

## FOREIGN TRADE GOVERNANCE: IMPROVING INSTITUTIONS AND BUILDING CAPACITIES

- *To increase Brazil's share in international trade, the governance of Brazilian trade policy must be improved for it to be truly effective.*
- *The capacities of the main government agencies must be improved to eliminate overlapping and ensure coordinated actions.*
- *The processes of making and implementing trade policy need to be separated and clearly defined.*

**Brazilian trade policy shows serious governance problems.** The processes of making and implementing this policy need to be better organized; the governing agencies involved must act in a coordinated way, avoiding bureaucratic disputes; and foreign trade standards must be produced in a transparent way and respond to the interests of civil society, particularly to those of the private sector, which is the main agent of this activity.

**In order to advance toward this goal, Brazilian trade policy must be a priority for the President of the Republic and his ministers, in particular for the chief minister of the Civil House and for the minister of Industry, Foreign Trade and Services (MDIC).**

**Reorganizing trade policy governance is a prerequisite for promoting Brazil's participation in the international economy.** To achieve this goal, the current framework must be changed by altering and improving the capacities of the main agencies involved in foreign trade: the Brazilian Foreign Trade Chamber (Camex), the Ministry of Industry, Foreign Trade and Services (MDIC), the Brazilian Agency for the Promotion of Exports and Investments (Apex-Brasil), the agencies of the public financing and guarantee system for Brazilian exports and investments abroad, and the Ministry of External Relations (MRE).

**The main step to be taken is to clearly separate the processes of making and implementing trade policy.** Policy-making is a strategic step that requires political decision-making but is also based on technical recommendations; while implementing it is an operational stage of an essentially technical nature. Currently there are policy-making agencies engaged in implementing actions and executing agencies interfering in policy-making processes.

**The new governance model also needs to eliminate overlapping and ensure that the different government agencies operate in a coordinated way.**

**In addition, trade policy must be more transparent.** For this purpose, it needs to be better managed and involve more mechanisms to improve the accountability of government to society, particularly to industry, which is the main agent of Brazilian foreign trade.

**Finally, trade policy needs to be coherent with other public policies,** in particular with industrial, foreign, and fiscal policies.

## Main recommendations

### 1 Camex should be strengthened as a policy-making agency.

Camex is the agency in charge of defining Brazil's trade policy. For this reason, its powers should be expanded by linking both the Council of Ministers and its Executive Secretariat to the Office of the President of the Republic. The staff of Camex should be expanded, have greater seniority, be multidisciplinary, and work in the physical facilities of the Office of the President of the Republic. The chief minister of the Civil House should continue to act as the chair of the Council of Ministers and the Executive Secretary should be appointed by the president of the Republic himself.

### 2 The MDIC should be merged as "Ministry of Foreign Trade."

The MDIC should be the main agency in charge of implementing trade policy, as it is the "Ministry of Foreign Trade." For this purpose, sufficient funds should be earmarked for the ministry, MDIC's operations should be expanded in Brazil and abroad, and technical career staff should be at the helm of its operations.

### 3 The work of Apex-Brasil should be more focused and more closely linked to the private sector.

All trade promotion activities and actions to attract investment carried out by the federal government should be concentrated in Apex-Brasil, so as to

eliminate the overlapping observed today, especially with the MRE and the MDIC. In addition, Apex-Brasil needs to resume closer relations with the private sector, when it was first established, and with the aim of fostering its development. For this purpose, it should be linked to the MDIC, the "Ministry of Foreign Trade," and its president should be appointed by the president of the Republic himself.

### 4 Financing and guarantees should be centralized at the National Bank for Economic and Social Development (BNDES) and at the Brazilian Agency for the Management of Guarantee Funds and Guarantees (ABGF).

All public financing of exports and Brazilian investments abroad should be concentrated in a new subsidiary of the National Bank for Economic and Social Development (BNDES). In addition, the management of export credit insurance and Brazilian investments abroad should be centralized at the Brazilian Agency for the Management of Guarantee Funds and Guarantees (ABGF).

### 5 The actions of the Ministry of External Relations (MRE) should be more focused.

The MRE should focus on making and implementing Brazil's foreign policy. Its role in connection with trade policy should be restricted to its areas of expertise: providing political support to the private sector abroad and to international negotiations and providing technical and political guidance in disputes at the World Trade Organization (WTO).

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