

Public Policies and Brazilian Multinationals

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INTRODUCTION

A series of recent signs within the Brazilian federal government indicate increasing support for the internationalization of national firms. Most of these signs come from the ministries of External Relations (MRE) and Development, Industry and Foreign Trade (MDIC), as well as the Ministry of Interior and the Brazilian Development Bank (BNDES). Recent statements by President Lula's Chief of Staff, Mrs. Dilma Rousseff, point to this direction: "We want the country to have firms that are able to engage in a process of international expansion. At present, no firm, in no country, can afford to look only to the size of its local market. We find it fantastic that (Jorge) Gerdau has acquired assets in other parts of the world".² BNDES' president Luciano Coutinho, added that he would like to see large Brazilian business groups competing against transnational corporations in the international arena.³ Following the same line of thinking, the MRE recently organized a meeting with Brazilian multinationals in order to hear from them how the government could be of help to their international ventures.

Nevertheless, coordinated movements towards the definition of a national strategy on the theme is not yet observable, nor are the structuring

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²Interview to *Jornal Valor Econômico*, pp. 12 from the 25th of September 2007.

³In *Folha Online*: "Coutinho defende a formação de grandes grupos nacionais"; 29/04/08

of policies that could potentially support it. As we will indicate below, few agencies like BNDES and CADE⁴ have indicated a significant effort on this direction.

The former foreign affairs secretary of the Ministry of Finance and current *chef de cabinet* of the minister, Mr. Luiz Eduardo Melin de Carvalho, has recently stated that the government acknowledges that Brazilian firms' internationalization achievements were basically the result of their own merit, and the government has done very little in this respect.⁵

This chapter does not seek to present a systematic and detailed analysis of the several public policies supportive of firm internationalization in Brazil; in reality, it aims to present an agenda of government initiatives that can be understood as supportive of the internationalization of national firms. In this sense, the chapter reflects the preliminary indications of a broader research program that is under development.

An internationalization policy may be understood in two distinct ways. The first one is broader in character and encompasses all initiatives acting directly or indirectly to positively impact firm internationalization. This interpretation would include pro-technology innovation policies premised on the idea that innovation is intimately linked to exports and firm internationalization. It would further consist of support for specific capital market regulatory reforms that would render the Brazilian market even more attractive vis-à-vis its regional competitors. Lastly, additional examples are policies turned to the promotion of national firms' efficiency gains in selected industries, whose explicit parameter is the dominant standard, set either regionally or globally.

The second refers to more restrictive policies that directly and explicitly impact national firms' decisions on investment projects, partnerships, competition, or acquisitions abroad. In this case, the focus is not a broader competition gain but altering national firms' conditions to compete at specific situations that suit the particularities of competitors from other specific markets and regions.

The relevance of such a distinction resides in the fact that these two different approaches ascribe different meaning to the position of national

⁴Administrative Council of Economic Defence or the Brazilian Anti Trust Agency.

⁵Comment made at the Seminar on Financial System and Internationalization of the Brazilian Companies: public policies and corporate strategies" jointly organized by Prospectiva Consulting and CEBRI (Brazilian Center for International Relations) held in São Paulo, May 2007.

firms when competing with other firms in specific markets and countries. While in the first approach policies are more concerned with enabling firms to compete in the international market in a broader and more homogeneous fashion, the second promotes variable government action depending on industry, region and country.

These considerations lead to discussions over the precise space occupied by developing countries' multinational firms in general and Brazilian-based firms in particular in the global economic race. The latter point will be generally developed in the following topic.

MULTINATIONAL CORPORATIONS (MNC) IN BRAZIL: BETWEEN "OECD MODEL" AND "STATE CAPITALISM MODEL"

Global capitalism's recent dynamics has not spared analysts of surprises for it has brought to light a number of tendencies rare to the capitalist expansion cycles that have successively been repeating themselves since the industrial revolution. In this manner, it follows that the growing presence of Brazilian, Chinese, Russian, Indian, and Mexican multinational firms in the global market is closer to the 19th century's final expansion cycle – marked by the rapid internationalization of the USA, Germany and Japan – than more recent cycles involving the international expansion of the Asian Tigers.

Thus, one of the main traits of the current state of international competition is the tension between the competition pattern and the dominant strategies pursued by firms from countries of "mature capitalism" – here broadly identified as OECD countries; and the patterns and strategies practiced by countries where state capitalism prevails – here the paradigmatic cases are mainly China, Russia and some Arab countries.

The OECD paradigm would be equivalent to firms with clearly stated and permanently monitored international behaviour in terms of a series of aspects and in accordance with international agreements, domestic law and corporate governance standards. Most of these firms will either be publicly traded or define clear communication strategies with investors as well as governmental and multilateral agencies. In addition to this point, and indeed as a consequence of it, these are firms that largely make use of and depend upon powerful financial strategies for fund-raising in the market. By operating in the financial market, these firms become more sensitive to risk and to investors' and financial agencies' perception of risk. Besides, they are also made more vulnerable to accusations or to problems related to the firm's public image.