Brazil's Export Paradox:
Record Sales, Weak Competitiveness

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"Falou e disse"—meaning "he nailed it" in Portuguese. The surprising, come-from-behind victory of Lula over Flávio Bolsonaro has sent financial markets spinning. Brazilian stocks and the *real* currency have posted their sharpest losses in years.

As Brazil expert Brian Winter has commented: "For Lula, the good news is that he won, and the bad news is that he won." With interest rates sitting at 13.75%, public debt at 86% of GDP and inflation hovering around 4.6%, Lula and his team have their work cut out for them.

Governments have many tools at their disposal to stimulate economic growth—boosting exports is one of them. In the case of Brazil, that nation faces an export paradox. The country is selling more abroad than ever, yet it remains far less competitive than its size, industrial base and entrepreneurial capacity should allow.

Merchandise exports reached a record US$348.7 billion in 2025, up 3.5% from the previous year, while export volumes increased 5.7%. Manufactured-industry exports approached US$189 billion, and Brazil recorded a trade surplus of roughly US$68 billion. Those figures hardly describe an export crisis.

But the headline numbers conceal a deeper problem. Brazil's export engine remains unusually dependent on commodities and resource-based products. Crude oil, soybeans, iron ore, beef and coffee dominate the export basket, while China alone purchased almost 29% of Brazilian exports in 2025. Agribusiness generated a record US$169.2 billion—48.5% of the country's merchandise exports.

There is nothing wrong with succeeding in agriculture, mining or energy. Brazil should celebrate these comparative advantages, not apologize for them. The failure lies elsewhere: the country has not converted those advantages into a sufficiently broad network of productive, innovative and internationally competitive companies.

Brazil participates in global value chains mainly by supplying raw materials and basic industrial inputs. It is much less integrated into the other side of global production: importing competitive components, adding technology and services, and re-exporting higher-value products. According to the OECD, Brazil's international production links remain concentrated in mining, basic metals, food, mineral products, paper and other commodity-related activities.

That matters because modern export competitiveness does not result from producing everything domestically. Successful exporters combine the best local capabilities with competitively priced machinery, components, software and professional services from around the world. Brazil instead taxes many of these inputs at the border.

Average Brazilian import tariffs have been approximately eight times higher than Mexico's, with particularly heavy protection for capital equipment and intermediate goods. This may shelter selected domestic producers, but it also acts as a tax on every Brazilian company attempting to compete internationally.

A machinery exporter forced to buy expensive components cannot match foreign prices. A technology-intensive manufacturer that waits months for specialized equipment cannot reliably satisfy customers. And an industrial policy based on local-content requirements may increase the nominal share of domestic production while reducing the final product's ability to compete.

Protection creates a vicious circle. Expensive inputs weaken productivity. A large, protected domestic market reduces the incentive to export. Limited exporting prevents firms from learning from global customers and suppliers. Weak international participation then generates political pressure for still more protection.

The second constraint is Brazil's notorious tax system. The recently approved consumption-tax reforms offer a historic opportunity, but implementation will determine whether exporters benefit. Export sales must be genuinely tax-free—not merely exempt on paper while companies accumulate unrecovered credits from taxes paid on their inputs.

For a large corporation, delayed credits are a costly working-capital problem. For a small manufacturer, they can make exporting financially impossible. The government should guarantee full credits for input taxes, establish strict refund deadlines and publish a dashboard identifying overdue balances.

Infrastructure is another competitive tax. Logistics bottlenecks may add as much as 7% to Brazilian export costs, although the burden varies by route and product. Congested ports and unreliable roads hurt grain and mineral producers, but unpredictability is even more damaging to manufacturers and perishable-food exporters. International customers organizing factories or retail inventories around scheduled deliveries will not tolerate repeated delays.

The government should therefore stop treating infrastructure primarily as a construction program. Export corridors should be selected according to measurable reductions in transport costs, port dwell times and delivery variability. Rail connections, port capacity, cold-storage facilities and customs systems should be evaluated as parts of the same supply chain.

Brazil also needs better market access. Its exporters frequently compete against companies whose governments have negotiated preferential tariffs, mutual recognition of standards and simpler customs rules. Trade diplomacy should focus less on political symbolism and more on commercially valuable access: lower tariffs, workable rules of origin, sanitary approvals and recognition of Brazilian certification.

Industrial policy has a role, but not the one it has traditionally played. Lula's government should support capabilities rather than permanently protecting companies.

Embraer demonstrates what Brazil can achieve in advanced manufacturing. The company delivered 244 aircraft in 2025, up from 206 in 2024. The lesson is not that Brazil should require every aircraft component to be made domestically. It is that government, universities and industry can build engineering, certification and production capabilities that compete globally.

Policy should help more Brazilian companies reach that standard. Aerospace suppliers need technical certification and specialized skills. Machinery and auto-parts producers need affordable imported inputs and modern production equipment. Food exporters need traceability, cold chains and faster sanitary approvals. Pulp, metals and mineral producers need reliable infrastructure and energy, together with commercially sound opportunities to move into more sophisticated products.

Export finance should also concentrate on genuine market failures. Credit guarantees and insurance can help smaller businesses accept foreign orders without bearing intolerable payment risks. But assistance should have transparent pricing, measurable commercial objectives and sunset clauses. The measure of success should be additional exports and private investment—not the amount of subsidized credit distributed.

Finally, fiscal credibility is part of export policy. Exporters invest over long horizons and must finance equipment, inventories and production before customers pay. High capital costs and policy uncertainty discourage precisely the investment Brazil needs. Stable fiscal rules and predictable regulation will do more for competitiveness than repeated packages of tax concessions.

The administration should judge results through an annual export-competitiveness scorecard: export volumes, the number of exporting firms, three-year exporter survival, customs-clearance times, tax-credit refunds, logistics reliability, productivity and participation in global supply chains. A rising trade surplus alone is inadequate; it may reflect commodity prices or falling imports rather than stronger businesses.

Brazil does not have to choose between commodities and manufacturing. Its agricultural, mineral and energy industries can provide demand, capital and expertise for machinery, engineering, software, logistics and environmental services. The real choice is between using these strengths as platforms for wider global competitiveness—or preserving a high-cost system in which exporting remains profitable for too few Brazilian companies

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