

## MARKETING MALAYSIAN ENTERPRISES IN BRAZIL: WHAT IS THE GOVERNMENT DOING?

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### ABSTRACT

Marketing products and services abroad is essential for the new ventures growth and continuous existence. Assistance from the government is crucial as enterprises are not aware of the new market waiting for them. This paper presents the literature trade between Malaysian and Brazil, and the government agency. This research was done to investigate the marketing activities handled by the Malaysian External Trade Development Corporation (MATRADE) in Brazil, as Brazil is one of the BRICs countries with huge potential of economic growth and trade surplus. The rational of this study is to mainly find out what are the latest marketing activities by the Malaysian government to promote the Malaysian enterprises in Brazil, and thus to increase the trade number between these two countries.

**Keywords:** Marketing, Government Agency, Brazil, MATRADE.

### INTRODUCTION

Trade is one of the important sources for any country for the contribution of one's GDP. The income generated from trading is crucial for each country to extend that new agreements often being signed and Memorandum of Understanding (MOU) are sometimes appreciated as Memorandum of Agreement (MOA) itself. Relationships between countries are built to make sure these agreements continue so that the country's income being generated subsequently. This is especially for developing countries like Malaysia and Brazil. Even though Brazil's economic capital Sao Paulo is categorized as a developed city,

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Brazil as a whole always looking forward to have long lasting trade relationship, especially with high potential economic growth like Malaysia.

### **MALAYSIA AND BRAZIL TRADING**

Latin America is amazingly among the fastest growing economies in the world currently. With a population of over 550 million and a GDP exceeding \$3 trillion, the region is replete with natural resources and emerging service industries which make it globally competitive (Wardrobe, 2003). Seventeen of the world's largest 100 cities and commercial centers are located in Latin America and Brazil is the 11<sup>th</sup> largest economy in the world, respectively (Anderson & Cavanaugh, 2000).

Brazil's government has remained optimistic that growth of at least four per cent can be achieved after such a dismal 2012. According to analysts, Brazil's economy will likely grow 3.1 per cent in 2013, instead of 4.3 per cent as projected by commercial banks after investment levels dropped more than expected in 2012. To ensure there would be a consistent efforts to support the export, the Ministry of Development and Trade has introduced a new program to increase Brazil's manufactured exports. This is the Ministry's main agenda in 2013. Among the programmes are to introduce more finance assistance from the National Development Bank (BNDES) and also some attractive stimulus package to drive the infrastructure sectors. For 2013, the outlook for the Brazilian economy is project to be moderate. Despite the recent warming of the economies of developed countries, the government has tried a proactive approach in assisting the local companies (Yusup, 2014).

In 2012, Malaysia was Brazil's 30<sup>th</sup> largest trading partner, while among ASEAN, Malaysia is Brazil's second largest trading partner. Although there will always be uncertainty in the domestic market, Malaysia's exports to Brazil would not be affect by the economic slowdown in the country itself as Brazil also traded with other Latin America countries. Malaysia's major exports such as processors controllers, petroleum oil, rubber gloves, electronic integrated circuits, palm kernel oil, parts & accessories and automatic data processing machines were expected to see positive results in 2013. Brazil's trade with Malaysia amounted to USD3.66 billion last recorded in 2012, accounted for 0.8% share of Brazil's global trade. Import from Malaysia amounted to USD2.09 billion, accounted for 1% share of Brazil's total imports. Processors and Controller was the main product imported from Malaysia in 2012 amounting to USD448.85 million or 21.6% share, followed by Parts and Accessories for Computer Units at USD197.39 million or 9.48% share. The other main

imports from Malaysia were rubber gloves, parts for television, and electronic integrated circuits (Yusup, 2014).

Malaysia's major exports destinations in 2012 however is the Republic of Singapore with USD\$30,910.47 million, 13.6% shared. This followed by People's Republic of China, Japan, USA, and Thailand. Brazil in 2012 falls on number 25 with total of USD\$1,087.50 million, which is 0.5% shared from Malaysian total exports overall. Department of Statistics, Malaysia in 2012 showed that Malaysia's total export by product sectors such as agriculture goods, manufactured goods, and mining goods. Agriculture goods exported were, cereal; crude rubber; hides, skins and fur skins raw; live animal and meat; palm oil, saw logs and sawn timber; seafood, fresh, chilled or frozen; vegetables, roots and tubers; other vegetable oil; and, other agricultures. Manufactured goods exported were beverages and tobacco; chemicals and chemical products; electrical and electronic products; jewelry; machinery, appliances and parts; manufacture of metal; manufactures of plastics; non-metallic mineral products, optical and scientific equipment; paper and pulp products, petroleum products; processed food; rubber products; textiles and clothing; transport equipment; wood products; and, other manufactures. While the third sector is mining good exports contains of crude fertilizers and crude minerals; crude petroleum; LNG; metalliferous ores and metal scrap; refined petroleum products; tin; and, other mining.

Currently the main Malaysian products exported to Brazil are characterized by value added products i.e. parts for electronic and electrical items. However based on the strength of the Malaysian industry and the rising number of inquiries, we can promote other 'Made in Malaysia' products especially those with technological advantages such as infrastructure development and management, medical disposable, rubber based products, transportation engineering services and others. In order to increase market position in Brazil, Malaysian exporters should offer good prices and high quality products to Brazilian importers. In addition to import duties, Brazil has other costs on imports, which makes the final price of imported products very expensive.

One recommended alternative to venture in this potential market is participating in specific trade fair related to a particular economic segment. While participation in trade fairs in Brazil is relatively expensive, Malaysian companies are encouraged to explore the possibility of cost sharing in such activities through working with their trade associations in Malaysia. Sales service is extremely important by majority buyers of industrial goods. However, only large manufacturers normally offered the good after-sales and customer support service. Another important factor is the quality control. In order to improve sales, small enterprises companies

are also seeking to implement this quality control and customer service policies in order to improve sales. Malaysian companies interested in tendering for local projects must be consciousness that tenders are sometimes restrictive to attend several complex requirements. 'Made in Malaysia' have huge potential especially those with technological advantages. Products and Services briefed in the next item products representing opportunities, and must be ventured together with a local partner due to the complexity of the local law and other restrictions. In fact, the Brazilian consumers are slowly aware of the need for these services. This lead to an increasing number of Brazilian manufacturers of consumer goods including food processors to provide customer support services, and toll free customer service telephone numbers.

### **GOVERNMENT AGENCY**

Public agencies or government agencies are state-controlled organizations. They advise Ministers and implement the laws, policies, and all the governments' programmes. Only executive powers or executive administrative order, or legislation are able to establish a government agency. Government Agencies are classified into Central Agencies and Operating Agencies. Government agencies in Malaysia consists of Ministries, Departments and Statutory bodies. The Consolidated Fund of the government funded all the activities, projects, and programmes, specifically from which ministries they belong.

Statutory Bodies are mainly established by a statue (Act of Parliament). The government set up these bodies to achieve their objectives. They are also known as public corporations and wholly owned by the state. They are created under Federal or state law for a particular business, commercial or financial purpose. They are under the control of the relevant Ministries. Among the examples of statutory bodies in Malaysia are MATRADE itself, Bank Negara Malaysia, Securities Commission, Malaysian Industrial Development Authority (MIDA), Malaysian Communications and Multimedia Commission, The Inland Revenue Board of Malaysia, FAMA, Companies Commission of Malaysia, Intellectual Property Corporation of Malaysia, MARDI, Human Rights Commission of Malaysia, all public universities, Selangor State Development Corporation, and more.

Malaysia government had, in the late 1980s and early 1990s, been actively involved in promoting large-scale enterprises (Soon, 2011). However, they have always been lots of small enterprises contributing to the Malaysian economy as well. The Malaysian government is aware of the importance of both, especially the large-scale enterprises for the country's GDP.

On a national scale, exporting is a growth strategy that contribute to economic performance (Morgan & Katsikeas, 1997). Internal and external change agents stimulate the enterprises export participation (Bilkey, 1978; Seringhaus & Rosson, 1994). In 1978, China for example has introduced several policies to encourage the growth of outward-looking or export-oriented economic sectors. The country on purpose to promote trade policies encouraged merchandise exports. China included export subsidies which grant tax relief and rebate to exporters and low-interest loans which provide cheap finance to export-oriented enterprises which helped to increase the average growth rate 27.2 percent in 1978-92, and 30 percent in the 1990s. At that period the country introduced several strategies to promote merchandise exports with the assistance from China's government agency.

Export assistance usually increased the budget allocation from the government highlighting the need to further examine if such an investment is proportionally beneficial for enterprises. EPPs are specifically designed to facilitate and encourage the export involvement of enterprises. Governments all over the world established those export promotion agencies mainly because it is believed that export activities do contribute to the social and economy of the countries (Ahmed, et al., 2002; Kotabe Czinkota, 1992; Lederman et al., 2010; Seringhaus & Botschen, 1991). Among the examples of agencies with purpose are the Australia Trade Commission (AUSTRADE), the York Region Export Development Program in Canada, and Malaysia External Trade Development Corporation (MATRADE) (Ayob, 2014).

When measuring the impact of export promotion programs, most researchers in particular find it difficult to do so as measuring the impact of export promotion is not business activity *per se* and there are many factors that influence the export behavior and performance as well. The approaches used in measuring vary accordingly and may provide different outcomes on the results. When measuring the performance of these programs, it is agreed that managers with common international attitude, skills and knowledge are essential in making this program a success. As for the measuring of performance outcome, one thing is common is that it is necessary to use multiple measures in order to capture unique and valuable performance facets from the economic measure, non-economic measure and also other generic subjective measures. Export objectives such as export goals ought to be considered as well when determining the impact of those programs to the performance. This is where the government agencies step in.

June Francis and Collen Collins-Dodd (2004) conducted a study to determine the effectiveness of export promotion programs provided by the Canadian government in helping SME firms especially in the high technology sector. They also examine the degree to which

firm's use of a greater number of export assistance programs has a measureable impact on multiple measures of export performance, achievement of export objectives, export competence and strategies. They concluded that the export promotion programs are an enabler to the export performance in this sector. Most participants engaged in this program perceived it in a positive manner. The conduct of such programs alone is insufficient to measure the performance and effectiveness of this program. A greater variety export programs need to be carried out as they are not standalone in nature. Programs such as export-marketing seminars, newsletters, trainings ought to be held more frequently. Such programs would help to enhance the entrepreneur knowledge, skill and attitude sharing of expertise and experience. Apart from that, other initiatives such as financing support and regulatory assistance could be undertaken by the Canadian government to improve the performance of these companies from an operational support perspective. In ensuring the effectiveness of this programs, auditing may be a good mechanism for monitoring and control. Selected governing or independent bodies such as the National Sector Team for Industry Canada and the Department of Foreign Affairs and Trade (DFAIT) could be appointed by the government to carry out these tasks. Annual reports from participating firms also underline the performance and its success through participation. SMEs ought to formulate its own formal strategic exporting plan. Short term and long term strategic planning need to be formulated to increase competency and effectiveness while boosting its export outcome.

The motivation for government policy is that it is to the advantage of a country to 'capture' a larger share of the production of imperfectly competitive rent earning industries operating in international markets. It is well known that monopoly power in international trade provides incentives for governments to carry out policies designed to extract rent from foreign trade (Spencer Brander, 1983). This includes the monopoly tariff argument, the use of export taxes and encouragement of export cartels to exploit the monopoly power of domestic firms. The model of firm behavior is based on two stage game played by two competing firms which are in different countries. In their research, Spencer and Brander (1983) also argue that most countries uses Research and Development (R&D) activities of domestic firms, particularly in industries in which foreign and domestically owned firms are in competition for international markets. In this imperfectly competitive world, this theory explains such industrial strategy policies where R&D rivalry between firms plays huge role. The government efficiency is measured from the assumption that it commit itself to R&D subsidies credibly before private enterprises made the R&D decisions.

**MALAYSIA EXTERNAL TRADE DEVELOPMENT CORPORATION (MATRADE)**

MATRADE which is one of the government agencies parked under the Malaysian Ministry of International Trade (MITI) is among the statutory bodies mentioned earlier. It is in charge of assisting Malaysian entrepreneurs/enterprises abroad. For enterprises, developing export markets can both be a growth opportunity and a major challenge. This is where MATRADE comes in to assist these group. MATRADE was established since 1<sup>st</sup> March 1993, as the external trade promotion arm for Malaysia's Ministry of International Trade and Industry (MITI). MATRADE functions as a focal point for Malaysian exporters and foreign importers to source for trade related information. By providing market research information and relevant advice, MATRADE assists Malaysian exporters to better position their products and services in the highly competitive global markets (Mahajar, 2014).

MATRADE always consider its operating environment when it embark on developing its strategic plans. This is due to developing a clear and concise understanding of the macroeconomic landscape is one of the most important aspects of the business planning activity. Apart from understanding the macroeconomic landscape, MATRADE also took into consideration the essence of the new economic and government transformation agenda and how they would impact the organization. Malaysian national agendas such as the RM10, NEM, NKEAs, and the latest one, TN50 will have a significant impact on the strategic direction of MATRADE now, and in the future.

Strong economic ties have been established between Malaysia and the American continents countries for ages. Among the focus of the proposed work programmers of MATRADE is in the Latin American and North American, where market highlights are its alignment to the identification of new opportunities for new sources of growth, and the diversification of opportunities in traditional markets. The 13 activities proposed in this market for the year 2011 for example indicate the focus of MATRADE in cultivating greater trade relationships with the emerging economies of Latin America. The Latin America markets which include Brazil, Argentina, Chile, and Mexico, have shown great promises as these economies emerged from the post-2008 world market collapse with quick economic recoveries and a resilient domestic spending trend.

Every five years, MATRADE does crucial research to measure its exporters' satisfactory level. Concomitantly, MATRADE's services are generally seen as satisfactory from the report shown. The most common responses for both trade promotion and exporter development services was that it greatly exceeded expectations with the highest rating achieved. However, there are still small percentage of exporters who find the courses provided by MATRADE are



too general, or, MATRADE is lacking with of either product or market specificity. Nevertheless, the whole range of services provided are seen as either important or very important. The assistance programmes are the most valued service and important to the exporters and to the country as a whole. The importance of these assistance programmes is due to the vital finance it provides for high-cost international promotion activities.

In developing the MATRADE Business Strategic Plan 2011-2015, important key considerations and assumptions were already taken into account for the development. The analysis they have done on the operating environment of MATRADE has uncovered several key factors which were reported to be seriously considered. These key considerations are taken into account to ensure that the strategic initiatives as well as the design of the strategic pillars are in line with the government's aspirations and visions. They are; (1) Shift towards products driven strategy, (2) Movement towards higher value products, (3) Increased usage of the Internet as a facilitator of trade promotion, and, (4) Focus on key industries by the Government.

While the development of the MATRADE's Business Strategic Plan 2011-2015 is based on the following key assumptions:

1. MATRADE remains as the sole government agency with the task of promoting external trade
2. There will be no major economic setback in the country or in the region during the period under review
3. The requested financial resources are made available to MATRADE
4. There is no major shift in government policies in terms of the development of external trade

## **RESULTS AND DISCUSSIONS**

For years, MATRADE has been assisting to channel Malaysian enterprises to Brazil. The value of export to Brazil by Malaysia has been unstable since 2010. For last year of 2016, total trade growth increased by 15.4% to RM11.4 billion. Malaysian exports however decreased to RM2.95 billion in 2016, compared to 3.12 billion the year before, despite all the promotional activities organized by MATRADE in Brazil. This research findings found out that, it is not MATRADE's marketing exercises which lead to this, but various other factors such as the communication differences like the language. Bureaucracy like the main reason some companies failed to get business deals in Brazil. Malaysia's SCOMI Engineering (SEB) for example, took approximately a year to register its company in Brazil.



Despite all the challenges and differences, MATRADE continues to execute its business plan as it is the sole government agency to promote the external trade. Business negotiations were arranged from time to time, and promotional activities like exhibition are still relevant and active. Latest, Malaysian government is liberalizing and offering many new packages such as opportunities including 55 new projects, 40 new concessions, 12 extensions, and 3 declarations. SCOMI for example is planning to expand its business in green energy, marine transportation, oil and gas, others, besides their current monorail project in Brazil. They are actively seeking for local business partners and enterprises to grow their expansion in Brazil, with MATRADE's assistance and support.

Among MATRADE's latest marketing efforts for Malaysian enterprises in Brazil are continuous business meeting for new ventures, and one of them is on natural and organic products. The team also is looking for partnership and collaboration with FIESP of Brazil, the influential industry organization there. FIESP and MATRADE are working together to finalize a seminar to promote business with Southeast Asian countries, including Malaysia, Singapore, and Thailand. No matter how the economic situation is around the world, business is as usual for MATRADE Brazil.

## **CONCLUSION**

MATRADE and the Malaysian government as a whole, have rapidly organized and assisted the Malaysian enterprises all over the world, including to Brazil. Slow recovery in the United States economy and consumer goods, while decreasing iron ore prices brought down the total exports of both Malaysia and Brazil. Government is urged to look into different methodology as there are various ways of doing business currently, especially online.

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