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THE SECTOR'S EFFORTS IN THE SECOND SEMESTER

Fears that the global economic crisis is going to worsen knocked on Brazil's door and are already being noted in perspectives for the second semester. Projections already point a GDP growth rate of less than 2% for the country, which means – as a general rule – a drop in production, consumption, exports and investments.

The National Confederation of Industry (CNI) lowered from 2%, in the first quarter, to 1.6% the industry's growth projection for 2012, based on performance of the second quarter. According to the entity, the year-end closing perspectives for 2012 are not very positive: 1% growth for the processing industry, 2% for extraction and 3% for construction.

Even though the pulp and paper industry maintained the same production levels in relation to last year, a scenario of economic slowdown is beginning to unfold: on one hand, due to successive drops in product export revenues (which posted a 7% retraction in the first five months of the year); on the other, due to the risk of a drop in internal consumption and an increase of imports in certain segments, such as paperboard. This has led companies and Bracelpa to manifest their concern to the government in view of the possibility of the sector posting insignificant growth in 2012.

Two factors could influence this situation in a positive manner: the inclusion of pulp in the Special Regime of Reinstatement of Tax Amounts for Exporting Companies (REINTEGRA), which foresees reinstating amounts referent to residual tax costs that exist in production chains, limited to 3% of the amount exported, as well as payroll exemption, which substitutes the charging of 20% over the payroll for paying 1% of revenues in the domestic market. This would make Brazilian products more competitive, particularly in the international market.

Even though it has already presented proposals with these themes, the sector is still awaiting an affirmative answer from the federal government regarding the incorporation of pulp in the REINTEGRA program. This is because, in a moment that the country needs all the effort from the business community, such incentive by the government would cause a very positive effect

in the market, by including another important industrial product on the list of those already contemplated in the Greater Brazil Plan – all papers and paperboard.

Breaking political-party barriers, the House of Representatives recently approved (July 17) Provisional Measures #563 and #564, which address payroll exemption and incentives to the industry through the National Bank of Economic and Social Development's (BNDES) Revitalize Program, which will receive a R\$45 billion injection to increase the offer of long-term credit. This is a clear sign that the economy cannot overcome the international crisis solely based on market laws and that, therefore, incentives are necessary. As such, this is the moment for the government to broaden its radius of action over sectors and important details in order to protect the country's economy.

Within this context, it is important to mention the good example done to combat the improper use of tax-exempt paper. Thanks to the expansion of the Payment and Control System of Tax-Exempt Paper Operations (RECOPI) scope from São Paulo to nationwide, there'll be more control over operations for facing one of the most serious problems in the country's industry. Supervision will be primordial and will make a difference on the result of this initiative.

Given the weight and importance of Brazil's pulp and paper industry in the global market, currently occupying the #4 position among pulp producing countries and #10 in terms of paper, we have no doubt that we can help stimulate the market and halt the possibility of registering a bigger GDP drop in the second semester.

In a scenario of negative perspectives for the United States and European Union economies – and not very positive perspectives even for China –, Brazil cannot ignore opportunities for heating up its domestic market and stimulating a trade balance surplus. This year, Brazil's GDP may grow less than that of the United States. This is a situation of austerity that we must overcome, seeking to suffer the least amount of damage possible. It is in this direction that the sector is focusing its efforts in the second semester. ■