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THE "NEW INDUSTRY BRAZIL" PROGRAM IN THE STRUCTURAL TRANSFORMATION OF THE BRAZILIAN ECONOMY: NEW CHALLENGES AND IMPLEMENTATION RISKS

The development of the "New Industry Brazil" (NIB) program is a comprehensive strategy for the country's economic revival, aimed at fostering technological development and creating new jobs by 2033. It reflects the government's ambition to build a competitive, innovative nation at the forefront of ecological transformation. The program places innovation and sustainable development at the core of economic progress, promoting research and technology across a wide range of sectors while prioritizing social and environmental responsibility [1].

All innovations under the "New Industry Brazil" program are based on six core industrial missions: ensuring the stability of agribusiness chains focused on sustainability and digitalization; enhancing the autonomy and responsiveness of the Brazilian healthcare system to socio-economic challenges; promoting the sustainability of civil infrastructure with an emphasis on sanitation, housing, and urban mobility; driving the digital transformation of industry to boost labor productivity and implement technological innovations in Brazilian companies; advancing bioeconomy and decarbonization to support energy transition and the sustainable use of biodiversity; and developing defense technologies and sovereignty.

The program is driven by ambitious goals tied to each of its missions; however, several key challenges and risks of the project should be highlighted. The planned investment of over 300 billion reais may prove insufficient for such an ambitious plan. Attracting substantial private capital could be critical. Based on forecast estimates (Table 1), negative growth in value added in public administration, defense, education, and healthcare in Brazil indicates a yearly deterioration from 2024 to 2028. Compared to the previous year, fluctuations show a gradual decline, reflecting current challenges and potential inefficiencies in public administration within these sectors. This suggests the presence of potential structural issues or budgetary constraints in these key areas.

Intense competition in global arms markets – NIB is being implemented amid a global technological and trade war, particularly against the backdrop of protectionist policies such as the U.S. Inflation Reduction Act (IRA) and the EU's Green Deal. Preliminary estimates suggest that Brazil's defense spending will reach 20.4 billion USD in 2028 (compared to 20.2 billion USD in

2023). These figures indicate a modest average annual growth rate of 0.1%. Historically, Brazil has experienced reductions in defense spending since 1965, with an annual decrease of 6.4%. In 2023, the country ranked 17th in global defense spending, trailing Spain, which reported expenditures of 20.2 billion USD [3].

Table 1

Forecast: public administration, defence, education, health, social work value added in Brazil

Date	Percent, Change on Previous Period
2024	- 0,84
2025	- 0,98
2026	- 1.12
2027	- 1,26
2028	- 1,4

Source: compiled by the author based on data [2]

The success of NIB critically depends on public administration reforms aimed at addressing structural issues in the national economy, which significantly increase operational costs and investment risks. These challenges manifest in several aspects, including:

– an excessively complex tax system (with three levels of taxation, burdensome compliance requirements, and frequent litigation, creating additional risks for businesses, particularly for long-term industrial projects);

– an overly bureaucratic regulatory system (processes for obtaining licenses, construction permits, product certifications, and customs clearance are slow, fragmented, and prone to corruption, with starting a business or launching a production line potentially taking months or years);

– outdated logistics and infrastructure (poor road conditions, inefficient ports, worn-out railway networks, and insufficient energy grid capacity in certain regions lead to inflated logistics costs - up to 20% of GDP compared to 9% in developed countries) [4];

– rigid labor legislation with high social security contributions, challenges related to employee terminations, and a significant number of related lawsuits.

Unlike previous attempts at state industrialization, NIB offers a clear vision, leveraging Brazil's competitive advantages and aiming to build a knowledge-based economy. Its success will depend not only on the effective use of public resources but also on the ability to foster trust among private investors, both domestic and foreign. Effective institutional reforms are critically important. If these challenges and risks are addressed, NIB has the potential to become a true driver of Brazil's economic revival, setting the country on a path of sustainable and diversified growth and positioning it as a global leader in the new technological reality.

However, without successful tax system reforms, significant simplification of regulatory procedures, and substantial investments in infrastructure, NIB's

incentives may be undermined by the high “Brazil cost”. Investors may deem the risks of doing business in the country too high compared to potential returns, even with government subsidies.

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