

Commodities are becoming more and more a high technology sector



Manchester University head of Economics, Edmund Amman believes that the path took by Australia and Canada can be followed by Brazil

The predominance of commodities in Brazilian exports is far from being a weakness itself, claims Edmund Amann, Manchester University head of Economics. “The fact that Brazil is a country specialized in commodities is not bad, it is not a dead end”, he says, mentioning the examples of countries such as Australia and Canada, that despite being raw materials exporters, they do not face economic crisis now.

The path took by these two countries is the one of adding value to commodities through technologies these products from those exported by their competitors. “There is an example in agriculture: fruits and vegetables preservation using high technology in Netherlands”, says Amman, who was recently in Brazil as a member of a delegation from the British university to analyze joint researches opportunities with Fundação Getúlio Vargas (FGV).

One of the criticisms often made about Brazilian economy is the lack of competitiveness to compete in foreign markets. How does this problem affect the country?

This is a key point, especially in the long term. There is a productivity problem since the 80's. Besides liberal reforms, the trade liberalization and several governmental policies to promote competitiveness, Brazilian economy still has this structural problem. It is a huge challenge for economy, especially nowadays, because of the drop in commodity prices. Therefore, it is increasingly important to promote competitiveness in industrial and service sectors to achieve new opportunities for Brazil to export to the whole world. In my assessment, the issue of productivity should be the main target of microeconomic policies of the current government. When you analyze the successful performance of Asian economies, including China, you can see the central role of productivity.

What is the importance of those microeconomic policies?

They are important in terms of opening markets, creation of new companies and the adoption of new technologies. It is fundamental for the future. Resources in infrastructure area are huge, but I think Brazil does not have at this moment the notion that competitiveness is very fundamental for the economy.

How to establish a long-term planning in a country with so many comings and goings of the economy?

First, Brazil has suffered a problem of deindustrialization, loss of competitiveness, technological capacity in some sectors. It is important to highlight the role of innovative sectors, which have the capacity of improve exportations performance. There are some strong points in Brazilian industry. The important thing is to take advantage, capitalize in these areas, with well-defined policies, with political and financial support. The problem is that it takes a long time to achieve it. We are talking about structural and fundamental things. It is not possible to solve the situation in there or five years. It is going to take decades. It is important to change the national vision so that the competitiveness turn a central target in economic policy, with equal importance to macroeconomic policy, inflation, unemployment. Without paying attention to competitiveness, it will be very difficult for Brazil to achieve change in the future.

Isn't it a delicate moment to speak in promoting competitiveness amid the fiscal adjustment that is being implemented by the government?

It is a huge challenge because the available resources in the central government and central governments to promote competitiveness in companies does not exist in the required amount. It is a matter of priority. I think it is essential to keep the focus on competitiveness, despite the fact that the economic situation is complicated. If you look at the experience of Japan and Germany, these economies - despite the fact that they had macroeconomic problems - supported key companies like BMW, Mercedes and Mitsubishi. This is a commitment to the future for them. It is one of the key factors that explains how these economies are still successful.

However, on the issue of stimulating productivity, is it only the government that have to do the "homework"?

I would not like to say that the productivity issue is only about the government and that if the policy is good, everything is going to work well. It is not like this. It is also important to have a culture of investment in productivity and in quality inside the companies. After all, success in Germany, South Korea and in several countries is closely linked to the internal view of the company.

Will the future of the country be linked to changes in commodity prices, at least in the medium term?

Note that you can add value within the commodities sector. Commodities are becoming more and more a high technology sector. It is also possible to develop technology inside sectors such as oil and mining, which you can adapt to other sectors. Brazil has a very good basis for the creation of an ecosystem that can transfer

technologies from one sector to another. This country has several advantages in terms of competitiveness and technology, but they are concentrated in few sectors. It is possible to transfer some success aspects or elements concentrated in certain companies to other sectors. That is the case in the USA, in Germany and in England.

Can you give examples of how technology can add value to commodities?

In the steel industry, obviously strongly linked to iron. The processing of these commodities to add value, using technology, creating spaces, niches in the market. Another example comes from the agricultural area: the preservation of fruit and vegetables using high technology in the Netherlands. It is a success case in an area that was apparently low-tech: agriculture, the oldest industry of humankind. You can enjoy the technology and the management systems, which are very dynamic. It is generating opportunities for the exportation of products with added value for the creation of new markets, in order to create a quality reputation for the product, a chance to differentiate products.

Are we going to remain as a raw materials exporter?

The fact that Brazil is a country specialized in commodities is not bad. It is not a dead end. There is the possibility of using the competitive advantages of the country. Brazil should do it. Australia is doing it. Canada too. They are both economies with strong emphasis in commodities. Nowadays, Australia is not an economy in crisis, despite the fact of being a major iron and coal exporter. It is the case of Canada, a major vegetables, wheat, iron and gold producer. Canada is managing to compensate the drop of commodities prices in other sectors. Commodities sector also has competitiveness in Canada. Brazil can look at these experiences to know some strategies in this area (commodities).

Can Brazil be an example for other countries? In one of your researches, you say that the country has lessons that can be availed by sub-Saharan countries.

Yes, if we understand which Brazilian policies can be adopted in Africa. In the fields of commodities, agricultural products exportation, Brazil is already successful. In terms of technology, infrastructure, market... If you analyze the case of economies in the south of Africa, or in other places of the world where economy is an important sector, it is possible to learn a lot from the Brazilian experience in the fields of policies, technology and from the success of large companies in the fields of food and agriculture. The advantage that Brazil has, besides the size of the country, is the added value, the business view of this sector. There are some interesting things that can be transferred to other countries in the world. Therefore, I think that Brazil has some good experiences in some specialized areas. I think we could transfer these positive experiences not only abroad but also in terms of organization and technology, to other sectors in the country.