

INTERNATIONAL INTEGRATION AS A VECTOR FOR THE BRAZILIAN ECONOMIC RECOVERY: PROPOSALS FOR STIMULATING EXPORTS

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Exports are one of the main economic growth inducers and will certainly play an important role in the Brazilian economic recovery after overcoming the most critical period of the new coronavirus pandemic. The country faces not only the challenge of increasing its exports, but also of diversifying and making them less dependent on a limited set of commodities. The Brazilian industrial sector's competitive difficulties and proposals to overcome them have been exhaustively discussed for several years. And the post-pandemic scenario tends to be even more challenging for the sector. This article provides an overview of the current situation and a brief diagnosis of some major policy issues associated with exports. It also contains suggestions and recommendations for sustaining exports during the crisis caused by covid-19 and stimulating their growth and diversification in the post-pandemic period. The topics discussed include: export credit and promotion, agricultural goods exports, technical standards, the multilateral framework of international trade regulation, and trade agreement negotiations. The proposals presented here have both a short-term focus, for the post-covid-19 recovery period, and a medium and long-term perspective, addressing more structural issues related to the country's international insertion.

Keywords: exports; trade policy; export promotion; export credit; technical standards.

INSERÇÃO INTERNACIONAL COMO VETOR DA RECUPERAÇÃO ECONÔMICA DO BRASIL: PROPOSTAS PARA DINAMIZAÇÃO DAS EXPORTAÇÕES

A exportação é um dos principais indutores do crescimento econômico e certamente terá papel importante na recuperação da economia brasileira após a superação do período mais crítico da pandemia do novo coronavírus. O país enfrenta não apenas o desafio de elevar suas exportações, mas também de diversificá-las e torná-las menos dependentes de um conjunto limitado de *commodities*. As dificuldades competitivas do setor industrial brasileiro, bem como as propostas para superá-las, vêm sendo discutidas exaustivamente há vários anos – e o cenário pós-pandemia tende a ser ainda mais

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desafiador para o setor. Este artigo se dedica a fazer uma contextualização da situação atual e um breve diagnóstico de algumas das principais questões de política associadas à exportação e a apresentar sugestões e recomendações com vistas a sustentar as exportações durante a crise provocada pela Covid-19, além de estimular seu crescimento e sua diversificação no período pós-pandemia. Os temas tratados foram: crédito à exportação, promoção de exportações, exportações de bens agrícolas, normas técnicas, arcabouço multilateral de regulamentação do comércio internacional e negociações de acordos comerciais. As propostas aqui apresentadas têm tanto um enfoque de curto prazo, para o período de recuperação pós-Covid-19, quanto uma perspectiva de médio e longo prazo, endereçando questões mais estruturais relacionadas à inserção internacional do país.

Palavras-chave: exportações; política comercial; promoção de exportações; crédito às exportações; normas técnicas.

LA INSERCIÓN INTERNACIONAL COMO VECTOR DE LA RECUPERACIÓN ECONÓMICA DE BRASIL: INICIATIVAS PARA IMPULSAR LAS EXPORTACIONES

Las exportaciones son uno de los principales motores del crecimiento económico, y sin duda desempeñarán un papel importante en la recuperación de la economía brasileña tras superar el periodo más crítico de la nueva pandemia de coronavirus. El país se enfrenta no sólo al reto de aumentar sus exportaciones, sino también de diversificarlas y hacerlas menos dependientes de un conjunto limitado de productos básicos. Las dificultades competitivas del sector industrial brasileño y las propuestas para superarlas se han debatido exhaustivamente durante varios años. Y el escenario post-pandémico tiende a ser aún más difícil para el sector. Este artículo está dedicado a contextualizar la situación actual y a hacer un breve diagnóstico de algunas de las principales cuestiones de política asociadas a las exportaciones, así como a presentar sugerencias y recomendaciones destinadas a sostener las exportaciones durante la crisis provocada por el covid-19 y a estimular su crecimiento y diversificación en el período post-pandémico. Los temas tratados fueron: el crédito a las exportaciones, la promoción de las exportaciones, las exportaciones de productos agrícolas, las normas técnicas, el marco multilateral para la regulación del comercio internacional y las negociaciones de acuerdos comerciales. Las propuestas que aquí se presentan tienen tanto un enfoque a corto plazo, para el periodo de recuperación post-covid-19, como una perspectiva a medio y largo plazo, abordando cuestiones más estructurales relacionadas con la inserción internacional del país.

Palabras clave: exportaciones; política comercial; promoción de exportaciones; crédito a las exportaciones; normas técnicas.

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1 INTRODUCTION

The covid-19 crisis strongly affected the world economy in 2020, causing the largest decrease in economic activity in decades (-3.3%).⁷ The impacts on Brazil were also strong, not only in terms of falling GDP (-4.1%), but also with the job

7. IMF (2021).

losses – more than 8 million between the last quarter of 2019 and the last quarter of 2020, according to IBGE⁸ – and, of course, by the loss of almost 500,000 lives by June 2021. The economic impact of the pandemic has been minimized by policies such as emergency assistance for vulnerable people and the Emergency Employment and Income Maintenance Benefit (BEm), as well as other initiatives, which have involved government spending to the tune of 8% of GDP.

The health crisis is still far from being overcome, and the biggest short-term challenge remains to reduce the number of people contaminated and deaths from covid. But it is necessary to reflect on possible paths and opportunities to promote the reactivation of the Brazilian economy in the post-crisis period and to define policies that direct the country to these paths as well as to encourage and sustain the use of such opportunities.

If it is true that the crisis brings us challenges never before faced, it is worth remembering, first and foremost, that the foundations of the Brazilian economy already showed the need for structural revision, and these needs have only increased in a crisis context.

A relevant dimension of the structural reform agenda of the Brazilian economy is the redefinition of its economic integration with the world, especially considering that the external demand for Brazilian goods and services must be seen as an essential vector for stimulating the country's growth. Exports are one of the economic growth's main inducers and will certainly play a significant role in the Brazilian economy's recovery after overcoming the most critical period of the new coronavirus pandemic.

In this regard, in the first months of 2021, exports have been performing quite favorably, with a growth of about 30% in the January-May period when compared to the same period in 2020. This growth, however, should be viewed with caution. First, because it takes place on a depressed economic basis, since the effects of the pandemic were already being felt in the first months of 2020; second, because much of it comes from the rise in commodity prices, such that the increase in the export price index accounted for half of the growth in the value exported; and third, that the rise remains concentrated in agricultural and mineral products. Sales of manufactured goods has been growing during the year, but are still at a historically low level, about 25% below the historic record, reached in the now far-off year of 2008.

Therefore, the country faces not only the challenge of increasing its exports, but also of diversifying and making them less dependent on a limited set of

8. Data from the National Continuous Household Sample Survey (PNAD Contínua). Available at: <<https://bit.ly/3D0SdcU>>.

commodities. The competitive difficulties of the Brazilian industrial sector, and proposals to overcome them, have been exhaustively discussed for several years. And the post-pandemic scenario tends to be even more challenging for the sector, with the possible combination of some negative factors:

- a change in the composition of global demand for industrialized goods, with a decrease in imports in some sectors, an oversupply and, consequently, sharper competition, requiring the capacity to quickly adapt to new requirements (e.g., increased demand for information technology goods and medical-hospital products);
- adoption of policies based on preferences in the acquisition of domestically produced goods to support the recovery of economies, as a way to reduce the countries' dependence on the supply of various "strategic" products;
- an increase in non-tariff barriers, whether as a result of more rigorous sanitary requirements or due to protectionist interests, reinforcing a trend that had already become stronger in the past decade;
- possible deconstruction or reorganization of global value chains, modifying the trade patterns that are currently dominant in the world; and
- possible weakening of multilateral trade rules, including the WTO itself, and the consolidation of trade strategies based on bilateral or plurilateral agreements, as exemplified by the conclusions of the RCEP (Regional Comprehensive Economic Partnership) and the CPTPP (Comprehensive and Progressive Transpacific Partnership) negotiations.

Without jeopardizing a broader agenda that focuses on increasing productivity and reducing the "Brazil cost" (which will enhance the country's competitive capacity in the medium and long term), there are a set of measures of more immediate impact that can bolster exports and help exporting firms to address this new and challenging scenario, including taking advantage of opportunities for sales growth that may arise in this context of production and trade reorganization.

The following article presents a contextualization of the current situation and makes a brief diagnosis of some of the main policy issues associated with exports and presents suggestions and recommendations in order to sustain exports during the crisis provoked by covid-19 and to stimulate their growth and diversification in the post-pandemic period. The topics discussed are: export credit, export promotion, exports of agricultural goods, technical standards, multilateral framework for international trade regulation, and trade agreement negotiations.

The proposals presented here have both a short-term focus, for the post-covid-19 recovery period, and a medium- and long-term perspective, dealing with more structural issues related to the international integration of the country.

2 EXPORT CREDIT

The crisis triggered by the covid-19 pandemic has some particularities that distinguish it from other crises of a purely economic-financial nature. Its origin is clearly discernible, and a significant part of the economic impact stems from the disease's own mitigation measures. As such, it is extremely important that the state take temporary and exceptional measures to mitigate the effects of this largely inevitable downturn, diluting the resulting welfare losses over time to smooth its impact. In other words, one of the pillars of any policy response to this crisis must be of an intertemporal nature; thus, credit must be one of its central mechanisms, by allowing the transfer of resources from the future to the present and postponing at least part of the cost of responding to the pandemic to the future where, hopefully, the conjuncture will be more favorable.

In the foreign trade field, this challenge becomes even more urgent. There is extensive evidence that exporting involves high fixed costs, which makes it an activity restricted to an only subset of the firms within an economy. As a consequence, export expansion, especially at the extensive margin (that is, to new countries or involving new products), is a challenging task. Therefore, the possible market loss due to increased competition as a result of shrinking demand with the crisis may have longer-lasting effects than the crisis itself.

On the other hand, the high costs of export activity imply that the availability of resources external to the firm – i.e., essentially credit – is crucial, and that credit market frictions can severely hinder a country's export potential (Manova, 2013; Fauceglia, 2015). At a time of resource scarcity, when firms see their working capital dwindling and their very survival threatened, while the risk aversion of private lenders increases, this becomes even more problematic.

In fact, the Government had already recognized that the system of official export finance support has problems and needs to be improved. When covid-19 was still in its initial stages, the Chamber of Foreign Trade published the Camex Resolution No. 12 of January 30, 2020, in which it sets the guidelines for reforming the policy of official exports support granted by the Union, which includes insurance and financing instruments for goods and services exports. The current system is composed of three main instruments: the Export Financing Program – Proex, the BNDES-Exim and the Export Credit Insurance. The crisis not only increases the urgency of improving this system, but also imposes the

need for extraordinary measures – some temporary, and others that can serve as an embryo for deeper reforms of the system.

Operated by Banco do Brasil, with funding from the National Treasury, the *Export Financing Program* (Proex) has two modalities, both of a post-shipment nature: the Proex-Financing, which directly finances exports undertaken by companies with revenues up to R\$ 600 million, and the Proex-Equalization, in which the Treasury bears part of the financial charges of exports financed by national or foreign private financial institutions, in order to bring the financing cost, from the exporting company's perspective (which in this case can be of any size), closer to the one practiced internationally.

As shown in table 1, though restricted to a much smaller number of beneficiaries, between 2004 and 2018 the number of operations in the equalization modality was much higher than in the financing modality. The amount of exports benefited by that modality also largely exceeded the financing one – which would be expected, considering that the volume of resources needed for interest equalization is much lower (and deferred in time) compared to the one required to fully finance an operation of equivalent value.

TABLE 1
Proex – Operational statistics (total 2004-2018)

	Proex-financing	Proex-equalization
Operations	17,296	37,637
Beneficiaries	1,805	136
Exported amount (US\$ million)	6,482.5	69,644.7
Financed/equalized amount (US\$ million)	5,728.1	3,077.6

Source: National Treasury Secretariat.

Regarding the program's evolution in recent years, the data in table 2 show that there has been a significant reduction in the number of beneficiaries over the period, stabilizing at around 200 annual beneficiaries – which suggests a small reach of the program, given the estimated 28,000 exporting companies in the country in 2019, according to Secex.

Moreover, while the amounts disbursed in the financing modality increased until 2016 (the last year with available data), in the equalization modality the amount grew until 2014 and has started to oscillate since then. One explanation for this is due to the fact that the funding for the program depends on the National Treasury and, therefore, fluctuates according to the availability of budgetary resources, and may be contingent in times of revenue frustrations, for example.

TABLE 2
Proex evolution (2010-2020)

Year	Beneficiaries	Disbursement (R\$ million)	Proex-equalization	Proex-financing
2010	404	961.5	206.8	754.7
2011	349	1,293.8	371.4	922.4
2012	251	1,390.9	553.7	837.2
2013	257	1,478.2	516.2	962.0
2014	222	1,891.8	819.5	1,072.3
2015	184	1,812.3	740.6	1,071.7
2016	211	2,059.4	619.3	1,440.1
2017	198	1,723.6	580.6	1,143.0
2018	213	2,117.8	831.8	1,286.0
2019	N/A	1,558.3	266.3	1,292.0
2020	N/A	1,700.8	308.8	1,392.0

Sources: Camex, 2010-2018; for the 2017 and 2018 data, Ministry of Economy (2019); for the 2019 data, Brazil (2020); for the 2020 data, Economic Value (2021).

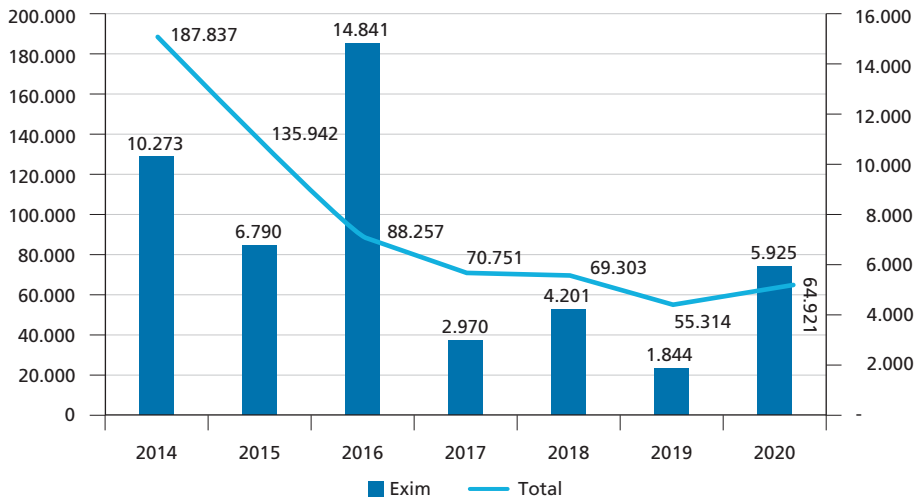
The BNDES-Exim, a financing program for exports from the National Bank for Economic and Social Development (BNDES), focuses mainly on industrial sectors, especially the mechanical and transport industry. Its pre-shipment line – which finances the production process of the good to be exported –, besides its post-shipment financing, is the major differential in comparison to Proex.

As shown in chart 1, the resources allocated to the BNDES-Exim have been reduced in recent years, following the declining trend in the total amount disbursed by the bank from 2014 onwards. 2016 was a major exception, in which the amounts disbursed under the scope of the program increased by more than 100% compared to the previous year. The amount also increased in 2020, but by a much smaller magnitude, and largely due to the devaluation of the Real that year. This atypical increase was reflected in the program's participation in the total resources loaned by the BNDES. While in other years this ratio oscillated between 3% and 6%, in 2016 it exceeded 16% of the total disbursed by the bank.

Furthermore, it is possible to infer from chart 2 that the program also witnessed its importance diminished regarding the total amount of Brazilian exports. Except for 2016, between 2014 and 2020 the total annual disbursements decreased from about 2% to 0,55% of the total exported value (or from 3,3% to 1,0% of manufacturing exports).

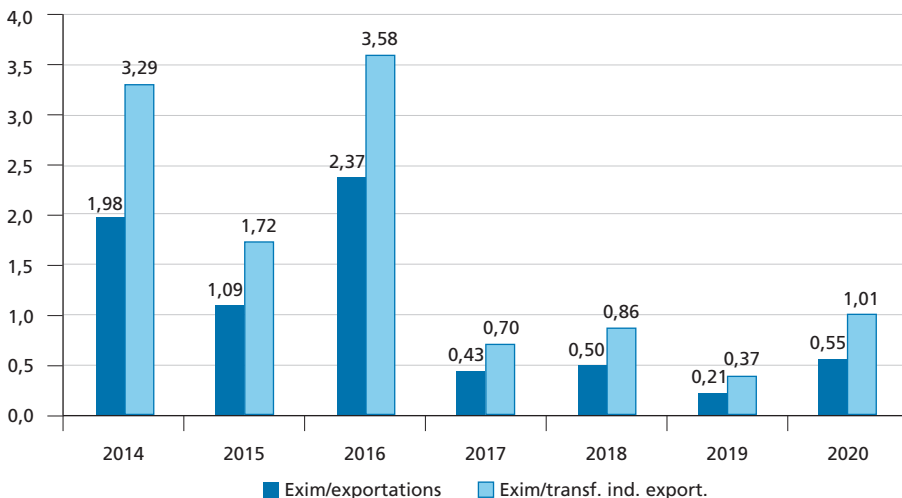
More than 90% of the program's disbursements are concentrated in two industries: transportation materials, accounting for about 74% of the total (heavily concentrated in large exporters, such as Embraer and Marcopolo, for example), and mechanical, with almost 19%.

CHART 1
BNDES disbursements – Exim and total (2014-2020)
 (In R\$ 1 million)



Source: BNDES.

CHART 2
BNDES-Exim disbursements in proportion to exports
 (In %)



Source: BNDES.

As for the program’s lines, it is noteworthy that the pre-shipment line – of fundamental importance in the current situation, when working capital for

companies is a challenge – has been greatly reduced in the last three years, in which post-shipment financing, aimed at supporting the commercialization of ready-made goods and services, has exceeded 80% of the program's total disbursements.

The detailed data per operation allow us to trace a panorama of BNDES-Exim pre-shipment, as illustrated in table 3. Firstly, it should be noted that the contraction observed in the amount disbursed was more intense in the number of operations, which declined from more than 300 in 2014 to fourteen in 2018 and only four in 2019 and 2020. The sectoral distribution, however, remained reasonably stable, concentrated in three main subsectors which represented about three quarters of the total disbursed in each year: transportation material, mechanical and metalworking industry, and metal products.

TABLE 3
BNDES-Exim pre-shipment (2014-2020)

	Disbursement amount (R\$ million)						
	2014	2015	2016	2017	2018	2019	2020
Pre-shipment total	4,134.02	1,214.25	8,404.65	136.57	451.21	165.69	1,906.85
Sectorial distribution							
<i>Manufacturing ind.</i>	99.7	97.9	91.3	100.0	99.1	100.0	100.0
Transportation material	42.4	13.7	45.3	41.3	36.8	45.5	87.6
Mechanics	40.6	73.0	9.5	36.1	36.6	1.6	8.6
Metallurgy and products	8.3	10.2	13.9	-	2.6	52.4	-
Chemical and petrochemical	-	-	6.2	1.1	-	0.6	-
Other sectors	8.7	3.1	25.1	21.5	23.9	-	3.7
Company size							
Large	98.70	97.89	99.90	57.23	96.35	97.86	100.00
Medium	1.28	2.11	0.10	42.77	3.65	2.14	-
Small/micro	0.02	-	-	-	-	-	-
	No. operations						
	2014	2015	2016	2017	2018	2019	2020
Pre-shipment total	325	74	302	25	14	4	4
Sectorial distribution							
<i>Manufacturing ind.</i>	99	97	97	100	93	100	100
Transportation material	34	14	22	16	21	25	33
Mechanics	47	73	20	40	29	25	33
Metallurgy and products	7	7	15	-	7	25	-
Chemical and petrochemical	-	-	9	4	-	25	-
Other sectors	12	7	34	40	43	-	33
Company size							
Large	90	80	98	40	57	50	100
Medium	10	20	2	60	43	50	-
Small/micro	0	-	-	-	-	-	-

Source: BNDES.

Despite medium-sized companies accounting for a considerable portion of the operations conducted in some years, it is observed that the amounts disbursed are strongly concentrated on large exporters, except in 2017; micro and small companies are virtually absent in this line of the BNDES-Exim.

For the post-shipment line, the data in table 4 show that the number of operations increased between 2017 and 2019, suggesting a reduction in the average value of operations, since there was a reduction in the amounts disbursed. In 2020, the number of operations reduced again, but the amount remained high indicating an increase in the average value per operation.

TABLE 4
BNDES-Exim post-shipment goods (2014-2020)

Year	2014	2015	2016	2017	2018	2019	2020
Total disbursement (US\$ million)	2,040.2	1,554.0	1,544.5	768.4	1,044.3	378.0	783.3
No. operations	91	50	50	150	174	191	78
Modality (%)							
Buyer	31.9	12.0	4.0	0.7	-	1.0	6.4
Supplier	68.1	88.0	96.0	99.3	100.0	99.0	93.6
Customer size (%)							
Large	79.1	84.0	86.0	82.0	74.7	71.7	60.0
Medium	6.6	14.0	12.0	16.7	22.4	27.2	40.0
Small/micro	14.3	2.0	2.0	1.3	2.9	1.0	-
Guarantee type (%)							
Personal/actual	96.7	96.0	94.0	100.0	100.0	100.0	95.0
Credit insurance/FGE	3.3	4.0	6.0	-	-	-	5.0
Guarantee type – large enterprises (%)							
Personal/actual	100.0	97.6	93.0	100.0	100.0	100.0	92.0
Credit insurance/FGE	-	2.4	7.0	-	-	-	8.0
Guarantee type – MSME (%)							
Personal/actual	84.2	87.5	100.0	100.0	100.0	100.0	100.0
Credit insurance/FGE	15.8	12.5	-	-	-	-	-

Source: BNDES.

The share of supplier's credit operations in the total amount of operations has increased, almost completely dominating this line in the last five years. As for the size of the borrower, the participation of micro and small companies is very low.

Table 4 also highlights the fact that almost all the operations (in fact all, in the last five years) were based on real or fiduciary guarantees provided by the borrower. There was no use of credit insurance, particularly of the Export Guarantee Fund (FGE). This is in direct contrast to what has occurred (at least

until 2015, when the data are available) for the export of services (table 5), for which the FGE supported almost all the operations – which, moreover, are almost exclusively practiced by large companies.

TABLE 5
BNDES-Exim post-shipment services (2010-2015)

Year	2010	2011	2012	2013	2014	2015
Total disbursement (US\$ million)	785.6	2,001.0	1,010.0	1,375.1	355.9	4.4
No. operations	51	107	111	73	16	5
Modality (%)						
Buyer	7.8	21.5	13.5	17.8	31.3	-
Supplier	92.2	78.5	86.5	82.2	68.8	100.0
Customer size (%)						
Large	98.0	99.1	100.0	100.0	100.0	100.0
Medium	-	0.9	-	-	-	-
Small/micro	2.0	-	-	-	-	-
Guarantee type (%)						
Personal/actual	2.0	-	-	-	-	-
Credit insurance/FGE	98.0	100.0	99.1	100.0	100.0	100.0
CCR/Laia	-	-	-	-	-	-
Other	-	-	0.9	-	-	-

Source: BNDES.

Finally, the Export Credit Insurance is a particularly important instrument in terms of the necessity for guarantees that mitigate the risk involved in such operations. Export activity entails a wider range of risks than those associated with sales to the domestic market, including foreign exchange risks and political risks in the country of destination, for example. As a rule, private financing instruments do not offer guarantees for such political and extraordinary risks, therefore state support is necessary.

In Brazil, the Export Credit Insurance (SGE), backed by the Export Guarantee Fund (FGE), is the main instrument for this purpose. The SGE is operated by the Brazilian Guarantees and Funds Management Agency S.A. (ABGF), a state-owned company created in 2012 to take over the functions previously performed by the private Brazilian Export Credit Insurance Agency. Besides ABGF, the SGE's decision-making process also includes the Secretariat of International Affairs (Sain) at Ministry of Economy, which has the authority to approve operations up to US\$ 20 million, and the Exports Financing and Guarantee Committee (Cofig), which has the authority to approve larger operations and also to establish the parameters and conditions for granting

financial assistance to exports. It should be noted that this structure is under revision by the Camex Resolution No. 12 of January 30, 2020.

Table 6 shows that, in the last few years, although the number of operations insured by the FGE has increased, the amount has declined considerably. Given the data in the previous subsection, it is likely that the reduction of operation values – and of the average values – has been the result of the decreasing export operations of engineering services, which, in general, entails large amounts.

TABLE 6
FGE operational statistics (2010-2018)

Year	Approved operations		Accomplished operations		Success rate (%)		No. debtors	No. countries
	US\$ billion	Number	US\$ billion	Number	Of amount	Of No.		
2010	6.35	81	2.72	35	42.9	43.2	80	24
2011	8.33	50	4.01	36	48.1	72.0	92	27
2012	8.99	43	3.77	36	42.0	83.7	158	30
2013	9.06	38	5.73	33	63.3	86.8	154	32
2014	7.27	22	2.92	18	40.2	81.8	156	35
2015	4.59	67	4.38	26	95.3	38.8	171	37
2016	2.40	283	2.40	68	99.8	24.0	249	46
2017	0.19	269	0.77	197	401.8	73.2	301	49
2018	2.98	101	0.05	73	1.7	72.3	N/A	N/A

Source: Ministry of Economy, Export Guarantee Fund Management Report, 2010-2018.

Other data that can be inferred from table 6 is that, although the number of firms using the mechanism has increased – as well as the number of countries to which they export using credit insurance –, the reach of the program is limited, considering the total of about 28 thousand exporting companies in the country.

These data point to a not very favorable situation regarding export credit in Brazil.

- 1) The financing volume and the number of operations has dropped over the last few years, especially in the BNDES-Exim. There is no evidence that any factor related to the demand for credit by companies was responsible for this. The explanation seems to lie in difficulties on the supply side.
- 2) Credit is restricted to large companies and a few industrial sectors, revealing the existence of factors that restrain access by exporting MSMEs and a sectoral bias.
- 3) The percentage of exports covered by Export Credit Insurance is low and has been decreasing in recent years.

- 4) Official credit and credit insurance benefit a limited portion of the exporting companies operating in the country.

Specifically in the case of Proex, the resources for the program are not predictable, since they are defined yearly in the Federal Government budget and, therefore, subject to budgetary conditions at each moment. This hinders exporters from planning and taking advantage of opportunities. This is particularly harmful in a situation of extreme uncertainty and scarcity of private resources, and intensified competition due to the shrinking of international consumer markets.

It is also important to highlight that the participation of the direct Administration, in particular Sain/ME and Cofig, in the decision-making process of all Export Credit Insurance applications, needs to be improved in order to accelerate the approval of operations.

These issues must be considered in the reform of system of official export support granted by the Union and of the insurance and financing policies for the exports of goods and services, as provided in Camex Resolution No. 12, of January 30, 2020. Given the extremely challenging context that exports face today and in the post-pandemic scenario, it is crucial that the official credit support be a more accessible and more effective instrument to promote the growth of Brazilian exports.

In this sense, it is recommended that the Government increase the volume of resources disbursed to support export activities and facilitate the access of companies, especially the smaller ones, to credit lines through BNDES-Exim in all its modalities, and also to the Export Financing Program (Proex), both in financing and equalization. Such movement would be especially relevant for sectors with longer production chain and/or exporting capacity, and it should be established a goal to increase the number of companies benefited by these credit lines, especially the MSMEs. In the specific case of Proex, it would be appropriate to establish objective criteria for defining the volume of budget resources for the program, in order to increase not only the availability but also the predictability of resources.

Concerning the FGE, it is necessary not only to facilitate access to the fund and increase the volume of exports covered by Export Credit Insurance, but also to rationalize the decision-making process, reviewing Cofig procedures and reducing the average time for analysis and approval of FGE and Proex requests.

3 EXPORT PROMOTION

Export promotion activities have become increasingly relevant in the last 30 years, with a large number of countries creating institutions specifically for this purpose

(Trade Promotion Organizations – TPO). This resulted from two main factors (Belloc and Di Maio, 2011): the first was the agreements signed under the GATT, which restricted the use of traditional export support measures such as subsidies and tax and credit incentives. The second was when other factors restricting exports became more evident, as import tariffs have been substantially reduced during several rounds of GATT negotiations and also with unilateral reductions adopted by several countries from 1980s on. Among them there are four that deserve to be highlighted.

The first is the significant number of non-tariff barriers, which became more numerous and comprehensive as tariffs were reduced.

The second refers to the existence of market failures that tend to place domestic firms in a naturally advantageous position in comparison with foreign competitors, especially in the market information field (Belloc and Di Maio, 2011, p. 9). Proximity makes it easier for domestic firms to obtain information about market preferences and needs. Exporters often face greater difficulty in identifying potential customers and/or partner companies that can support them in their sales in foreign markets. The information gathering on the technical and legal requirements that must be accomplished in order to selling for a specific foreign market also tends to be more costly for the exporter, whether in the sales of final goods (keeping in mind the different consumer protection legislations in each country), or in the sale of intermediate goods (considering all the technical requirements demanded by the buying firms).

The third, which is associated with the first two, concerns the cost of entering the export activity. In general, accessing foreign markets requires investments ranging from the production sphere – adapting products to the requirements and needs of each specific foreign market – to marketing activities, encompassing the construction of sales channels and post-sales support. In general, these are sunk costs, which may or may not reverse into effective export success.

The fourth is associated with *spillovers* from export activity and *learning-by-exporting* (Belloc and Di Maio, 2011, p. 10). Exporting activity entails a learning curve, to the extent that it can cause losses to the firm in the short term but be highly profitable in the medium and long term. Moreover, there is evidence that being involved in export activities improves the firm's efficiency indicators over time. Therefore, involvement can bring very large benefits to firms, but these benefits are not fulfilled quickly, and firms are not always clear about these benefits or willing to wait the time it takes for them to emerge.

In summary, exporting is an activity with relatively high entry costs, it does not usually bring immediate benefits to firms, and it entails risks and uncertainties that may discourage or even make it unfeasible for many firms, especially micro,

small and medium enterprises that do not have internal structure or financial capacity to incur the costs and requirements of internal organization. Hence the great importance attributed to government support for export promotion activities, whose fundamental objective is to try to correct the market failures mentioned above and mitigate the high costs and risks involved in exploring markets abroad. This allows them to overcome the barriers to entry in foreign markets due to lack of information or coordination difficulties between the exporting firm and the counterparts engaged in exporting (final customers, intermediate customers, import agents in the country of destination, etc.).

Such costs and difficulties tend to become even greater in the post-pandemic period, either because changes will occur in trade structures and patterns, with an increased level of competition in the markets, or because countries may adopt protectionist measures, or because there may be movements towards the substitution of imported goods for domestic goods, within strategies to reduce dependence on items produced abroad.

In this perspective, export promotion activities tend to assume even greater importance, which will require countries to develop new trade promotion plans and strategies, having a particular impact on the export promotion agencies. Typically, such agencies are dedicated to achieving four main objectives (König, 2016): identification and development of products and potential markets; information provision services on trade opportunities; specialized assistance to companies; and promotional activities abroad (missions, fairs, etc.). Over time, many of them have expanded their scope, considering not only the export issue, but also broader strategies of companies' internationalization, which implied new actions, such as: support for the establishment of subsidiaries in strategic target markets (direct investment abroad); support for the development of products specifically aimed at the foreign market; actions coordination with other government agencies on issues related to export/investment; and coordination of all efforts required for the export expansion, including other issues that affect the success of this activity.

Naturally, by expanding the range of activities, there is the risk of losing focus and of scattering efforts in export promotion activities, with the possibility of efficiency loss and/or the actions' effectiveness. In this sense, Markwald and Puga (2002) highlight some aspects that, ideally, should be considered in the design of export promotion policies. First, as a general guideline, the authors suggest that export promotion programs need to be focused (establishing a target audience according to the characteristics of the company) rather than trying to support any and all companies interested in exporting. Second, they should offer customized services that are adjusted to the needs of each firm. Third, they should

operate on a relatively small scale, considering the budgetary cost of promotion activities; and fourth, they should partially finance their expenses based on fees charged to the users themselves, creating a *cost-sharing* system that discourages the participation of companies that are not really committed to export.

Markwald and Puga (2002) also highlight the importance of segmenting and defining the target audience for support programs. According to the authors, the analysis of international experience shows the prevalence of a client segmentation of export promotion agencies based on the current exporting stage, the degree of internationalization and/or the exporting frequency of the companies (if they are companies that export continuously or occasionally). It is recognized that the barriers and obstacles faced by companies are quite different if they have never exported, if they are newcomers in the activity, if they are at the expansion or diversification stage of their markets or if they are already consolidated exporters.

The authors also reiterate the importance of not neglecting the aspects related to the productive sphere. This means that export promotion activities should, as much as possible, encompass actions to support companies regarding technical capacity and greater efficiency of their production process, including the adaptation of products to foreign markets requirements.

In Brazil, the Brazilian Trade and Investment Promotion Agency (Apex-Brasil) and the Ministry of Foreign Affairs are in charge of export promotion activities – the later through the Department of Trade and Investment Promotion (DPR) and the Brazilian Trade Promotion Section (Secom) installed in Brazilian embassies and consulates in several countries.

When Apex was created in 1997, within Sebrae, it had an exclusive focus on exports from micro and small enterprises. Later on, this focus was gradually expanded to include medium and large companies, the export of services and the function of attracting investments as well. In 2003, it was detached from Sebrae, and it became an autonomous social service, a private non-profit legal entity. Its activities, as well as its budget allocation, were greatly expanded and the agency began to open offices abroad (the Business Centers). Its president is currently appointed by the Ministry of Foreign Affairs, but historically, the Ministry of Development, Industry and Foreign Trade (MDIC) was responsible for appointing the head of Apex-Brasil (Veiga, 2018).

Apex-Brasil established the following strategic goals in its Strategic Plan 2020-2023:

- reinforce the positioning of Brazil as a global business partner and to publicize the commercial opportunities in the country and abroad, through marketing and communication actions;

- generate market intelligence, to inform companies about market opportunities and risks in order to support their decision making, and to identify priority markets to subsidize the planning and execution of actions;
- expand the qualification of Brazilian companies and their competitiveness for the international market, adjusting the qualification and competitiveness portfolio aiming at the Brazilian company's readiness for the international market, at the various export maturity levels;
- insert and expand the presence of Brazilian companies in the international market, by strategically conducting sectorial international commercial promotion processes, directly or indirectly, through finalistic business platforms and articulating with partners to assist clients; and by creating specific actions for each company profile;
- expand the integration of Brazilian companies in global value chains;
- attract foreign direct investments in priority sectors, acting as a *one stop shop* within the scope of a national policy and strategy for foreign investments, with greater integration with the Ministry of Foreign Affairs and its respective Trade Promotion Sectors (Secoms) and with the States of the Federation;
- operate in network with national and international strategic partners, especially the Secoms of the MRE, using the Regional Offices to build closer relationships with local governments and development agencies in the States of the Federation;
- develop studies on foreign trade themes and foreign direct investment attraction, with the aim of mapping the ecosystem of national entities and agencies, standardizing results, roles, and responsibilities; and
- improve customer service, according to its maturity, sector, and market, mapping the profiles of current and potential customers through surveys and database studies.

Apex-Brasil is a well consolidated and technically equipped agency (with over 300 employees), has a very expressive budget (around US\$ 500 million in 2018) and supports a significant number of companies in different activities: from traditional promotion actions (fairs, missions, marketing) to qualification instruments for companies and support for making investments abroad and attracting foreign investments. In 2018, there were 15,737 companies being supported, 4,527 of which were exporters.

Brazil has a well-established and equipped export promotion structure through Apex-Brasil and the work of the Department of Trade and Investment

Promotion of MRE. In addition, there are other government agencies that also develop export promotion activities. Among them are worth mentioning:

- the Department of Trade and Investment Promotion from the Ministry of Agriculture, which is associated with the Secretariat of Trade and International Relations, to promote agribusiness exports;
- the Ministry of Economy, with supporting activities developed by the Secretariat of Foreign Trade (Secex);
- the Ministry of Defense, through different initiatives to support the strengthening of the Defense Industrial Base, including the export promotion.

A brief evaluation of the export promotion work in Brazil points to three issues that require improvement, in view of a greater effectiveness of the promotion activities. The first one concerns the low degree of coordination between the different government agencies that are engaged in promotion activities. In particular, a greater integration between the work of Apex-Brasil and the activities developed in the different ministries mentioned above is desirable, even for optimizing the resources invested and eliminating redundancies.

The second issue refers to the lack of broader guidelines for commercial promotion that would orient the official export support actions, including at Apex-Brasil. Among other things, it is important to define the main objective of the export promotion policy. Is it to increase the country's total exports? To raise the number of companies involved in exports? To bolster export continuity and increase the average rate of the firms that currently do so? To support companies in any and all sectors or just focus on those in which there is an identified export potential? The Apex-Brasil Strategic Plan, which is very well elaborated, aims at practically all these objectives, and this can lead to a scattering of efforts and resources with very limited results.

Likewise, such guidelines should also take into account two important points: i) the need for a continuous improvement in the evaluation system, selection and segmentation of companies benefiting from commercial promotion actions, in order to maximize the expected revenue from the resources invested in terms of increased exports; and ii) the continuous efforts improvement in market intelligence, considering the importance of a good diagnosis of opportunities that take into account product income-elasticities, actual and potential growth, and consumption patterns mapping and analysis, especially in relevant markets experiencing rapid growth and important behavioral changes, as is the case of China and other Asian countries.

The third issue concerns the little or no integration of trade promotion with the other agencies, instruments and actions related to the Brazilian trade

policy – for example, the tariff policy and the special import regimes, considering that exporting companies usually use imported capital goods and inputs in their production processes. In this case, measures that affect imports can seriously compromise export promotion efforts. In fact, this lack of integration affects not only trade promotion itself, but many other policy actions, due to the absence of a trade policy strategy more integrated with other policy fronts – such as those aimed at increasing productivity, e.g. – and by the very failures of coordination among the various agencies involved in the area of trade.

Many of the problems mentioned above are due to the lack of technical capacity and of effective coordination by the Chamber of Foreign Trade (Camex). In this sense, it is important and necessary that Camex assumes its role more clearly, which would also imply acting to discuss and define a trade promotion strategy, according to its attribution foreseen in Decree 10.444. This Decree creates the Trade Strategy Council, which meets the need to raise the degree of importance that trade policy enjoys in the economic policy agenda, and has, among other attributions, to “...propose the guidelines and coordinate the policies for the promotion of goods and services abroad and for trade information” (art. 3, item V).

The Private Sector Consultative Council is another important component in the new structure. It is composed by business representatives from the manufacturing, agribusiness and services sectors, consumer protection entities and the academic community, and can function as a formal dialogue instrument between the government and the different actors of society interested in trade policy. This Council may have a great importance in defining more effective strategies and actions for trade promotion, especially if it counts on the participation of representatives of micro, small and medium-sized enterprises.

In summary, Brazil has a well-established and equipped export promotion structure, but there is insufficient coordination of the different government agencies engaged in trade promotion activities; there is a lack of broader guidelines for trade promotion to orient the official support to exports, including Apex-Brasil; and there is no clear integration between export promotion and trade policy as a whole. Such problems reduce, undoubtedly, the efficiency and effectiveness of export promotion efforts.

Given the new international scenario that lies ahead in the post-pandemic period, including the deepening of certain existing trends that tend to consolidate in the near future, it is necessary that Brazil makes an adequate evaluation and definition of guidelines for trade promotion and develops a Commercial Promotion Action Plan. The starting point should be the Strategic Plan of Apex-Brasil, but including the participation and contribution of the MRE and other agencies that

are directly interested in foreign trade and also have the technical capacity to evaluate and propose policies, such as the Ministry of Economy, the Ministry of Agriculture, Ipea, etc.

4 AGRICULTURAL SECTOR TRADE

Over the last few years, it has often been criticized the fact that Brazilian exports have undergone an intensive process of reprimarization. In fact, the participation of non-commodity goods, especially the more technology-intensive ones, has dropped since the early 2000s. The share of machinery, electric and electronic appliances and transport material, which reached nearly 30% in 2000, fell to less than 20% in recent years. Agricultural products, which accounted for about 70% in the early 1960s and fell to nearly 10%, have returned to around 20% in recent years (Nonnenberg, 2018).

However, it is important to understand that this recent change in the composition of Brazilian exports does not represent a return to the colonial, imperial and First Republic past, when the country exported only two or three agricultural products. In fact, what happened after the 1990s was a profound transformation in Brazilian agriculture and livestock that resulted in a leap in productivity and international competitiveness.

Until the late 1980s and early 1990s, Brazilian agriculture and livestock was extremely dependent on subsidies, mainly through credit, and strongly protected from international competition. From this period on, several changes took place in the policy for the sector, including all the changes in the macroeconomic scenario, which forced a profound transformation of the rural sector and led to an enormous dynamism. Rural credit began to be given with positive real interest rates, but the share of BNDES loans for investments increased. There was a price liberalization movement, which forced farmers to practice market prices, but which also contributed to the reduction of costs. Starting in the early 1990s, a process of trade liberalization was implemented, forcing the agricultural sector to gain productivity and compete with foreign suppliers. At the same time, infrastructure improvements, such as rural electrification, were promoted (Klein and Luna, 2020).

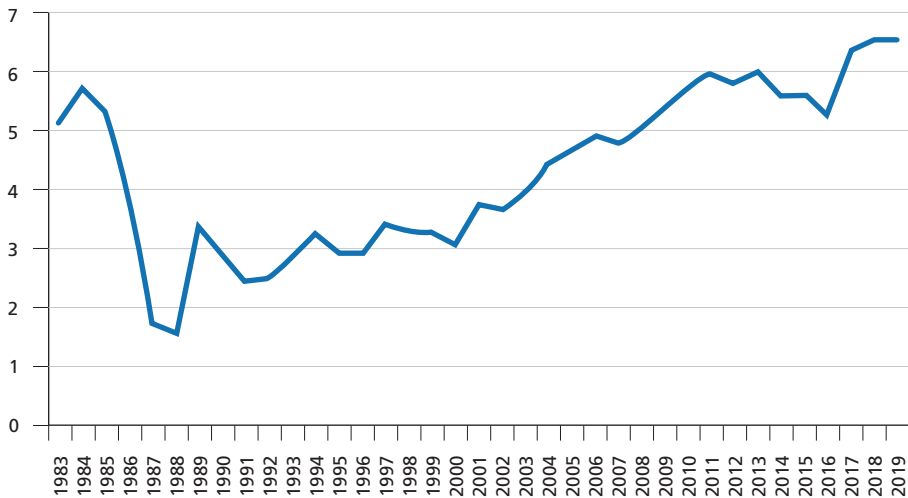
One of the main changes in the framework of public policies for the rural sector was the intensification of research and technical assistance. It developed new cultivation techniques, selected seeds, efficient use of pesticides, pest-resistant plants, ways of adapting cultivars to the soil and climate conditions of the Midwest region (the great agricultural frontier of the time) and the best use of agricultural machinery and implements. Embrapa and Embrater, two

state-owned companies, and other public and private institutions were greatly involved in this process.

This set of actions has made possible a huge increase in agricultural and livestock production based almost exclusively on increased productivity. According to data presented by Klein and Luna (2020), while between the early 1980s and the 2017/18 harvest, the planted area increased from 40 million hectares to 62 million hectares (a 55% growth), the production of agricultural goods rose from nearly 50 million tons to 238 million tons (a 376% growth).

This gain in productivity allowed Brazil to compete with the main producers of agricultural products and become one of the largest producers and exporters of most of the main products in the sector. Chart 3 shows the evolution of the Brazilian export share in total world exports of agricultural, fishing and agribusiness products. It is noticeable that between 1984 and 1988, the Brazilian share drops from 5.7% to 1.6%, due to a sharp drop in Brazilian exports in this period, but then it strongly increases again and reaches 6,6% in 2019.

CHART 3
Evolution of Brazilian export share in global trade of agricultural, fishery and agribusiness products (1983-2019)
 (In %)



Source: Wits/Comtrade.
 Elaboration: Dinte/Ipea.

Considering the set of the main agribusiness export products, since 2013 Brazil has been the first or second largest exporter in the world, competing with the United States and well ahead of the European Union, which is in third place.

It should be noted that in the last 15 years not only has Brazil's share in exports increased significantly, but the value of world exports has increased tremendously. In other words, Brazil has managed to increase its *market-share* in a strongly expanding market. For this set of products, the value of world exports between 2000 and 2019 grew by about 184%. Clearly, much of this increase was due to the economic growth of China, which is the world's largest market. Together with Hong Kong, Chinese imports of these products reach almost double the imports of the entire European Union.

Between 1997 and 2020, exports of agribusiness products increased from US\$17.6 billion to US\$90.2 billion. Exports to China, Hong Kong and Macau jumped from \$0.9 billion to \$35.5 billion, or from 5.6% to 39.3% of the total, as shown in table 7.

On the other hand, the European Union's share fell from 46% to 15%, despite increasing 68% in value. The US exports also increased strongly, from US\$ 1.8 billion to US\$ 4.0 billion, but their share fell from 10.4% to 4.4%.

The table also shows the enormous growth of agribusiness exports to some emerging countries such as Iran, Saudi Arabia, Vietnam, Egypt, Thailand and the United Arab Emirates. The share of these countries, combined, rose from 7.7% to 16.4%.

The proliferation of non-tariff barriers in the international trade of agricultural products, usually classified as Sanitary and Phytosanitary Measures, is an important point to be considered. It is possible, through these measures, to restrict these products trade for legitimately sanitary or other reasons, as well as for protectionist reasons, to bypass the WTO rules defined in the Agreement on Agriculture of 1995.

These NTBs affect almost all products and are imposed by several countries. But Brazil, as a major exporter, is heavily affected, despite imposing NTBs on several products as well. Among the main agribusiness products exported by Brazil, the most affected, measured by the number of NTBs received, are, in order: poultry meat, corn and beef. It is important to emphasize that the number of measures does not necessarily reflect the impact on exports, but there is no precise metric for this variable. In any case, these products are also the most affected worldwide, apart from cellulose. It is not surprising, either, that the vast majority are sanitary and phytosanitary measures. All countries impose an elevated number of barriers, but the countries that impose the most NTBs on these products are: the United States, Turkey, Canada, Russia, and Switzerland.

TABLE 7
Brazilian exports of agricultural and livestock products, in value (US\$ million) and share in total exports (%)

Countries	1995	%	2000	%	2005	%	2010	%	2015	%	2020	%
China (inc. Hong Kong and Macao)	985.0	1.9	822.4	1.5	3,509.0	3.0	12,263.4	6.1	22,704.1	12.2	35,460.0	17.0
European Union ¹	8,195.1	15.5	6,659.4	12.1	11,521.4	9.7	16,797.1	8.4	15,836.6	8.5	13,782.0	6.6
United States	1,828.6	3.5	1,705.3	3.1	2,454.9	2.1	3,745.9	1.9	4,339.0	2.3	3,966.7	1.9
Japan	1,061.0	2.0	830.2	1.5	1,447.9	1.2	2,082.2	1.0	2,329.0	1.2	2,345.9	1.1
Iran	158.2	0.3	246.7	0.4	751.8	0.6	2,053.8	1.0	1,658.4	0.9	1,155.6	0.6
South Korea	212.0	0.4	180.4	0.3	526.3	0.4	1,235.4	0.6	1,878.3	1.0	1,771.3	0.8
Saudi Arabia	249.4	0.5	260.8	0.5	763.2	0.6	1,920.3	1.0	2,172.9	1.2	1,589.2	0.8
Vietnam	18.8	0.0	10.3	0.0	57.5	0.0	687.2	0.3	3,886.2	2.1	4,028.3	1.9
Egypt	157.0	0.3	105.9	0.2	474.3	0.4	1,287.1	0.6	1,728.2	0.9	1,386.7	0.7
Thailand	378.2	0.7	178.5	0.3	804.6	0.7	2,086.6	1.0	2,872.6	1.5	3,604.7	1.7
United Arab Emirates	169.7	0.3	144.2	0.3	455.9	0.4	1,163.7	0.6	1,239.4	0.7	1,236.3	0.6
Russia	546.5	1.0	408.8	0.7	2,687.0	2.3	4,021.0	2.0	2,229.4	1.2	1,116.4	0.5
Turkey	96.7	0.2	76.3	0.1	180.5	0.2	334.3	0.2	488.8	0.3	1,776.1	0.8
Bangladesh	50.5	0.1	44.3	0.1	143.4	0.1	509.2	0.3	1,076.0	0.6	1,453.7	0.7
Indonesia	387.5	0.7	215.3	0.4	543.1	0.5	2,291.3	1.1	2,965.6	1.6	3,616.8	1.7
Algeria	29.8	0.1	31.2	0.1	280.6	0.2	780.9	0.4	891.7	0.5	1,102.4	0.5
Mexico	89.0	0.2	78.9	0.1	94.0	0.1	175.8	0.1	376.8	0.2	733.0	0.4
Taiwan	89.3	0.2	62.0	0.1	209.1	0.2	669.6	0.3	966.4	0.5	933.1	0.4
Chile	52.1	0.1	121.2	0.2	231.4	0.2	273.8	0.1	589.7	0.3	830.0	0.4
India	55.2	0.1	90.9	0.2	476.3	0.4	1,094.1	0.5	1,103.7	0.6	837.0	0.4
Total agricultural products	17,560.5	33.2	14,788.37	26.9	33,943.77	28.7	67,563.63	33.7	79,376.84	42.5	90,209.31	43.1
Total	52,947.5		54,993.16		118,597.8		200,434.1		186,782.4		209,180.2	

Source: Serex.
 Authors' elaboration.
 Note: ¹ Including United Kingdom.

Therefore, the only way to achieve a reduction in the barriers imposed on our products is through the broadest possible negotiation, within the scope of the WTO, which would commit the highest possible number of countries to respect the Agreement on Agriculture and reduce the number of measures substantially. This commitment would, logically, have Brazil as a relevant party, for being one of the biggest exporters.

The scenario that emerges from this analysis suggests the increasing exports of Brazilian agribusiness products represent a success story, rather than a setback. Thus, regardless of how desirable and possible is the increase in manufactured product exports, with greater technological intensity, the continuity of the agricultural sales expansion should also be a major Brazilian government strategic objective to enable. This is especially important at present and in the post-pandemic period, as the possible contraction of the world market will increase competition among exporters. It is fundamental that Brazil is able to maintain or increase its agricultural sales. On the other hand, many of these products' prices have been experiencing a strong increase in the international market. Between December 2020 and May 2021, for example, the international market prices of soybeans increased by 26%, soybean oil by 46%, chicken meat by 31% and corn by 54%.

But maintaining or increasing the *market-share* of these products is not simple. On the supply side, it is necessary to continue efforts to improve productivity, which will certainly require increasing resources for research and rural extension. When productivity was relatively low compared to international standards, it was easier to raise it. But now, the challenge is to increase productivity from an already high level. Besides, from now on it is no longer possible to calculate major increases in the planted area or in pastures. Another strategy, which has been highly successful in agricultural products in several countries, is to develop private labels, reinforcing the origin of the products, allowing a price elevation. This can be achieved through traceability techniques, which are well developed nowadays. Examples of this strategy are the coffee produced in Central America and the beef from Uruguay.

On the demand side, the Chinese economy cannot be expected to continue growing at the same rate it did during the last decade. There is no other market similar to China, in terms of size, with comparable growth prospects. For instance, India, which grew at a similar pace to China for many years, is not even among the 15 largest Brazilian export markets.

But it is necessary to understand the current and future characteristics of the demand and production structure in the main markets. For example, China is in the process of achieving a major transformation in its poultry production structure.

This could affect both soybean and chicken exports. The increase in the Chinese consumers' income will certainly lead to changes in tastes and preferences, and it is crucial to follow these developments carefully. This knowledge, for example, was what allowed Brazil to become a major supplier of chicken meat to Muslim countries, which demand that such products have their own characteristics, generically known as *halal*.

Another crucial element is the continuity of diplomatic efforts to prevent our main partners from imposing non-tariff barriers to agricultural imports and, preferably, to eliminate some of the barriers that currently exist. At this point, the concern with environmental policy takes on a particular relevance, since countries, especially the more developed ones, are establishing increasingly strict criteria regarding the origin of the agricultural and livestock products they import, considering the environmental damage they might cause. And the consumers themselves show concern with the issue, demanding certificates of good environmental practices from suppliers and even being willing to pay more for products that have such certifications.

In summary, despite the importance of diversifying the Brazilian exports towards industrial goods, Brazil must continue to intensively explore business opportunities in international agricultural trade, where there is great expansion opportunities given Brazil's capabilities and competitive advantages. In this pandemic period, Brazil can even take advantage from eventual lack of agricultural goods supplies in some countries/regions caused by the sanitary crisis.

Besides the policies currently implemented and the well-done work by the Ministry of Agriculture, Livestock and Supply (Mapa), some initiatives would be extremely important to maximize the export potential of the agricultural and livestock sector. Among them, it can be highlighted: the development of studies aiming at mapping and identifying non-tariff barriers to agricultural trade; the expansion of resources for agricultural research agencies, such as Embrapa; the encouragement of actions for the construction of origin trademarks in agricultural products, by Mapa and Embrapa, in collaboration with other state research agencies; and the implementation of trade and diplomatic missions to main importing countries to study market conditions and improve knowledge of the current and future demand structure.

5 TECHNICAL STANDARDS AND TRADE

The covid-19 pandemic episode clearly revealed the importance of regulatory systems internationalization, especially regarding technical standards, and its impact on international trade. The explosion in demand for healthcare and personal protection devices has shown strengths and weaknesses in the

Brazilian position that should be considered in the formulation of proposals for a post-pandemic economic recovery plan.

Among national strengths, it is important to mention the agility with which Anvisa, the sector's regulatory agency, responded to the needs of the health crisis, adjusting its criteria for the validation of medical devices and equipment, especially the lung ventilator, which was authorized to import used equipment. The rules for certifying products and suppliers could be quickly adjusted thanks to Anvisa's previous work with counterparts from other countries. This allowed to minimize the effect of non-tariff barriers to domestic imports and, if perpetuated, will contribute to insert Brazil in international value chains of these products.

Among weaknesses, the limitations for the acquisition in the country of devices for medical and hospital treatment, vaccines and production supplies, in an over-demanded world market, became evident. Brazilian production was not in a position to supply the domestic market. The medical device industry has been a well-structured industry in Brazil for quite some time. However, it has not been able to supply either the domestic or the foreign demand, revealing flaws in the planning and execution of the industrial and technological policy.

The industry of inputs and devices for health is, at the same time, a national need and an opportunity to increase exports. The size of the Brazilian population, as well as the existing socio-economic imbalances, more than recommends action to offer better options to support the actions of a national health policy, and also guarantees producers to rely on a large-scale demand that confers production cost reductions.

But a striking feature of this industry is the globalization of production chains, a crucial factor that must be considered both in domestic policies to support the sector and in export policies. And globalized production chains imply obedience to international standards and technical regulations. The adequacy of the country to such norms and regulations should thus be considered one of the priorities of industrial policy and foreign trade, not only for the medical and hospital sector, but for the vast majority of industrial products and activities.

This should be pursued considering the national *behind-the-border* conditions and the international scenario, in which the emergence of trade agreements is prominent. These agreements reach disciplines beyond those contained in free trade agreements and traditional preference agreements, including far-reaching normative and regulatory issues, such as labor, health and environmental standards, intellectual property, industrial standards and government procurement. Technical standards and regulations grow in importance and become an arena for disputes between the major powers.

The World Trade Organization (WTO) is at the epicenter of the uncertainties arising from the shift of power in world trade from West to Asia and is undergoing a weakening process,⁹ at the same time that new plurilateral preferential agreements (PTAs) and mega-PTAs are perceived sometimes as a way to bypass and overcome the WTO impasses, and sometimes as a way to complement multilateral rules, since they reach disciplines in the relations between countries for which multilateralism has proved to be limited.

In summary, the regulatory and normative issues and those of industrial supply – not only in the health inputs and devices industry, but in practically all the most dynamic industrial sectors – are decisive to promote the Brazilian export aptitude. In this context, Brazil needs to establish an action strategy to deal with the uncertainties and risks in regulatory issues that affect international trade, most clearly in the post-pandemic period. It is also necessary to improve the regulatory environment for foreign trade and production with a view to reducing transaction costs to facilitate existing businesses and the absorption of new investments.

6 DEFENDING THE MULTILATERAL FRAMEWORK OF INTERNATIONAL TRADE REGULATION

One of the main side-effects of the covid-19 pandemic was the shrinkage of economic activity in most countries. This process occurred through at least three mechanisms.

First, the existence of an epidemic itself reduced people circulation and increased uncertainty, leading to a supply and demand reduction. Second, governments suspended the operation of many economic activities, which reduced the amount of goods and services available. Third, governments have directly restricted people circulation in several cases (by suspending or limiting passenger transportation, for example), which has decreased labor supply.

Its consequences for foreign trade showed up in at least three ways. First, the downturn in domestic economic activity decreased import capacity and the demand for imported items. Second, several governments have introduced export restrictions in order to avoid destocking the domestic market, especially of health care or other essential items (food, for example). So far, about 90 countries have imposed some such restrictions.¹⁰ Third, restrictions imposed on transportation have reduced the international flow of goods.

9. See section 5.

10. Source: ITC. Available at: <<https://bit.ly/3kiZLza>>.

Even if preliminary statistics for 2021 indicate a certain normalization of international trade flows, the pandemic has created additional incentives for economies more dependent on foreign trade to change policies, based on the perspective that “globalization has gone too far”. Thus, the pandemic could accelerate a preexisting trend towards value chain “nationalization”, aiming to secure domestic supply. As an example, many people in the United States find it unacceptable that 80% of the active ingredients of medicines produced in the country are imported from India and China (Huang, 2020).

In this sense, governments could stimulate domestic production in order to nationalize value chains. This could be done by imposing restrictions on access to the domestic market, subsidies, easier access to credit, innovation-oriented policies, and so on. In addition, governments could discourage the export of certain products, either by introducing barriers or by removing different incentives (e.g., tax or credit).

However, the adoption of such measures in a post-pandemic world would lead to an even greater contraction of economic activity, bringing productivity losses and increasing levels of poverty and inequality. In this regard, organizations from many fields have recommended lowering (rather than increasing) trade barriers, including the World Health Organization (UN, 2020) and the World Bank (2020), contradicting statements by some political leaders, including the presidents of the United States, France, and India (Fitch, O’Keeffe and Davis, 2020; Politi, 2020; Rose, 2020).

Moreover, the pandemic has also exposed several international coordination problems in crisis management, and it provides an opportunity to reassess existing international arrangements, as well as the ways in which Brazil interacts with other countries and international organizations. This applies not only to international trade rules, but also to governance matters related directly or indirectly to health. An occasional retreat in international coordination and cooperation activities in this area would contribute to widening inequalities and increasing the chances of new pandemics. For instance, vaccination policies conducted in a low international cooperation environment would be more costly and would not reach a huge portion of the poor population in less developed countries, which would have impacts not only in these countries, but worldwide.

Such a scenario could compromise any efforts to boost Brazilian exports. For this reason, the first thing Brazil should do is to work against protectionist measures adopted by other countries and to resist adopting such measures itself. Secondly, Brazil should firmly position itself against the non-compliance with rules agreed upon and adopted at the global level, and in favor of multilateral institutions and forums, defending that eventual changes result from decisions

negotiated multilaterally. In international settings, it is recommended that Brazil emphasizes how the pandemic reveals and reinforces several types of inequality, which would be aggravated in a scenario of international trade contraction.

Although Brazil has incentives to defend multilateralism, its capacity to influence in a post-pandemic world depends on structural and conjunctural factors, both domestic and international. Some structural factors may be relevant to compensate eventual conjunctural problems. Nevertheless, caution is recommended in order to avoid straining relationships with other countries and international organizations, which may be important allies in the defense of multilateralism or sources of considerable resources in a post-pandemic world. In seeking to boost exports, it is particularly important for the country to reinforce the World Trade Organization's (WTO) role.

At the domestic level, there are at least three structural factors favorable to Brazil, which would justify the defense of multilateralism and the rejection of protectionist measures in a post-pandemic world. First, the country's geographic, population, and economic dimensions make it an interesting partner, whether for alliances or for access to Brazilian domestic markets. Second, Brazil has a history of advocating multilateralism and regional integration, with a reputation as a reliable partner in defense of these principles. Third, the country has institutions of excellence in public health and research, which would make it an interesting partner in a post-pandemic world.

On the other hand, the maintenance of high rates of poverty and inequality, low productivity, and the persistence of a fragile fiscal situation are structural factors that reduce the country's attractiveness. Added to this is a history of maintaining several trade barriers in the country.

In the international level, some structural factors justify the Brazilian option for multilateralism, such as: i) the existence of institutions that bring together developed and developing countries (G20, for example) or large developing countries (Brics, for example); ii) Brazil having solid relations with both China and the United States in several areas, which allows it to negotiate with both; and iii) an incentive for governments to seek international cooperation as a way to solve common problems, due to the pandemic.

However, there are some unfavorable factors, which will probably limit Brazil's capacity to influence in a post-pandemic world. At the domestic level, the economic activity depression in 2015-2016 and the slow recovery in the following years has reduced Brazil's attractiveness and raised doubts about the ability of national institutions to recover the country's economy – especially in a context

of reduced fiscal space,¹¹ a problem that will worsen depending on the efforts to fight the pandemic.

Beyond domestic factors, Brazil is disadvantaged by at least three factors in the international environment: first, some major countries currently have protectionist-oriented governments that are unlikely to prioritize development issues. Second, protectionist policies can provoke retaliation and a consequent chain reaction, leading to a generalized increase in barriers and global trade reduction.¹² Third, governments, businessmen and society in general are pessimistic about globalization, which may further limit the role of the external sector in an economic recovery of many countries – although, simultaneously, this decreases the possibilities of conflicts (Posen, 2020).

Brazil will need to somehow compensate for these current problems in order to deal with the covid-19 crisis and also to create more solid bases for the post-pandemic recovery, especially as far as exports are concerned. An interesting point would be to use some credible commitment device, where commitments eventually undertaken by the country are considered credible for its partners. In the trade area, the opening of some sectors, with tariffs and non-tariff barriers reductions, could be a signal towards this, while in the health area this effect could be obtained through resource transfers to funds aimed at immunizing people or for research activities, such as the Coalition for Epidemic Preparedness and Innovation (Cepi), the Global Alliance for Vaccines and Immunizations (Gavi), or other organizations and programs.

6.1 The WTO's role

WTO has played a fundamental part in promoting world trade growth in the last decades, by providing an environment of greater stability, predictability and balance for its various member countries. Over the years since the WTO's creation, not only has international trade grown strongly, but some structural changes have appeared and impacted on the WTO's functioning, in particular, on the dispute settlement system.

The first was the development of Global Value Chains, a consequence of the production fragmentation process, which transferred to developing countries, especially in Eastern Europe and Southeast Asia (mainly China) a large part of the assembly processes of various industrial products. This process allowed a substantial increase in global industrial production and international trade, due to the reduction of costs, benefiting everyone and, particularly, this group

11. See: The World Bank in Brazil. Available at: <<https://bit.ly/37ZFkrJ>>.

12. An example was seen in the recent escalation of trade restrictions that hampered US-China trades.

of developing countries. Moreover, it has also contributed to a reduction in industrial employment in some developed countries, such as the U.S.

The second, strongly associated with the first, was the spectacular growth of China, which dramatically increased its share in global GDP but, more importantly, in world trade, becoming the largest global exporter. Thus, not only has China become a major player in international trade, but it has also begun to create an apparent polarization with the U.S., despite the great complementarity between the two countries.

Unsurprisingly, in recent years, the number of trade disputes between the two countries has grown considerably. Although China is not the country that brings the most actions against the United States in the WTO's dispute settlement body (which falls to the European Union and Canada), China is the country receiving most actions from the United States. China's large trade surplus with the U.S. is also a source of complaints from U.S. sectors.

With this background, the conflicts at the WTO in recent years, especially since 2017, can be better understood. Since then, the United States has filed a series of complaints against the functioning of the WTO, especially regarding the dispute settlement system. One of the main focuses of these complaints is the Appellate Body, which is accused of extrapolating its functions, exceeding the maximum time limit for appeals, removing rights and adding obligations, among other aspects. Several complaints are considered well-founded by many authors, and should be dealt under the WTO framework. However, despite several proposals already presented by many countries, the discussions have not prospered yet. The major consequence is that, since 2017, the U.S. has systematically vetoed the appointment of new members to this Body. Thus, since last December, it no longer has the minimum number of members to function. Therefore, the cases that are contested thereafter go into limbo and remain unresolved.

This position of the US, according to several analysts, is motivated by a desire to conduct deeper reforms in the WTO, considering the structural changes in world trade. However, as pointed out above, all initiatives in this direction have failed to move forward. Consequently, the WTO's role in dispute settlement seems destined to fade away, which contributes to the WTO's own downfall. This is a disaster for all countries, but especially for the smaller countries, such as Brazil, from the point of view of international trade. For the bigger players, such as the United States, China, and the European Union, it is easier to impose their will by other means or to force some negotiation, which is much more difficult for the smaller countries.

Thus, Brazil only benefits from a well-functioning WTO and from its efficiency and effectiveness in enforcing the agreed multilateral rules and in

mediating conflicts. Its role becomes especially important in this pandemic crisis period, when countries may be tempted to adopt protectionist measures in order to stimulate their economic recovery. History shows that an eventual escalation of such measures tends to be harmful to all countries, eventually hindering the world economic recovery.

Therefore, it is essential that the country makes maximum efforts to enhance the institution and actively participate in discussions and proposals aimed at achieving the necessary reforms in the WTO.

7 TRADE NEGOTIATIONS

The import tariff reduction movement observed in the world in recent decades was accompanied *pari passu* by the signature of trade agreements involving a large number of countries around the world. There has been a strong growth in the number of trade agreements notified in the WTO since the early 1990s. If in the previous decade the numbers ranged from zero to three agreements per year, between 1992 and 2018 they rose to an average of 22 agreements per year. The numbers have decreased in more recent years, but currently there are more than 480 notified agreements. According to the World Trade Organization (WTO, 2011), each WTO member country was a signatory to an average of 13 trade agreements in 2010, and trade under these agreements accounted for about 50% of world trade in goods.

Brazil was no stranger to this movement. In fact, by 2018 Brazil had agreements with 19 countries or blocs, exceeding the average of WTO member countries. However, the relevance of these agreements is very limited given that: i) they have limited geographical coverage, concentrating on Latin American countries; ii) several of them are partial scope agreements, rather than free trade, as they cover a limited set of products; and iii) the partner countries of the agreements have, almost all of them, a very small share in the country's trade flow. This last point is due to the lack of effective agreements between Brazil and the world's largest and/or most developed economies. Only in 2019 agreements were signed with countries with this profile (Mercosur-European Union and Mercosur-European Free Trade Area – EFTA) which are still pending ratification.

In fact, there have been important advances in the last few years, with the final negotiations of these two agreements, ongoing negotiations with Mexico, South Korea and Singapore, and declarations of mutual interest in agreements negotiated with the United States, Japan and Canada. However, the trade agreements are still far from receiving the attention and the priority level they deserve.

Admittedly, the last few years have witnessed a loss of momentum in the trade agreement negotiations around the world. But the situation has changed with the recent signing of two mega-agreements, demonstrating that such instruments are still seen as very relevant, both in economic and geopolitical terms. The Regional Comprehensive Economic Partnership (RCEP) includes China, Asean countries, Australia, New Zealand, Japan, and South Korea, and the Comprehensive and Progressive Transpacific Partnership (CPTPP) includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The United States was the major sponsor of the negotiations' inception but decided not to join the bloc during the Trump administration. Given both agreements emerged as geopolitical counterpoints to each other, it is likely that under the new administration, the United States will again negotiate its participation the agreement.

As for Brazil, there are many and varied benefits that can be obtained in the trade agreement negotiation, especially considering the efforts to rebuild the Brazilian economy based on increased exports and with a focus on productivity and the achievement of competitiveness levels compatible with the best international practices. Not to mention the fact that the willingness to negotiate and sign more comprehensive trade agreements would be an essential element to change Brazil's reputation, as it is still seen as a closed and protectionist country.

The key benefits of trade agreements include:

- greater access to other countries' markets, stimulating exports and contributing to the trade balance when faced with increased imports resulting from unilateral openness;
- achievement of economies of scale within the exporting sectors, which can only be accomplished if the opening made by the country is accompanied by a similar opening on the trading partners' side;
- reduction of non-tariff barriers on trade between the signatory countries, since these have become increasingly relevant as restrictions to trade flows. Typically, the agreements involve harmonizing rules, procedures and mutual requirements for traded products between the countries to a level that cannot be achieved at the multilateral level. For example: technical regulations and standards, sanitary and phytosanitary requirements, labor laws, environmental requirements, etc.;
- **agreements to facilitate services trading, including financial and e-commerce;**
- protection of its investors through investment rules, intellectual property, competition rules, and personnel mobility; and

- trade agreements can reinforce the understanding that the country is really committed to a more open trade regime, since this depends on the government's credibility and perceived institutional stability. If trade agreements are unlikely to be susceptible to retreats, they tend to strengthen the idea that import liberalization is a permanent program (Nonnenberg et al., 2019).

In fact, trade agreements involve a range of issues that goes far beyond import tariffs or opening initiatives, which depend only on the country's goodwill. Recognizing that trade is a two-way street and given the difficulties in negotiating and enforcing multilateral rules on several relevant non-tariff issues, they emerge as a very important element in deepening countries' trade integration.

An important issue is that the process of negotiating trade agreements is extensive and involves a significant cost in time dedicated by various government agents and also by private sector representatives. Therefore, it is necessary to have a clear definition of priorities, with the correct choice of partners and avoiding a high number of simultaneous negotiations.

Typically, the decision on which trade agreements to negotiate should consider three factors: i) the potential economic impacts generated by the agreement, also considering which sectors of activity would be most benefited or most harmed by the agreements; ii) geopolitical interests, so that trade agreements are an instrument within a broader foreign policy strategy; and iii) the interest shown by other countries or blocks in negotiating agreements with the country in question.

As for economic impacts, the definition of priorities and the negotiating process itself should be duly informed by technical analysis that considers, for example, the size and structure of supply and demand in the target markets; the analysis of indicators that show the potential for economic complementarity between countries, including in terms of intra-industry trade (and there are a significant number of such indicators proposed in literature); and simulations of economic impacts of trade opening foreseen in the agreements, which is normally done through computable general equilibrium models (CGE) using international databases (the most used is the Global Trade Analysis Project – GTAP).

Therefore, it is important for the country to continue with negotiation efforts already underway with relevant partners and begin negotiating new agreements with interested countries. Such movement would enable the country to have expanded and preferential access to new markets and the productivity incentives resulting from trade integration with the world, which can collaborate not only for the resumption of growth in the post-pandemic period but also for its sustainability in the medium and long term.

Within the current institutional structure in the country, Camex is responsible for leading this process, establishing an agenda for the negotiation of trade agreements in the near term, considering the international context and the partners actually interested, providing technical capacity for the evaluation and discussions of the agreements' terms and coordinating the different government areas interested and/or involved in the negotiations, especially the Ministry of Foreign Affairs, which is responsible for the negotiations and conducts the country's foreign policy.

In terms of setting priorities in the negotiations area, two criteria must be considered: first, the aim must be to obtain the best results from the negotiations already made, which implies giving priority to ratifying and implementing agreements already concluded (European Union and EFTA) and closing negotiations already underway (Mexico, Canada, South Korea).

Second, situations in which there are clear strategic and geopolitical interests and the possibility of deepening existing agreements should be identified and focused on. This includes India and the Southern African Customs Union, countries with which Brazil already has partial agreements in place and which are part of Brics, besides being large economies and of great weight in their regions. Also included here are the neighboring South American countries, which are natural trade partners (due to their geographical proximity) and where the country has great potential for expanding its exports of manufactured products, helping to diversify its agenda, which is currently concentrated on commodities. Brazil has lost space in most countries' imports in the region due to the trade agreements signed with other countries, eroding the preferences that Brazil holds. Therefore, it is important to deepen the agreements (incorporating themes such as technical norms, non-tariff barriers, trade facilitation, investment protection, etc.) and to invest in initiatives that reduce transaction costs in the region (especially in transport infrastructure), aiming to deepen regional integration, stimulate the development of regional value chains and guarantee a preferential and dominant position for Brazil in the region's markets.

Naturally, such prioritization should not exclude possible agreements based on a medium and long-term approach. This perspective would involve agreements negotiated with bigger and more developed economies (such as the United States, China and Japan), as well as with some that show great growth potential in upcoming years (notably the Southeast Asian countries), which would bring greater capacity to leverage Brazilian exports (and also imports) in absolute terms and generate a greater impact on economic growth.

8 CONCLUSION

A relevant dimension of the Brazilian economy's structural reform agenda is the redefinition of its economic integration with the world, especially considering that the external demand for Brazilian goods and services can be a crucial vector for stimulating the country's growth. Exports are one of the main inducers for economic growth and will certainly play an important part in Brazilian economic recovery after overcoming the most critical period of the new coronavirus pandemic.

Therefore, the country faces not only the challenge of increasing its exports, but also of diversifying and making them less dependent on a limited set of commodities. The Brazilian industrial sector's competitive difficulties, and proposals to overcome them, have been exhaustively discussed for several years. And the post-pandemic scenario tends to be even more challenging for the sector.

Without jeopardizing a broader agenda focused on increasing productivity and reducing costs in Brazil, which will generate an increase in the country's competitive capacity in the medium and long-terms, there is a series of measures with more immediate impact that can support exports and help exporting companies to face this new and challenging scenario, including taking advantage of opportunities for sales growth that arise in this production and trade reorganization context.

This article was meant to provide a perspective on the current situation and a brief diagnosis of some major export-related policy issues. It also presented suggestions and recommendations to sustain exports during the crisis caused by covid-19 and stimulate their growth and diversification in the post-pandemic period. The proposals shown hereby have both a short-term perspective, for the post-covid-19 recovery period, and a medium and long-term outlook, addressing more structural issues related to the international integration of the country.

Regarding export credit, the government should increase the amount of resources disbursed to support export activities and facilitate the companies' access, especially the smaller ones, to the credit lines of BNDES-Exim, in all its modalities, and also of the Export Financing Program (Proex), both in financing and equalization. Such movement would be especially important for sectors with greater production chains and/or exporting capacity, and a target should be set to increase the number of companies benefited by these credit lines, especially the SMEs. In the specific case of Proex, it would also be important to establish objective criteria for defining the budget resources allocated to the program, in order to increase not only the availability, but also the predictability of resources. And regarding the FGE, it would be necessary not only to facilitate the access to the fund and increase the volume of exports covered by the Export Credit

Insurance, but also to rationalize the decision-making process, reviewing the procedures of the Cofig and reducing the average time for analysis and approval of the FGE and Proex pleas.

For export promotion activities, Brazil has a well-established and equipped export promotion structure, but there is insufficient coordination between the different government agencies engaged in trade promotion activities; there is a lack of broader trade promotion guidelines to conduct the official export support actions, including at Apex-Brazil; and there is no clear integration between export promotion and trade policy as a whole. Therefore, it is necessary that Brazil makes an adequate evaluation and definition of guidelines for trade promotion and develops a Trade Promotion Action Plan, whose starting point should be the Strategic Plan of Apex-Brazil, with the involvement and contribution of MRE and other bodies directly interested in foreign trade and that have the technical capacity to evaluate and propose policies, such as the Ministry of Economy, the Ministry of Agriculture, Ipea, etc.

As for exports of the agricultural sector, besides the policies already in place and the already good job made by the Ministry of Agriculture, Livestock and Supply (Mapa), some initiatives would be important to maximize the agricultural sector's export potential. Among these, it can be highlighted the carrying out of studies aimed at mapping and identifying non-tariff barriers to agricultural trade; the expansion of resources for agricultural research agencies, such as Embrapa; the encouragement of actions for the construction of customized trademarks in agricultural products from Mapa and Embrapa, in partnership with other state research agencies; and the implementation of trade and diplomatic missions to major importing countries to study market conditions and improve knowledge of the current and future demand structure.

Regarding technical standards, the covid-19 pandemic episode clearly exposed the importance of the regulatory systems applied internationally, since the explosion in demand for medical devices and personal protection devices revealed strengths and weaknesses in the Brazilian position that should be considered in proposals for a post-pandemic economic recovery plan. The country's compliance with such rules and regulations should thus be considered as a priority for industrial policy and foreign trade, not only for the medical/hospital sector, but for the vast majority of industrial products and activities. Brazil needs to establish a strategy to deal with the uncertainties and risks in regulatory issues that affect international trade, most clearly in the post-pandemic period. It is necessary to improve the foreign trade and production regulatory environment with a view to reducing transaction costs to facilitate existing businesses and new ventures.

Concerning relations with other countries, the pandemic has also exposed several international coordination problems in crisis management, presenting an opportunity to re-evaluate existing international arrangements, as well as Brazil's relationship with other countries and international organizations. This applies not only to international trade rules, but also to the governance of issues related directly or indirectly to health. For this reason, it is recommended, first, that the Brazilian government works against protectionist measures adopted by other countries and resist adopting such measures itself. Secondly, Brazil should firmly position itself against the non-compliance with rules agreed upon and adopted worldwide, and in defense of multilateral institutions and forums, defending that eventual changes be the result of decisions negotiated multilaterally.

Particularly, Brazil must do its best to value WTO's role and actively participate in discussions and proposals aiming at accomplishing the necessary reforms in the institution. Brazil can only gain from the WTO's good functioning and from its efficiency and effectiveness in enforcing the multilateral rules agreed upon and in mediating conflicts.

Finally, regarding trade negotiations, the country should continue the efforts already underway with relevant partners and begin negotiating new agreements with interested countries. Such a move would enable the country to have expanded and preferential access to new markets and the productivity benefits resulting from trade integration with the world, which can collaborate not only to the growth resumption in the post-pandemic period, but also to its sustainability in the medium and long-term. The negotiations should focus, first and foremost, in extracting the gains from efforts already made, which implies giving priority to the ratification and implementation of agreements already concluded (European Union and EFTA) and the closing of negotiations already underway (Mexico, Canada, South Korea).

Such prioritization should not exclude possible agreements based on a medium and long-term approach. This perspective would involve agreements negotiated with large and more developed economies (such as the United States, China, and Japan), as well as with some that show great growth potential in the coming years (notably the Southeast Asian countries), which would bring greater capacity to leverage Brazilian exports (and also imports) in positive terms and generate a greater impact on its economic growth.

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