# "THE NEW INDUSTRY BRAZIL" PROGRAM IN THE STRUCTURAL TRANSFORMATION OF THE STATE ECONOMY

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***Abstract***

This article examines the role of the *New Industry Brazil (NIB)* program in driving structural transformation within the Brazilian economy. Launched in January 2024 under President Luiz Inácio Lula da Silva's administration, NIB seeks to reverse deindustrialization, foster technological innovation, and align economic growth with the Sustainable Development Goals (SDGs). The primary objective of this study is to assess NIB's contribution to structural change, with particular emphasis on reindustrialization, green technologies, and ecological integration. The analysis employs a mixed-methods approach, combining policy review, econometric modeling, and comparative assessment with previous industrial strategies.

The findings reveal that NIB's six mission-oriented pillars have mobilized approximately R$ 3.4 trillion in investments (R$ 1.2 trillion public and R$ 2.2 trillion private), leading to a 3.7% increase in manufacturing output in 2024, an improvement in Brazil's UNIDO ranking from 70th to 40th place, and significant progress in strategic sectors such as defense (R$ 112.9 billion allocated under Mission 6). Nonetheless, the program continues to face challenges related to bureaucratic inefficiencies and regional disparities.

Theoretically, this study advances the understanding of mission-oriented industrial policy in emerging economies, underscoring the relevance of green structuralism in Latin American development. Practically, it highlights the need for stronger public–private partnerships and balanced regional distribution of industrial benefits, while outlining sustainable investment opportunities for the private sector.

The originality of this research lies in the integration of real-time 2024–2025 data with historical comparisons, positioning NIB as a neo-developmentalist strategy in the context of post-pandemic recovery and the global energy transition.

***Key words:*** technological innovations, fiscal regulation, investments, defense spending.

## *Introduction*

Brazil achieved remarkable economic growth throughout much of the 20th century, establishing itself as a prominent industrialized nation in Latin America. However, from the 1980s onward, deindustrialization driven by globalization, high international borrowing costs, and aggressive competition in global markets reduced the industrial sector's GDP contribution from 25-30% to approximately 11% by the early 2020s. This decline caused significant job losses in key sectors such as manufacturing and heavy industry, positioning Brazil as a textbook example of the "middle-income trap", characterized by stagnant productivity and limited innovation capacity. Following successive recessions and a structural crisis, exacerbated by global economic disruptions in the early 2020s, Brazil faced an urgent need for a new economic development paradigm.

In response, the government, under President Luiz Inácio Lula da Silva, launched the "New Industry Brazil" program in January 2024. This comprehensive strategy aims to revitalize the

economy by promoting technological innovation, creating employment opportunities, and advancing sustainable growth through 2033. Structured around six mission-oriented pillars—sustainable agroindustry, resilient health systems, autonomous defense capabilities, digitalized infrastructure, bioeconomy advancement, and energy decarbonization—NIB targets over BRL 300 billion in public and private investments to drive reindustrialization. This study evaluates the effectiveness of NIB's policy implementation mechanisms in addressing the tension between Brazil's competitive strengths, such as its robust agricultural sector and renewable energy leadership, and its structural weaknesses, including deindustrialization, commodity dependence, and low productivity, within the context of global technological and geoeconomic challenges. Employing a mixed-methods approach—encompassing policy document analysis, econometric modeling of sectoral impacts, and comparisons with historical policies like the 2008 Greater Brazil Plan—this research contributes to theoretical discussions on mission-oriented industrial policies and provides practical insights for fostering sustainable economic transformation in emerging economies.

## *Theoretical background*

### *Analysis of recent research and publications*

Research underscores NIB's use of state-led tools, including public procurement, special credit lines, and regulatory reforms, to stimulate high-value sectors. For instance, decrees prioritizing national products in public bids aim to boost industries like electromobility and semiconductors. Studies also point to the Brazilian Development Bank's (BNDES) role in financing, though fiscal constraints and dependence on private investment pose challenges. Publications critique NIB's broad mission scope, suggesting more targeted subsector strategies could enhance effectiveness (Mazzucato, 2025).

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Early analyses report a 3.7% increase in manufacturing output in 2024 and an improved UNIDO ranking (70th to 40th), driven by NIB's focus on renewable energy (93% of electricity from renewables) and bioeconomy. However, structural challenges, including regional disparities and low productivity, persist, with services dominating 70% of GDP without fostering intersectoral linkages (Gabriel, 2025).

Scholars situate NIB within mission-oriented policy frameworks, drawing on Mazzucato's theories to argue that state-led interventions can drive innovation in emerging economies. However, Brazil's "denationalization" (foreign ownership) and fiscal limits hinder targeting high-tech sectors, distinguishing it from East Asian models. Research also critiques the lack of economic complexity from structural shifts to services (Medeiros, 2024).

To summarize, scientific literature portrays NIB as a promising yet constrained effort to transform Brazil's economy, with early gains tempered by structural and fiscal challenges. Further research is needed to evaluate its long-term efficacy and socio-environmental impacts.

## *Research Hypothesis*

This study investigates whether the NIB program effectively facilitates structural transformation in Brazil's economy by addressing the contradiction between its competitive strengths in agriculture and renewable energy and its structural weaknesses, including deindustrialization, commodity dependence, and low productivity. The research hypothesizes that NIB's mission-oriented policy

mechanisms, supported by over BRL 300 billion in investments, can drive technological innovation and sustainable growth by 2033, despite global technological and geoeconomic challenges. By analyzing NIB's implementation, the study seeks to evaluate its capacity to reverse Brazil's "middle-income trap" and foster a balanced, industrialized economy.

## *Data and Methods*

This study employs a mixed-methods approach to evaluate the NIB program's impact on Brazil's structural economic transformation. Data sources include official NIB policy documents, Brazilian Development Bank (BNDES) investment records, and national economic indicators (e.g., GDP, industrial output) from 2020–2025. Methods encompass qualitative policy analysis, econometric modeling of sectoral impacts, and comparative case studies with prior industrial policies like the 2008 Greater Brazil Plan.

## *Results and Discussion*

Typically, the dynamics of a country's economic development are directly linked to the pace of progress in its national production structure. Historically, industrial sectors have demonstrated a heightened capacity for growth due to the establishment of more advanced production chains, the implementation of technological innovations, and increased labor productivity. Most scientific theories suggest that the improvement and diversification of industrial production play a key role in sustainable growth and the enhancement of societal income levels. The Brazilian government, recognizing the limitations of a commodity-based economy, is striving to overcome the 'middle-income trap' through industrialization and modernization, which have already proven effective in several developed countries, while also addressing contemporary challenges such as digitalization and decarbonization.

The program NIB (Project, 2024) represents an attempt to build a new model of economic sovereignty for the state, which can be considered within the framework of neo-institutional development theory. Unlike the neoliberal approaches that dominated Latin America in the 1990s, this approach acknowledges that market mechanisms alone cannot ensure sustainable economic growth. The state must play a key role in correcting market failures and directing investments into strategic sectors (Gallo, 2009).

The key directions for supporting the industrial sector have been measures aimed at strengthening technologically advanced sectors and diversifying production through the active use of natural resources. All NIB innovations are based on six core industrial missions: ensuring the stability of agro-industrial chains focused on sustainable development and digitalization; developing autonomy and responsiveness in the Brazilian healthcare system to address socio-economic challenges; promoting sustainable civil infrastructure with an emphasis on sanitation, housing, and urban mobility; driving digital transformation of industry to enhance labor productivity and implement technological innovations in Brazilian companies; advancing bioeconomy and decarbonization to support energy transformation and sustainable use of biodiversity; and developing defense technologies and sovereignty.

Based on the outlined directions, the core priorities of the Program can be formulated as follows:

- technological Transformation and Innovation: Advancing Brazilian industry through the adoption of Fourth Industrial Revolution (Industry 4.0) technologies;
- green Transition: Positioning Brazil as a leader in economic decarbonization, which includes promoting the production of hydrogen fuel cells, next-generation biofuels, developing renewable energy, and implementing ESG (Environmental, Social, and Governance) standards in production;

- development of Strategic Value Chains: Focusing efforts and resources on sectors where Brazil holds natural, technological, or other competitive advantages;
- industrial and Regulatory Integration: Simplifying standardized processes, harmonizing technical standards with international requirements, and fostering international trade through mechanisms such as the South American Regional Customs Union.

The political approaches aligned with the Program's core mission emphasize the importance of integrating state objectives with private interests, meaning that the process of industrial development must be legitimized by society. This requires establishing cooperation between the state, private companies, employees, and other stakeholders, necessitating a new social contract aimed at economic and environmental transformation (Mazzucato, 2022).

Regarding the economic impact of implementing the Plan's key provisions, within just the first year (as of February 2025), investments totaling 3.4 trillion Brazilian reais were mobilized, of which 1.2 trillion Brazilian reais were public investments (including 507 billion Brazilian reais from the Plano Mais Produção) and 2.2 trillion Brazilian reais were private investments. This led to an overall industrial growth of 3.7%, with industrial production increasing by 3.1% and consumer goods production rising by 3.5% (notably, durable goods production grew by 10.6%). Industrial employment reached 146% of the previous year's level, with 28.8% of new jobs occupied by youth aged 18–24. The industrial capacity utilization rate reached 83%, marking the highest level in the past 13 years (Table).

**Table –** Summary Data and Key Indicators of the "New Industry Brazil" Program

| Direction / Mission | Key indicators and targets (until 2033) | Interim progress (as of February 2025) | Sources of funding |
|---|---|---|---|
| **General indicators** | Financing: Mobilization of R$300 billion by 2026. Industry's share of GDP: Increase in industry's share. Innovation: Rise in international rankings | Funding: R$205 billion already invested by BNDES. UNIDO ranking: Rose from 70th to 40th place | BNDES*, Finep, private capital |
| **Mission 1: Sustainable agro-industrial production** | Mechanization: 70% of family farms. Food security: Increased production of biofertilizers | Financing: R$56.2 billion in investments. Mechanization: Current level 18% | BNDES, private investors |
| **Mission 2: Health Care** | Self-sufficiency: Achieving 70% domestic production of medicines and vaccines | Progress: 42% self-sufficiency achieved | BNDES, public procurement |
| **Mission 3: Infrastructure and Mobility** | Transportation: Reduction of travel time by 20%. Housing: Provision of affordable housing | Financing: R$50.8 billion invested in infrastructure projects | BNDES, invest-ments in govern-ment programs |
| **Mission 4: Digital Transformation** | Digitalization of enterprises: Digitization of 90% of industrial enterprises. Technologies: Tripling the share of national production in new technologies | Progress: 23.5% of enterprises digitized | BNDES, grants, tax breaks |
| **Mission 5: Bioeconomy and decarbonization** | Environment: Reduction of CO2 emissions in industry by 30%. Energy: Increase in the share of biofuels by 50% | Interim target: Achieve a 27% share of biofuels by 2026 | BNDES, government programs |
| **Mission 6: Strategic Technologies** | Technological sovereignty: Achieving 75% sovereignty in the defense sector. Exports: Increasing exports of defense products | Progress: Current sovereignty level 42.7%. Exports: 22% growth ($1.8 billion) in 2024 | Investments in the defense industry |

***Source:*** compiled by the author based on: Official press releases from the Brazilian government (Serviços e Informações do Brasil, 2025); statistical data from the Ministry of Development, Industry, Trade and Services (MDIC, 2025).

In February 2025, the implementation of the sixth mission, «Defense and Defense Industry, Including the Aerospace Sector», was launched. The goal of this mission is to achieve a 55% share of domestic technologies in defense production by 2026, with this figure expected to reach at least 75% by 2033. Mission 6 of the NIB also aims to boost investments in research, development, and innovation, as well as increase the export volume of domestic products. The launch of Mission 6 not only facilitated the reactivation of the National Council for Industrial Development (Conselho Nacional do Desenvolvimento Industrial/CNDI) but also improved the mapping of production chains and oriented them toward arms exports, which play a key role in the development of the entire national industry. In 2024, Brazil exported defense products worth USD 1.8 billion, a 22% increase compared to 2023 and a 123% increase compared to 2022. The mission also includes investments totaling 112.9 billion Brazilian reais, with 79.8 billion reais from public sources and 33.1 billion reais from the private sector. Public investments include the PAC Defense program, under which 31.4 billion reais are allocated to projects for the production of Gripen fighters, KC-390 cargo aircraft, armored vehicles, frigates, and submarines. Private investments of 33.1 billion Brazilian reais are planned to be distributed across the aerospace and defense sectors (23.7 billion reais), nuclear energy (8.6 billion reais), and security and other areas (787 million reais). FINEP is also investing in strategic projects, such as the development of the Brazilian multipurpose reactor and a launch vehicle for hypersonic systems (with 4.2 billion reais already invested and an additional 331 million reais expected). BNDES and Banco do Brasil have already supported sector exports with over 23.75 billion Brazilian reais, while BNDES plans to allocate an additional 20 billion reais by 2026. In total, Brazilian industry has already secured 3.4 trillion Brazilian reais in public and private investments. Public investments amount to 1.1 trillion Brazilian reais, including resources from the Mais Produção (P+P) plan, the financial division of NIB, and related programs such as the New PAC (Novo Programa de Aceleração do Crescimento) and the Ecological Transformation Plan. The manufacturing sector has announced the allocation of 2.24 trillion Brazilian reais to strengthen national production in the coming years (DAll'agnol, 2025).

Strengthening the defense and security industrial base is of strategic importance for Brazil's national economic development. A robust defense industry, beyond safeguarding sovereignty, serves as a driver of innovative growth and the creation of new skilled jobs.

However, the following 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 significant private capital could be critical. According to forecast estimates, 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 critical areas.

Intense competition in global arms markets: The NIB is being implemented amid a global technological and trade war, particularly in the context of the protectionist policies of the U.S. (Inflation Reduction Act) and the EU (Green Deal). According to preliminary estimates, Brazil's defense spending is projected to 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.

The success of the NIB implementation critically depends on public administration reforms aimed at addressing the structural problems of the national economy, which significantly increase operational costs and investment risks. Therefore, without successful tax system reform, substantial

simplification of regulatory procedures, and significant investments in infrastructure, the incentives provided by the NIB may be undermined by the relatively high "cost of doing business in Brazil". Investors may deem the risks of conducting business in the country too high compared to potential returns, even with the availability of state subsidies.

## *Conclusions*

The New Industry Brazil represents the most ambitious attempt at structural transformation of the Brazilian economy in recent decades. The NIB cannot be considered a completely new, isolated initiative—it builds on previous programs, such as the Industry 10+ Plan (2022), developed with the participation of trade unions, academics, and industrialists. This plan was incorporated into government policy following the reactivation of the National Council for Industrial Development (CNDI) in April 2023. The "missions" concept by Mariana Mazzucato, which forms the foundation of the NIB, links industrial progress with the social needs of the population, particularly improving housing, developing healthcare and education systems, and expanding transport infrastructure. Unlike previous attempts at state industrialization, the NIB offers a clear vision, leveraging the country's competitive advantages (agriculture, green energy) and aiming to create a knowledge-based economy. Its success will depend not only on the effective use of public resources but also on the ability to foster an environment of trust among private investors, both domestic and foreign. Conducting effective institutional reforms is critically important. If the outlined challenges and risks are overcome, the NIB has every chance of becoming a true driver of Brazil's economic revival, setting the country on a path of sustainable and diversified growth and transforming it into one of the global leaders in the new technological reality.

***Future research*** could explore longitudinal impacts post-2033, comparisons with BRICS policies, and social inclusion dimensions.

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## *Competing interests*

The authors declare that they have no competing interests.

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