification which differs from the international ones.

[9] Lia Vals Pereira, "O protecionismo dos países desenvolvidos e o acesso de produtos brasileiros aos mercados externos", Rio de Janeiro: Funcex, 1989 (to be published).

[10] The undertaking of inquiries into the practice of dumping and into the violation of GATT rules on subsidies has also hindered the access of Brazilian exports to the United States market. The study by Funcex has identified, over the 1979/1985 period, 34 proceedings for subsidization (almost 10% of the 351 proceedings moved by the United States on this account during the period) and 18 investigations for the practice of dumping (about 5% of a total of 342 investigations). In addition, proceedings against Brazil under Section 301 were undertaken in the case of poultry, footwear, soya, informatic and pharmaceutical products.

[11] The number of products considered in the Coefficient of Frequency and the value of exports considered in the Coefficient of Coverage were defined taking into account 1981 exports. The source of information on non-tariff barriers was the UNCTAD data bank; despite its being the best available survey, the bank undoubtedly does not include all non-tariff barriers.

[12] A comparison between the coefficient for the EEC (discounting the effect of Greece) and the United States suggests levels of protection that are not very different in the two markets, except in terms of the more significant presence of non-tariff barriers in the case of U.S. imports of mineral raw-materials (Table 9).

[13] In the case of tobacco, however, the application of duties at the average rate of countries in which such duties are highest may entail an increase in the price of the product, with negative effects on consumption.

[14] It should be noted that the Japanese market is not individually reflected in this survey. Of the group of 550 companies interviewed, only 22% considered the Asian market as "very important", whereas 39% deemed it to be "important". As to the other markets covered by the questionnaire, the corresponding percentages were 16% and 39% for Africa and 19% and 42% for Eastern Europe.

[15] The share of foreign subsidiaries in Brazilian manufacture exports in 1985 were: (a) mineral raw-materials - 11%; paper and pulp - 13%; (b) food products, beverage and tobacco - 20%; (c) textiles and apparel - 18%; footwear - 4%; basic metals - 13.5%; (d) chemicals - 35%; mechanical and electrical equipment - 67%; transport equipment - 58%; scientific instruments, medical and surgical equipment, optical and photographic equipment - 64% (computed by Funcex from CACEX unpublished data). There is no available data on the share of these subsidiaries in the exports to Europe.

[16] Information on the destination of the car parts manufacturer exports is not available. As to the motor vehicle producers, the U.S. market accounts for 63% of their engine and parts exports while the share of Europe is 22%.

Table 1
Brazilian exports to EEC countries

	US\$ million					Percentage				
	1983	1984	1985	1986	1987	1983	1984	1985	1986	1987
Benelux	503	638	577	485	611	8.0	9.4	8.4	8.3	8.8
Denmark	104	124	120	109	94	1.6	1.8	1.7	1.8	1.4
France	891	836	800	716	678	14.1	12.3	11.6	12.2	9.8
Germany	1,131	1,256	1,309	1,099	1,229	17.9	18.4	19.0	18.7	17.7
Greece	78	85	61	77	105	1.2	1.2	0.9	1.3	1.5
Ireland	30	34	20	16	20	0.5	0.5	0.3	0.3	0.3
Italy	977	1,115	1,150	910	1,270	15.5	16.4	16.7	15.5	18.3
Netherlands	1,254	1,361	1,558	1,299	1,608	19.8	20.0	22.6	22.1	23.2
United Kingdom	719	708	632	646	756	11.4	10.4	9.2	11.0	10.9
Total EEC (10)	5,686	6,157	6,227	5,358	6,371	90.0	90.3	90.3	91.3	91.8
Portugal	187	162	136	64	126	1.7	2.4	2.0	1.1	1.8
Spain	527	496	533	447	444	8.3	7.3	7.7	7.6	6.4
Total EEC (12)	6,329	6,815	6,896	5,869	6,941	100.0	100.0	100.0	100.0	100.0
EEC (12)						28.9	25.2	26.9	26.3	26.5
United States	5,063	7,710	6,956	6,306	7,325	23.1	28.6	27.1	28.2	27.9
Japan	1,433	1,515	1,398	1,514	1,677	6.5	5.6	5.5	6.8	6.4
Total	21,899	27,005	25,639	22,349	26,225	100.0	100.0	100.0	100.0	100.0

Source: Computed by FUNCEX from CACEX data

Table 2
Brazilian exports to EEC, USA and Japan
US\$ million

	1984				1985				1986			
	EEC	USA	Japan	Total	EEC	USA	Japan	Total	EEC	USA	Japan	Total
Agriculture	292	100	9	947	626	121	57	1,348	299	117	32	736
Mining	652	112	523	1,885	674	86	494	1,903	650	94	441	1,845
Food, beverage and tobacco	2,259	2,585	320	7,654	1,946	1,962	326	6,616	1,574	1,573	701	5,687
Food products	2,037	2,307	284	6,985	1,688	1,806	299	6,053	1,361	1,430	340	5,187
Tobacco	208	131	4	469	252	100	4	459	198	119	6	413
Textiles, wearing apparel, leather	432	1,192	51	2,287	359	1,049	40	1,969	345	1,056	28	1,912
Textiles	292	182	50	956	226	168	37	786	187	170	25	699
Wearing apparel	72	984	1	1,146	65	849	1	1,017	97	864	1	1,071
Wood products and furniture	133	100	4	353	119	106	3	332	132	102	3	349
Paper, printing and publishing	239	133	76	756	224	103	50	563	218	140	64	694
Chemicals	1,300	1,211	142	6,013	1,367	1,226	159	5,386	1,247	779	116	3,823
Non-metallic mineral products	25	111	8	476	16	65	0	460	15	75	0	341
Basic metal and metal products	798	1,925	384	6,017	948	2,006	306	6,444	861	2,137	450	5,687
Basic metals	223	968	302	2,629	344	740	229	2,627	347	707	291	2,676
Machinery and equipment	196	418	71	1,309	262	556	66	1,420	177	525	66	1,383
Elect. equip. and apparatus	79	300	10	614	72	293	11	593	112	408	21	803
Transport equipment	300	340	2	1,465	270	417	0	1,804	225	497	72	1,654
Other	110	436	31	1,002	23	320	4	889	96	279	35	678
Total	6,157	7,710	1,515	27,005	6,227	6,956	1,398	25,639	5,358	6,306	1,514	22,349

Source: Computed by FUNCEX from CACEX data

Table 3
Distribution by sectors of Brazilian exports to EEC, USA and Japan
Percentage

	1984				1985				1986			
	EEC	USA	Japan	Total	EEC	USA	Japan	Total	EEC	USA	Japan	Total
Agriculture	4.7	1.3	0.6	3.5	10.1	1.7	4.0	5.7	5.6	1.9	2.1	3.3
Mining	10.6	1.4	34.5	7.0	10.8	1.2	35.4	7.4	12.1	11.5	29.1	8.3
Food, beverage and tobacco	36.7	33.5	21.1	28.3	31.3	28.2	23.3	25.8	29.4	24.9	46.3	25.4
Food products	33.1	29.9	18.7	25.9	27.1	26.0	21.4	23.6	25.4	22.7	22.5	23.2
Tobacco	3.4	1.7	0.3	1.7	4.0	1.4	0.3	1.8	3.7	1.9	0.4	1.8
Textiles, wearing apparel, leather	7.0	15.5	3.4	8.5	5.8	15.1	2.8	7.7	6.4	16.7	1.8	8.6
Textiles	4.7	2.4	3.3	3.5	3.6	2.4	2.7	3.1	3.5	2.7	1.7	3.1
Wearing apparel	1.2	12.5	0.1	4.2	1.0	12.2	0.1	4.0	1.8	13.7	0.1	4.8
Wood products and furniture	2.2	1.3	0.2	1.3	1.9	1.5	0.2	1.3	2.5	1.6	0.2	1.6
Paper, printing and publishing	3.9	1.7	5.0	2.8	3.6	1.5	3.5	2.2	4.1	2.2	4.2	3.1
Chemicals	21.1	15.7	9.4	22.3	21.9	17.5	11.4	21.0	23.3	12.4	7.7	17.1
Non-metallic mineral products	0.4	1.4	0.5	1.8	0.3	0.9	0.0	1.8	0.3	1.2	0.0	1.5
Basic metal and metal products	13.0	25.0	25.4	22.3	15.2	28.8	21.9	25.1	16.1	33.9	29.7	25.4
Basic metals	3.6	11.3	19.9	9.7	5.5	10.6	16.4	10.2	6.5	11.2	19.2	12.0
Machinery and equipment	3.2	5.4	4.7	4.8	4.2	8.0	4.7	5.5	3.3	8.3	4.4	6.2
Elect. equip. and apparatus	1.3	3.9	0.6	2.3	1.2	4.2	0.8	2.3	2.1	6.5	1.4	3.6
Transport equipment	4.9	4.4	0.1	5.4	4.3	6.0	0.0	7.0	4.2	7.9	4.8	7.4
Other	1.8	5.6	2.1	3.7	0.4	4.6	0.3	3.5	1.8	4.4	2.3	3.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Computed by FUNCEX from CADEX data

Table 4
Shares of EEC, USA and Japan markets in Brazilian exports
Percentage

	1984				1985				1986			
	EEC	USA	Japan	Total	EEC	USA	Japan	Total	EEC	USA	Japan	Total
Agriculture	30.8	10.5	0.9	100.0	46.5	9.0	4.2	100.0	40.6	15.9	4.4	100.0
Mining	34.6	5.9	27.8	100.0	35.4	4.5	26.0	100.0	35.2	5.1	23.9	100.0
Food, beverage and tobacco	29.5	33.8	4.2	100.0	29.4	29.7	4.9	100.0	27.7	27.7	12.3	100.0
Food products	29.2	33.0	4.1	100.0	27.9	29.8	4.9	100.0	26.2	27.6	6.6	100.0
Tobacco	44.3	28.0	0.9	100.0	54.8	21.8	0.8	100.0	47.9	28.8	1.3	100.0
Textiles, wearing apparel, leather	18.9	52.1	2.2	100.0	18.2	53.2	2.0	100.0	18.1	55.3	1.5	100.0
Textiles	30.6	19.1	5.2	100.0	28.7	21.4	4.7	100.0	26.7	24.4	3.6	100.0
Wearing apparel	6.3	84.1	0.1	100.0	6.4	83.5	0.1	100.0	9.0	80.7	0.1	100.0
Wood products and furniture	37.8	28.2	1.0	100.0	35.8	31.9	1.0	100.0	37.8	29.3	0.9	100.0
Paper, printing and publishing	31.6	17.5	10.0	100.0	39.8	18.3	8.8	100.0	31.4	20.1	9.3	100.0
Chemicals	21.6	20.1	2.4	100.0	25.4	22.8	3.0	100.0	32.6	20.4	3.0	100.0
Non-metallic mineral products	5.2	23.4	1.7	100.0	3.4	14.1	0.1	100.0	4.3	22.1	0.1	100.0
Basic metal and metal products	13.3	32.0	6.4	100.0	14.7	31.1	4.8	100.0	15.1	37.6	7.9	100.0
Basic metals	8.5	33.0	11.5	100.0	13.1	28.2	8.7	100.0	13.0	26.4	10.9	100.0
Machinery and equipment	15.0	31.9	5.4	100.0	18.4	39.2	4.6	100.0	12.8	38.0	4.8	100.0
Elect. equip. and apparatus	12.8	48.8	1.6	100.0	12.1	49.4	1.8	100.0	14.0	50.8	2.6	100.0
Transport equipment	20.5	23.2	0.1	100.0	15.0	23.1	0.0	100.0	13.6	30.0	4.4	100.0
Other	11.0	43.5	3.1	100.0	2.6	36.0	0.5	100.0	14.2	41.2	5.2	100.0
Total	22.8	28.6	5.6	100.0	24.3	27.1	5.5	100.0	24.0	28.2	6.8	100.0

Table 5
Brazilian exports to EEC - 1986

Products	US\$million	Percentage
Agriculture products	298.6	5.6
Ores	649.8	12.1
Manufacturing	4,417.7	82.3
Pig iron	26.4	0.5
Steel ingots and ferroalloys	103.1	1.9
Flat and non flat steel products	41.3	0.8
Non-ferrous metals	145.5	2.7
Other steel products	16.2	0.3
Machinery and parts	124.2	2.3
Office machines	24.6	0.5
Domestic electric appliance and parts	18.0	0.3
Electronic appliance and parts	25.9	0.5
Radio/television receivers;appar.for sound reproduction	59.2	1.1
Motor vehicles	127.6	2.4
Motor vehicle motors and parts	27.9	0.5
Other vehicles and parts	67.9	1.3
Wood sawn or chipped	112.8	2.1
Pulp and chemical wood pulp	129.0	2.4
Paper and paperboard	85.7	1.6
Leather products	61.8	1.2
Basic chemicals	58.6	1.1
Petrochemical products	85.2	1.6
Oil-cake, flour and other solid residues of oil seeds	890.9	16.6
Pharmaceutical products	29.1	0.5
Other chemical products	74.8	1.4
Textiles	153.9	2.9
Wearing apparel	45.9	0.9
Footwear	75.6	1.4
Coffee not roasted	576.7	10.7
Coffee roasted or concentrated	78.6	1.5
Meat, fresh, chilled or frozen	83.7	1.6
Meat products	145.2	2.7
Preparations used in animal feeding	62.3	1.2
Other food products	403.7	7.5
Beverage	15.1	0.3
Tobacco	197.5	3.7
Other	243.8	4.5
Total	5,366.0	100.0

Source: Compute by FUNCEX from CADEX data

Table 6
Brazilian exports to EEC by country and sector - 1985

	Benelux	Denmark	France	Germany	Greece	Ireland	Italy	Nether-lands	Portugal	Spain	United Kingdom	Total
	US\$ million											
Agricult.prod./food/beverage/tobacco	322.9	79.9	570.8	588.9	42.2	6.2	438.2	1,153.9	85.9	393.6	339.3	4,021.9
Agriculture products	173.2	68.7	204.0	360.6	38.9	0.2	336.7	310.3	73.2	231.9	83.0	1,880.5
Food, beverage and tobacco	149.6	11.2	366.8	228.4	3.4	6.0	101.4	843.6	12.7	161.8	256.3	2,141.4
Mining	98.2	0.7	80.8	301.3	1.0		139.4	37.5	1.4	67.6	48.6	776.4
Textiles, wearing apparel, leather	25.6	12.6	57.7	143.8	8.4	5.1	58.5	28.8	28.4	15.1	71.5	455.5
Wood products and furniture	4.7	1.9	4.8	21.8	0.2	5.3	5.2	6.0	1.7	3.7	66.7	122.2
Paper, printing and publishing	78.3	0.1	12.2	24.4	1.2	0.1	19.1	1.7	5.6	0.2	8.4	151.5
Chemicals	18.5	1.9	25.1	61.3	1.2	0.2	46.8	139.5	3.0	7.3	20.8	325.6
Non-metallic mineral products	1.2	0.3	0.5	9.7	0.1		0.5	0.7	0.0	0.1	3.2	16.1
Basic metals	6.1	3.0	2.2	44.3	4.7	0.1	99.4	155.8	1.3	39.9	22.5	379.2
Machinery and equipment	15.7	0.7	14.1	77.0	0.7	0.1	184.5	24.8	5.5	3.5	41.4	368.0
Transport equipment	3.9	19.2	26.2	27.3	1.0	0.0	156.1	5.9	2.7	0.3	7.0	249.7
Other	2.0	0.2	2.6	9.3	0.1	2.5	2.2	3.8	0.4	1.3	2.8	27.1
Total	577.1	120.3	797.0	1,309.1	60.9	19.7	1,149.8	1,558.3	136.0	532.5	632.2	6,893.2
	Percentage											
Agricult.prod./food/beverage/tobacco	56.0	66.4	71.6	45.0	69.3	31.6	38.1	74.0	63.2	73.9	53.7	58.3
Agriculture products	30.0	57.1	25.6	27.5	63.8	1.0	29.3	19.9	53.8	43.5	13.1	27.3
Food, beverage and tobacco	25.9	9.3	46.0	17.4	5.5	30.7	8.8	54.1	9.3	30.4	40.5	31.1
Mining	17.0	0.6	10.1	23.0	1.6		12.1	2.4	1.1	12.7	7.7	11.3
Textiles, wearing apparel, leather	4.4	10.5	7.2	11.0	13.8	25.8	5.1	1.8	20.9	2.8	11.3	6.6
Wood products and furniture	0.8	1.5	0.6	1.7	0.4	26.8	0.5	0.4	1.3	0.7	10.6	1.8
Paper, printing and publishing	13.6	0.1	1.5	1.9	2.0	0.7	1.7	0.1	4.1	0.0	1.3	2.2
Chemicals	3.2	1.5	3.1	4.7	2.0	1.1	4.1	9.0	2.2	1.4	3.3	4.7
Non-metallic mineral products	0.2	0.2	0.1	0.7	0.1		0.0	0.0	0.0	0.0	0.5	0.2
Basic metals	1.0	2.5	0.3	3.4	7.8	0.4	8.6	10.0	0.9	7.5	3.6	5.5
Machinery and equipment	2.7	0.6	1.8	5.9	1.2	0.6	16.0	1.6	4.0	0.7	6.5	5.3
Transport equipment	0.7	15.9	3.3	2.1	1.7	0.1	13.6	0.4	2.0	0.1	1.1	3.6
Other	0.3	0.1	0.3	0.7	0.1	12.9	0.2	0.2	0.3	0.3	0.4	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Percentage											
Agricult.prod./food/beverage/tobacco	8.0	2.0	14.2	14.6	1.0	0.2	10.9	28.7	2.1	9.8	8.4	100.0
Agriculture products	9.2	3.7	10.8	19.2	2.1	0.0	17.9	16.5	3.9	12.3	4.4	100.0
Food, beverage and tobacco	7.0	0.5	17.1	10.7	0.2	0.3	4.7	39.4	0.6	7.6	12.0	100.0
Mining	12.7	0.1	10.4	38.8	0.1		18.0	4.8	0.2	8.7	6.3	100.0
Textiles, wearing apparel, leather	5.6	2.8	12.7	31.6	1.8	1.1	12.8	6.3	6.2	3.3	15.7	100.0
Wood products and furniture	3.9	1.5	3.9	17.9	0.2	4.3	4.3	4.9	1.4	3.0	54.6	100.0
Paper, printing and publishing	51.7	0.0	8.1	16.1	0.8	0.1	12.6	1.2	3.7	0.1	5.6	100.0
Chemicals	5.7	0.6	7.7	18.8	0.4	0.1	14.4	42.8	0.9	2.2	6.4	100.0
Non-metallic mineral products	7.2	1.6	3.1	60.1	0.5		2.8	4.1	0.1	0.3	20.1	100.0
Basic metals	1.6	0.8	0.6	11.7	1.2	0.0	26.2	41.1	0.3	10.5	5.9	100.0
Machinery and equipment	4.3	0.2	3.8	20.9	0.2	0.0	50.1	6.7	1.5	0.9	11.2	100.0
Transport equipment	1.6	7.7	10.5	10.9	0.4	0.0	62.5	2.4	1.1	0.1	2.8	100.0
Other	7.3	0.6	9.6	34.5	0.3	9.4	8.0	13.9	1.3	4.9	10.2	100.0
Total	8.4	1.7	11.6	19.0	0.9	0.3	16.7	22.6	2.0	7.7	9.2	100.0

Source: Compute by FUNDEX from CACEX data

Table 7
Brazilian exports to EEC under GSP schemes

	1984			1985		
	GSP exports (US\$million)	GSP exports (percentage)	GSP exports/ total exports (percentage)	GSP exports (US\$million)	GSP exports (percentage)	GSP exports/ total exports (percentage)
Benelux	105.5	5.6	16.5	90.9	4.8	15.8
Denmark				44.4	2.3	36.9
France	158.2	8.4	18.9	190.4	10.0	23.8
Germany	425.9	22.6	33.9	389.2	20.4	29.7
Greece	15.7	0.8	18.4	9.9	0.5	16.3
Ireland	26.2	1.4	76.2	14.0	0.7	71.1
Italy	434.6	23.1	39.0	559.0	29.3	48.6
Netherlands	356.7	19.0	26.2	329.9	17.3	21.2
United Kingdom	358.6	19.1	50.6	282.0	14.8	44.6
Total EEC (10)	1,881.4	100.0	30.6	1,909.7	100.0	30.7

Source: Computed by FUNCEX from CADEX data

Table 8
Brazilian exports to EEC under GSP schemes

	1984			1985		
	GSP exports (US\$million)	GSP exports (percentage)	GSP exports/ total exports (percentage)	GSP exports (US\$million)	GSP exports (percentage)	GSP exports/ total exports (percentage)
Agriculture	25.2	1.4	8.6	66.3	3.5	10.6
Mining	1.7	0.1	0.3	2.7	0.1	0.4
Food, beverage and tobacco	475.0	25.6	21.0	465.3	24.4	23.9
Food products	284.0	15.3	13.9	280.0	14.7	16.6
Tobacco	190.0	10.2	91.4	185.2	9.7	73.5
Textiles, wearing apparel, leather	303.5	16.3	70.3	251.3	13.2	70.0
Textiles	205.6	11.1	70.3	165.7	8.7	73.4
Wearing apparel	57.7	3.1	80.4	58.6	3.1	74.6
Wood products and furniture	80.3	4.3	60.2	85.9	4.5	72.3
Paper, printing and publishing	83.8	4.5	35.1	54.0	2.8	36.8
Chemicals	359.7	19.4	27.7	353.0	18.5	25.8
Non-metallic mineral products	16.8	0.9	68.3	14.9	0.8	95.5
Basic metal and metal products	490.0	26.4	61.4	596.2	31.2	62.9
Basic metals	100.0	5.4	44.9	130.0	6.8	37.8
Machinery and equipment	155.3	8.4	79.1	233.7	12.2	89.3
Elect. equip. and apparatus	23.5	1.3	29.9	21.2	1.1	29.4
Transport equipment	211.2	11.4	70.4	211.3	11.1	78.2
Other	22.2	1.2	77.9	20.1	1.1	87.8
Total	1,858.2	100.0	30.2	1,909.7	100.0	30.7

Source: Computed by FUNCEX from CADEX data

Table 9
Frequency and Covering Coefficients
(percentage)

	Frequency Coefficient			Covering Coefficient		
	1983	1985	1986	1983	1985	1986
	EEC					
Agriculture	48.58	49.76	49.76	3.57	4.01	4.01
Mining	0.16	0.65	0.65	0.00	0.00	0.00
Manufacturing	28.37	44.53	44.88	29.23	45.37	43.33
Total	25.32	38.92	39.22	24.52	38.03	38.01
	United States					
Agriculture	0.11	0.11	0.11	0.11	0.11	0.11
Mining	49.65	8.23	8.23	49.65	20.36	20.36
Manufacturing	24.08	24.73	26.39	39.67	32.51	34.34
Total	25.08	22.94	24.45	39.20	30.78	32.44

Source: L.V.Pereira, "O Protecionismo dos paises desenvolvidos e o acesso de produtos brasileiros aos mercados externos", FUNDEX, 1989

Table 10
Frequency and Covering Coefficients in the EEC
(percentage)

	Total		Community		Individual countries	
	FC	CC	FC	CC	FC	CC
1981	25.32	24.53	21.30	20.06	9.01	14.77
1983	25.35	24.53	21.33	20.10	9.01	14.77
1985	38.92	38.03	21.84	20.33	37.26	37.26
1986	39.22	38.01	21.73	20.30	33.32	37.27

Source: see Table 9

Table 11
Frequency and Covering Coefficients in the EEC
(percentage)

	Frequency Coefficient		Covering Coefficient	
	General	Brazil	General	Brazil
1981	24.28	2.81	22.05	5
1983	24.31	2.82	22.06	4.98
1985	38.49	2.92	35.77	5.41
1986	38.42	2.92	35.74	5.41

Source: see Table 9

Table 12

What is the relative importance of the specified markets for the exports of your sector during the next ten years?

	Number of firms	Not important	Relatively important (percentage)	Very important	No answer	Average points (max=6.00)
Western Europe						
Basic metals	82	13.4	45.1	31.2	10.3	4.02
Machinery and equipment	53	22.6	41.5	34.0	1.9	3.71
Elect.equip.and apparatus	42	28.6	33.3	35.7	2.4	3.68
Transport equipment	37	18.9	29.7	51.3	0.1	4.22
Paper and pulp	28	17.8	21.5	53.5	7.2	4.27
Chemicals	75	22.6	44.0	26.7	6.7	3.53
Textiles	50	4.0	22.0	68.0	6.0	4.98
Wearing apparel	13	0.0	7.7	83.6	8.7	5.66
Food products	50	18.0	22.0	54.0	6.0	4.28
Total	550	18.8	32.7	43.1	5.4	4.02
United States						
Basic metals	82	7.4	30.5	57.3	4.8	4.69
Machinery and equipment	53	11.3	33.9	52.8	2.0	4.44
Elect.equip.and apparatus	42	21.4	23.8	54.7	0.1	4.24
Transport equipment	37	13.5	16.2	70.2	0.1	4.68
Paper and pulp	28	10.7	32.1	46.4	10.8	4.32
Chemicals	75	20.0	29.4	42.6	8.0	3.90
Textiles	50	2.2	20.0	72.0	5.8	5.10
Wearing apparel	13	0.0	7.7	92.2	0.1	5.38
Food products	50	20.0	30.0	44.0	6.0	4.06
Total	550	13.1	26.0	56.0	4.9	4.45
Latin America						
Basic metals	82	9.8	46.3	41.4	2.5	4.21
Machinery and equipment	53	0.0	15.1	81.1	3.8	5.22
Elect.equip.and apparatus	42	0.0	35.7	64.3	0.0	4.86
Transport equipment	37	0.0	51.3	48.6	0.1	4.65
Paper and pulp	28	7.2	46.4	39.3	7.1	4.00
Chemicals	75	6.6	36.0	54.6	2.8	4.54
Textiles	50	12.0	46.0	30.0	12.0	4.00
Wearing apparel	13	30.8	53.8	15.4	0.0	3.38
Food products	50	22.0	36.0	34.0	8.0	3.70
Total	550	7.6	39.3	48.8	4.3	4.40

Source: Computed by FUNCEX from Confederacao Nacional da Industria unpublished data