

The Evolution of Privatization in Brazil: The Case of Embraer

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ABSTRACT: State participation in the economy has been intensely debated over the past three decades. In Brazil, especially after the advent of the Federal Constitution in 1988. Privatization in Brazil, however, was instituted by Law 8.130/90, which established the National Plan for Privatization, aiming at transferring to the private sector activities unduly exploited by the public sector. In this article, we investigated one of the most significant privatizations in Brazilian history, the case of Embraer, the world's third largest civil aircraft manufacturer. Key findings pointed out a complex privatization process, including golden share vetoes and institutional challenges faced by Embraer, such as the first Brazilian company to adopt the International Financial Reporting Standards (IFRS) fully. In addition, the careful analysis suggested implications for the reduction of public debt. Also, the resumption of investments in companies and activities transferred to the private sector, modernization of the country's industrial park, increasing its competitiveness, and reinforcing business capacity in Embraer's jet C-series sector and military aircraft, for instance. Also, implications for the public administration to focus its efforts on actions where the State's presence is necessary for achieving national priorities. Finally, the strengthening of the capital market, as well as the democratization of the ownership of the capital of Embraer are topics to be debated in the present article.

KEYWORDS: Privatization, civil aviation, economic growth, national security, foreign direct investments

INTRODUCTION

This article is the second in a series of three articles on the Influence of privatization on the Brazilian economy, written as part of the Doctorate in Business Administration Program from Rennes School of Business in France. The first article encompassed a comprehensive bibliographic review on privatization in Brazil, starting in the 1990s (Teles & Dias, 2022). Analysis of the facts pointed to a privatization process that occurred in waves, each with its legal framework and specificities. Therefore, in this article, an emblematic and highly complex

although successful privatization case is disclosed. Embraer (Empresa Brasileira de Aeronáutica, or Brazilian Aeronautical Company, free translation) was privatized by the Itamar Franco Administration on December 7, 1994. Brazilian Aeronautical Company, hereafter simply Embraer, is the world's third largest civil aircraft manufacturer, as illustrated in the following Figure 1:

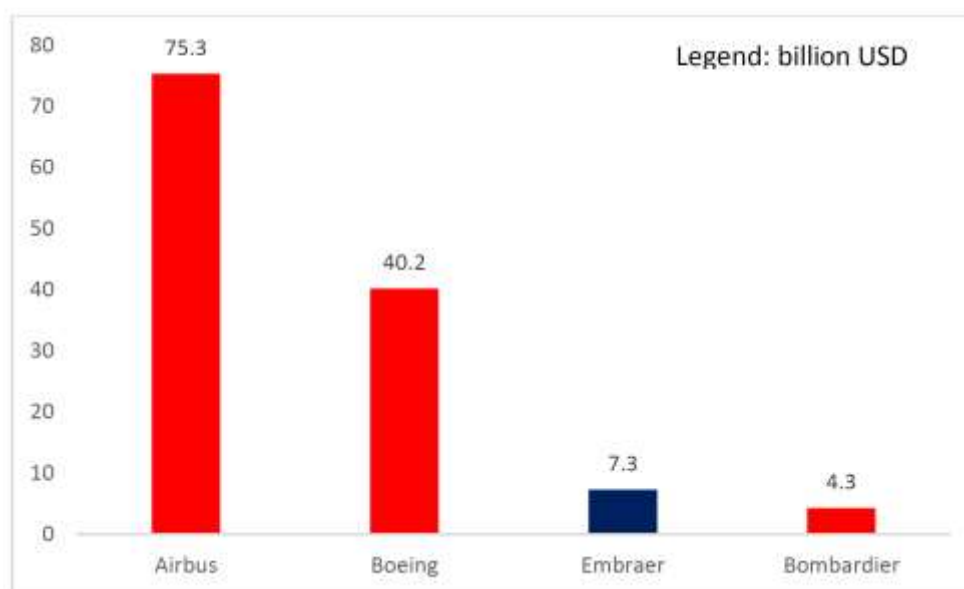


Figure 1 Aircraft Manufacturer Ranking. Source: Dias et al. (2018).
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Figure 1 shows Embraer's market share. The privatization of Embraer gained international repercussions because it was the first time that a large-sized civil aviation company had been privatized. The case also had crucial implications for the Brazilian privatization process; therefore, the main driver for the motivational factor for investigating this case. Consequently, the present work addressed a single, descriptive case study whose unit of analysis is Embraer's privatization process (Yin, 1988).

Finally, the concept of privatization was popularized by Drucker (1969, p. 229) and Margaret Thatcher between the 1970s and 1980s. However, the term was coined in the 1930s in *The Economist* magazine, referring to economic policy in Nazi Germany (Bel, Germà, 2006). In Brazil, the term *desestatização*, translated roughly as de-nationalization, was quickly substituted by *privatização* (privatization). In the next section, an overview of the evolution of privatization in Brazil is presented.

Privatization in Brazil: Background

Firstly, import substitution and accelerated industrialization, as devised by the Getulio Vargas Administration (1930-1945 and 1951 to 1954), justified the creation of State-Owned Companies (SOE) in manufacturing, such as the (i) steel company *Companhia Siderúrgica Nacional* (National Steel Company) in 1941; (ii) the mining company *Companhia Vale do Rio Doce* in 1942 ; (iii) the *Banco Nacional de Desenvolvimento Econômico e Social – BNDES* (National

Bank for Economic and Social Development - BNDES) in 1942, and finally, (iv) the oil & gas company *Petróleo Brasileiro SA, Petrobrás*, in 1953. Therefore, SOEs played a significant role in Brazilian development from 1930 to 1955.

Secondly, under Juscelino Kubistcheck (1955-1961), Vargas's import substitution process was sequenced through decree nº 38.744/56, creating the *Plano de Metas* (Plan of Goals), aiming at accelerating the country's industrialization. To achieve these goals, JK founded railroads, such as the *Rede Ferroviária Federal* – RFFSA (Federal Railroad Network) and the electrical company *Furnas*, federally-owned mixed-capital corporations inaugurated in 1957.

In addition, JK also built the new capital, Brasília, inaugurated in 1960, and the Belém-Brasília Road to connect Brasília, the new money to the north of the country (2,130 km, crossing five States), inaugurated in 1959. Nevertheless, the high industrialization period of accelerated economic growth occurred at the expense of tremendous high public indebtedness.

Thirdly, with the advent of the military government (1964-1985), the Brazilian industrialization policy experienced a massive shift compared to the previous governments. In Brazil, the military doctrine has historically established the objectives for national industrialization: (a) defense, (b) integration, and (c) security, instead prioritizing (d) development, (e) employment, and (f) income, for instance. Thus, the military government fostered the creation of metallurgical and steel industries to ensure (a) defense. Furthermore, road and railway networks were built to provide the logistical conditions for (b) integration and petrochemical and oil & gas industries to ensure the necessary supply for (c) safety. In this model, the military established proximity to the system of SOEs (Dias, Teles, and Pilatti, 2018).

The military government also encouraged the inflow of Foreign Direct Investments (FDI), stimulated exports, and implemented measures to protect financial investment, such as monetary correction and the creation of the Central Bank in 1964, for instance. In sum, 274 state-owned companies were created during the military government, such as Infraero (airports), Telebras (telecommunications), and *Nuclebrás* (nuclear energy), for instance (IBGE, 2022). As a result, SOEs significantly impacted the Brazilian economy from the 1930s to the 1990s.

The debate on privatization in Brazil became prominent due to the Federal Constitution's issuance in 1988 (Teles & Dias, 2022). In 1990, the first Law of the National Plan for Privatization, no 8.130, was issued, followed by Law 9.491/97 and 10.303 from 2001, as illustrated in Figure 2:

| Law | Article | Description |
|-----------|-----------------|---|
| 8.031/90 | 8 | Golden share to state-owned companies |
| 9.491/97 | 8 | Included Financial Institutions |
| 10.303/01 | 17, paragraph 7 | Included Sociedades Anônimas (Corporations) |

Figure 2: Brazilian Privatization Laws

Note in Figure 2 that new categories of privatized companies were added successively. Embraer was privatized in 1994 under the issuance of Law 8.031/90. The companies privatized in the Itamar Franco Administration are shown in Table 1 as follows:

Table 1 *s Itamar Franco Administration Privatizations (1992-1994)*

| Privatized company | Sale value (US\$ million) |
|--|------------------------------|
| Aço Minas Gerais S.A. (Açominas) | 598,5 |
| Acrilonitrila do Nordeste S.A. (Acrinor) | 12,14 |
| Arafertil S.A. | 10,76 |
| Ciquine Companhia Petroquímica | 23,69 |
| Companhia Pernambucana de B. Sint. (Coperbo) | 25,95 |
| Companhia Siderúrgica Nacional (CSN) | 1.271,70 |
| Companhia Sideúrgica Paulista (Cosipa) | 359,80 |
| Empresa Brasil. de Aeronáutica S.A. (Embraer) | 192,20 |
| Mineração Carajás Ltda. | 5,77 |
| Oxiteno S.A. – Indústria e Comércio | 53,90 |
| Petroquímica União S.A. (PQU) | 287,53 |
| Polialden Petroquímica | 16,73 |
| Poliolefinas S.A. | 87,10 |
| Politeno Indústria e Comércio S.A. | 44,87 |
| Ultrafertil S.A. – Ind. e Com. de Fertilizantes S.A. | 210,5 |
| Total | 3.201,13 |

Source: Dias & Teles, 2022. Reprinted under permission.

The first wave of privatizations started in the Fernando Collor de Mello Administration (1990-1992) and focused on the following segments: fertilizers, petrochemicals, chemicals, steel, and other sectors. In this step, the privatization of this economic follow-up did not need authorization from the National Congress, let alone authorized legal norms. In addition, the Itamar Franco Government (1992-1994) finalized the steel and fertilizer sectors¹, including Embraer (1994).

¹ Itamar Franco completed the term for Fernando Collor de Mello's administration after his impeachment. Fernando Collor de Mello was the 32nd Brazilian president and the first democratically elected after the military government (1964-1985).

According to Teles and Dias (2022), privatization in Brazil occurred in nine waves. Embraer was privatized in the first wave, to be described in the upcoming sections.

METHODS AND LIMITATIONS

In this article, we followed an inductive rationale, adopting the interpretive approach, combining (a) archival research and (b) a single, descriptive case study, which unit of analysis is the privatization of Embraer (Yin, 1988). The secondary data was investigated in the Brazilian Federal Government database, and the *Banco Nacional do Desenvolvimento - BNDES* (National Development Bank, our translation). This article is limited to Brazilian privatizations, norms, and regulations. Privatizations in other countries are not part of the scope of this work and should be investigated in separate studies. In the following sections, the privatization of Embraer is presented and further discussed.

Embraer: Offsprings

Embraer was born as an initiative of the Brazilian government within a strategic project to implement the aeronautical industry in the country in the context of import substitution policies created in the military regime (1964-1988).

Initially, the government project IPD-6504 was approved on June 25, 1965, to produce an aircraft that met the needs of Brazilian commercial air transport, especially in small cities, aiming at building an airplane that adapted to the country's airport infrastructure at the time.

The project's technical specification was for producing a small aircraft with a capacity for eight passengers, low-wings, turbo-propelled, and twin-engine. Therefore, the design and assembly were carried out at the CTA facilities, and the prototype had its maiden flight on October 22, 1968. Consequently, its production involved about three hundred people, led by the aeronautical engineer and then principal of the Brazilian Air Force (FAB), Ozires Silva².

Therefore, on 19 August 1969, Embraer was founded as a mixed economy company linked to the Ministry of Aeronautics to produce the model in a series called Embraer EMB-110, with Ozires Silva named president, the position occupied until 1986. Embraer was created through decree 770 from 16 August 1969 (Brasil, 1969).

Two more prototypes were produced by Embraer, with the name EMB 100 *Bandeirante*, and then the aircraft was named EMB 110 for serial production.

In addition to the CTA, created in 1946, which on April 30, 2009, became called the Department of Aerospace Science and Technology (DCTA), it is considered another precursor of Embraer, the Technological Institute of Aeronautics (ITA). Created also by Casimiro Montenegro in 1950,

² Ozires Silva is co-founder and the first president of Embraer. He is also the former Minister of Infrastructure and Minister of Communications of Brazil.

the proposal for its creation was presented by him in 1945 to a group of Air Force General Staff officers.

Throughout the 1970s, Embraer developed other prominent models, such as the single-engine EMB-200 Ipanema, for agricultural purposes, the EMB-326 *Xavante*, the first jet aircraft produced in the country, manufactured under license from the Italian company *Aermacchi* and used in the training of military pilots, and the EMB-21 *Xingu*, the first pressurized turboprop manufactured by the company for executive use.

In the 1980s, models such as the EMB 120 *Brasília*, with a capacity for 30 passengers, the EMB 312 *Tucano*, for defense applications, and the AMX, a supersonic fighter produced in partnership with *Aermacchi* between 1985 and 1999, gained prominence.

In 1980, Embraer acquired the controlling interest of the Neiva Aeronautical Industry, which became its current agricultural aviation division subsidiary. During the 1970s and 1980s, the company achieved an important national and international projection with the *Bandeirante*, *Xingu*, and *Brasília* aircraft.

After the military regime ended in 1985, a debate on the decentralization of the economy became prominent, culminating with the issuance of the Federal Constitution in 1988 and further legislation.

The Privatization of Embraer

The privatization of Embraer occurred in 1994 and totaled US\$ 192.2 million. Located in São José dos Campos (SP), the company was dedicated "to design, build and commercialize aircraft and their accessories components and equipment, as well as to perform technical activities related to the production and maintenance of aeronautical material." (BNDES, 1995, p.21). Before privatization, Embraer's shares were almost all of the Union (95.2 percent), in addition to *Banco do Brasil* (Bank of Brazil, 4.7 percent) and other minor shareholders (0.1 percent).

Embraer also comprises four companies: *Indústria Aeronáutica Neiva S.A.*; *Embraer Aircraft Corporation* (EAC), located in Florida (United States); *Embraer Aviation International* (EIA), located in France; and *Orbit Aerospace Systems S.A.* (BNDES, 1995). In addition, Embraer participated as a shareholder of the companies: *Motortec Indústria Aeronáutica* (11 percent of the capital) and *AM-X International Limited* (29.7 percent of the money), based in London, with which [maintained] technology transfer contracts (BNDES, 1995).

It is headquartered in São José dos Campos, São Paulo state. Embraer operates in four jet manufacturing sectors: Commercial and Executive Aviation, Defense & Security, and Systems (Embraer, 2016). It has nearly 18.000 employees, with approximately 8.000 aircraft delivered in 50 years (Embraer, 2018; Dias, 2018). After the privatization, the company's control was established, according to Figure 2.

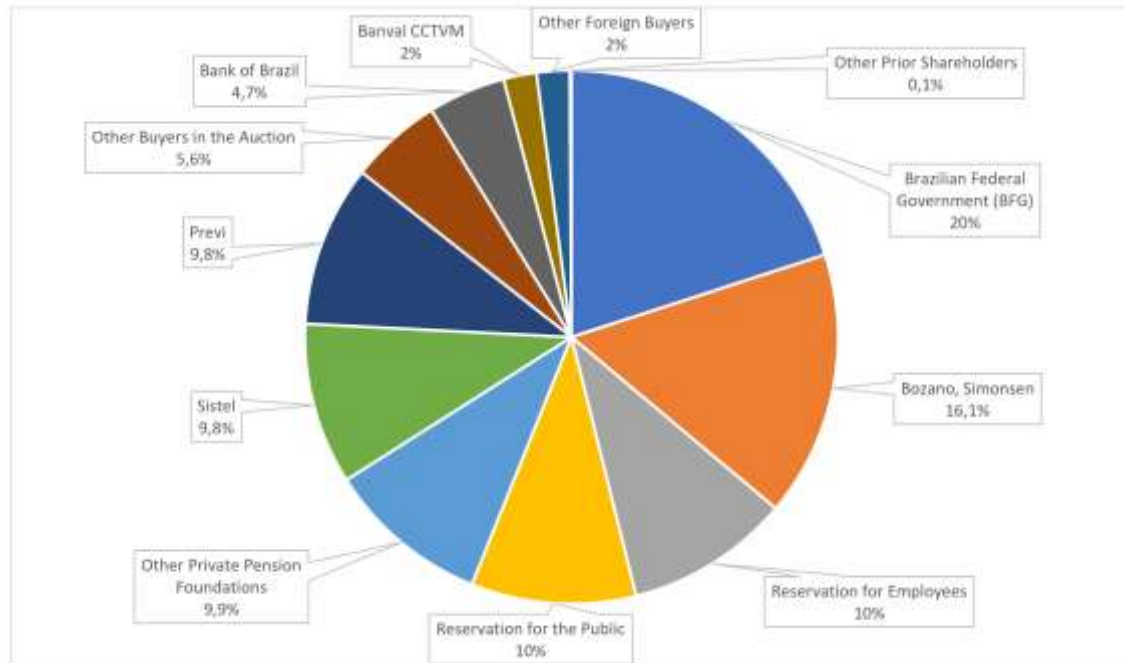


Figure 3 Embraer Shareholding Structure After Privatization. Source: BNDES, 1995.

Figure 2 shows that the Brazilian Federal Government (BFG) kept 20 percent of Embraer, the largest share after privatization. Next comes Bozano Bank, Simonsen, with 16.1 percent. Previ and Sistel also acquired a significant stake, with 9.8 percent each, and other private pension funds with 9.9 percent.

In 1997, with a capital increase of BRL 230.2 million, this group of majority shareholders controlled 85.4 percent of the company's voting capital. The transaction involved the conversion of preferred shares into common shares (Gazeta Mercantil, 09/08/1997, p.C4).

For its 20 percent at Embraer, the government praised the company by emphasizing the "specific character of the industry, with the technological development of the high standard, training of labor of very high technical and scientific qualification and export potential of high technological content" (BNDES, 1995, p. 24).

The only explanation that did not exist was why privatization. Embraer was, according to Biondi (2014), "the only aeronautical industry – existing in a less developed country – outside the circuit of rich countries, with tradition in the area and capable of robbing the market of multinational companies in the line that [exploited], that is, the production of medium-sized aircraft." (p.56)

Before the privatization, the company's trajectory involved investments aimed at modernization and mainly its financial sanitation. The Embraer business was so profitable that five years later, in 1999, some banks such as *Bozano* and *Simonsen* expressed interest in selling their shares, driven by the profits it would make in the transaction (Folha de São Paulo, 1999, p.2).

On 16 September 2010, the Board of Directors approved the board's suggestion that the corporate name is changed from *Empresa Brasileira de Aeronáutica S/A*³ simply to *Embraer S/A*.

Privatized or Not? The Golden Share Veto in Brazil

In 2018, Boeing tried to acquire Embraer in a frustrated attempt. The acquisition was estimated at USD 5 billion (Dias, Teles, and Pilatti, 2018). The situation escalated, and the Brazilian Federal Government decided to impose the golden share veto. The Brazilian president, Michel Temer, stated emphatically: “In my government, Embraer will never be sold” (O Globo, 2017, p.1). The golden shares appeared for the first time in Brazilian legislation in 1990, through Law 8.031, Article 8, as follows:

Whenever there are reasons to justify it, the Union shall directly or indirectly hold shares of a particular class of the capital stock of privatized companies, which will confer veto power on some issues, which shall be characterized in the corporate by-laws, according to what is established in art. 6, item XIII and §§ 1 and 2 of this law. (Brasil, 1990, art 8).

Therefore, golden is a particular class of share that grants its shareholders special veto powers, especially regarding SOE or mixed economy companies. Through golden shares, it is possible to block a hostile takeover, for instance (Dias, Teles, and Pilatti, 2018). In addition, the golden share veto is described in the Embraer’s statute (*Estatuto Social à ação de classe especial*), as follows:

- I. Change in the name of the Company or its corporate purpose;
- II. Change and application of the Company's logo;
- III. Creation and/or modification of military programs, involving or not the Federative Republic of Brazil;
- IV. Third-party training in technology for military programs;
- V. Interruption of the supply of maintenance and replacement parts for military aircraft;
- VI. Transfer of control of the Company (Embraer, 2022, p.1, our translation)

In 1997, Law 8.031/90 was finally revoked, substituted by Law 9.491, from September 9, 1997, enhancing BFG privatization powers and creating a singular definition for golden shares, now extended also to financial institutions:

Article 8 - Whenever there are justifiable reasons, the Union shall directly or indirectly take action against a particular class of the capital stock of the company or financial institution that is the object of the privatization, conferring extraordinary powers on some issues, which shall be characterized in its bylaws (Brasil, 1997, art 8).

In addition, Law 10.303, from October 31, 2001, extended the golden shares to the overall incorporated companies (*Sociedades Anônimas – SA*) as follows:

In the companies that are subject to privatization, particular class preferential shares may be created, exclusively owned by the privatizing entity, to which the bylaws may confer the powers

³ Equivalent to the North American Incorporation (Inc)

they specify, including veto power to the deliberations of the general meeting on matters to be set (Brasil 2001, article 17, paragraph 7)

Finally, through Law 10.303/01, the golden share veto was extended to all types of privatized companies in Brazil, an additional challenge to the potential buyers regarding the decision-making process within the newly privatized company. In practice, crucial decisions should be appreciated by the Brazilian Federal Government. All the privatized companies are linked to a particular Ministry. Embraer is connected to the Ministry of Aeronautics, for instance. However, to be privatized has meant to face international competition, especially in Europe.

Embraer Adopts the International Financial Reporting Standards (Ifrs): Challenges and Pitfalls

Embraer decided to be the first Brazilian company to adopt the European Union Financial standards, the International Financial Reporting Standards (IFRS), to unify standards in the business scenario. The initial goal of IFRS was to synchronize accounting practices across the European Union (EU), but the benefits of synchronization quickly made the idea appealing worldwide. IFRS was adopted in the EU in 2005 for all European stock exchange companies, adopting the standards for disclosing their consolidated financial statements. (Whittington G. , 2005; Dias, Teles, and Duzert, 2018). In Brazil, Law 11.638/2007 extended to large corporations, provisions regarding the preparation and disclosure of financial statements in accordance with IFRS standards.

The first challenge Embraer faced was to change all proceedings to USD instead of BRL. The second challenge, however, was to grant a special permit from the CVM (*Comissão de Valores Mobiliários*).⁴ The conversion process started in 2008 and ended in 2010 (Embraer, 2010). Finally, through the Deliberation nº 534, CVM authorized Embraer on 28 January 2008 to adopt IFRS standards in a period not superior to three years, i.e., until the first quarter of 2011 (Dias, Teles, and Duzert, 2018). As a result, Embraer converted all proceedings into the IFRS standards in 2010, almost one year before the deadline (CVM, 2018). Finally, in 2010, Embraer became the first Brazilian company to adopt the IFRS standards entirely.

Embraer: Facts and Figures

Currently, Embraer is the third largest manufacturer of commercial jets worldwide, with 18,000 employees and more than 8,000 aircraft delivered. Embraer leads the jet segment with up to 130 seats. Embraer also established industrial units, offices, and distribution centers of parts and services in the Americas, Africa, Asia, and Europe.

Embraer has an adjusted profit of BRL 199.8 million (approximately USD 40 million) in the second quarter of 2022, a 6.1 percent drop on an annual basis. Net revenue totaled BRL 5.044 billion in the second quarter of this year (approximately USD one billion), a reduction of 14.8 percent compared to the same stage in 2021. Therefore, negatively impacted mainly by fewer deliveries in Commercial Aviation, Defense & Security and partially offset by higher revenues

⁴ CVM is the Brazilian equivalent of the North American SEC (Securities Exchange Commission).

in Services & Support. (Embraer, 2022b). The backlog ended 2Q22 at \$17.8 billion (+\$500 million compared to 1Q22). Such performance is the highest post-pandemic level, driven by a consistent level of orders. In addition, Porter's recent announcement of 20 firms' E195-E2 requests will be included in the 3Q22 backlog.

Finally, on 30 June 2022, the company's net debt was BRL 6.273 billion, compared to BRL 6.9 billion in the previous quarter and BRL 9.2 billion in the previous year. (Embraer, 2022b)

IMPLICATIONS AND DISCUSSION

This article was primarily conceived to present a successful Brazilian privatization case. As a result, for the first time, an SOE jet manufacturer is privatized, following the guidelines of the 1st National Privatization Plan (*I Plano Nacional de Desestatização - PND*) described in the previous sections, through the issuance of Law 8.130/90.

The main objectives of the plan, as mentioned earlier, included: (a) the resumption of investments in companies and activities transferred to the private sector; (b) the modernization of the country's industrial park; (c) the increase of competitiveness, and (d) reinforcing business capacity.

This article has implications in other fields of study, attracting scholars' attention over the past years, such as (i) privatization in Brazil (Silva and Dias, 2022; Dias et al., 2018; Dias, M., and Aylmer, 2018; Dias and Teles, 2022); (ii) financial transactions (Dias, M.; Pereira, L; Vieira, P., 2022); (iii) corporate entrepreneurship (Silva. G.B., Melo, R.C, Dias, M., 2022; Dias & Navarro, 2018; Dias & Duzert, 2016, 2017, 2018); (iv) civil projects (Dias et al., 2016); (v) institutional government relations (Dias, M. & Navarro, R., 2017), amongst others.

As it turns out, the privatization process was complex, and Embraer also became the first Brazilian company to adopt the IFRS standards to gain competitiveness in foreign markets. In addition, the case has implications for the public administration to focus its efforts on actions where the State's presence is necessary for achieving national priorities. Finally, the strengthening of the capital market and the democratization of the ownership of the capital.

Furthermore, the golden share veto represented and still represents an interference of the Brazilian Government in the privatized companies' administration.

Before privatization, even with all the difficulties the company was going through and a debt of USD 2 billion, Embraer never stopped paying wages on time. Moreover, without paying suppliers (80 percent abroad), Embraer was in danger of blocking completely. Therefore, the first financial measure was the debt swap operation. At the time, the government opened the opportunity for some creditor banks in the country to use the debt papers to generate a strategic loan to a Brazilian company.

Banco do Brasil played a crucial role in this case, as it used foreign debt securities to make a loan to Embraer for US\$ 407 million. "With this money, we paid the suppliers, and the company returned to produce. We even had problems buying turbines for airplanes," recalled Manoel de Oliveira, Embraer's former vice president of finance.

After privatization, Embraer's number of employees was reduced from 9,000 to about 6,000 as the natural selection of the most qualified from the private sector occurred. Today, the company has a total of 18,000 employees. Former Embraer President Frederico Fleury Curado, who led the company between 2007 and 2016, said the company now makes about ten times what it earned in its best year as a state-owned company, in addition to employing more than three times the number of people it employed. He adds, "Embraer invests more than ten times what it invested and has become a recognized brand worldwide, not only in the commercial aviation market but also in executive aviation and defense and security. "Therefore, Embraer registers a new post-privatization scenario, resulting in employee revenues, investment growth, and expansion in various aviation segments.

It is essential to point out that in the public sector, there was a reduction in public debt for the benefit of the Brazilian Federal Government (BFG), in addition to the resumption of investments in Embraer with the transfer to the private sector. Furthermore, it was configured with the privatization of Embraer's increasing competitiveness and strengthened the business capacity in the jet sector.

Another prominent role is that the privatization of Embraer fulfilled the objectives of the national privatization program that was initially introduced by Law No. 8,031 on April 12, 1990, and was redesigned by Law No. 9,491 on September 9, 1997, which vital objectives introduced are:

- I - To reorder the strategic position of the State in the economy, transferring to the private sector activities improperly exploited by the public sector;
- II - contribute to the economic restructuring of the public sector, especially through the improvement of the profile and the reduction of net public debt;
- III - allow the resumption of investments in companies and activities that may be transferred to the private sector;
- IV - contribute to the economic restructuring of the private sector, especially to the modernization of the country's infrastructure and industrial park, increasing its competitiveness and strengthening business capacity in various sectors of the economy, including through the granting of credit;
- V - to allow the Public Administration to focus its efforts on activities in which the presence of the State is fundamental to the achievement of national priorities;
- VI - to contribute to the strengthening of the capital market, through the increase in the supply of securities and the democratization of the ownership of the capital of companies that are part of the Program. (Brasil, 1997, Article 1)

Moreover, the privatization of Embraer complies with the guidelines mentioned earlier, being an example to be followed by the Brazilian government and other governments on the world stage.

It is noteworthy that the proposal to break Boeing Company's partnership with Embraer should be challenged in court by the Brazilian company. However, the failed merger process, which required the Brazilian government's approval to start, showed the fragility of the business.

The cancellation of Boeing's purchase of Embraer demonstrates the misunderstanding of the deal because Brazil would renounce a company fundamental to the country's national sovereignty and economic and technological development through the Golden share veto.

In this step, regarding the legal reasons alleged by Boeing, the fact is that the company is facing financial difficulties related to internal production problems and economic impacts before the covid-19 health crisis, which reduced the world's demand for aircraft. Moreover, the U.S. government has been discussing financial support for Boeing, which could be questioned if the company made payments related to the agreement with Embraer.

Finally, the case demonstrates that a company like Embraer, with a fundamental role in Brazilian development, would be subject to the commercial interests of Boeing and the United States. Embraer has technology for the development and production of commercial, executive, agricultural and military aircraft, as well as aerospace parts, satellites, and border monitoring, so it is a strategic company for Brazil so that a joint-venture agreement would entail a severe risk to national sovereignty.

Future Research

We encourage future research on investigating the quality of privatizations in Brazil. Was it worth it? We also recommend the study on the extent of the objectives of the Brazilian privatization proposed by the I National Privatization Plan (Brasil, 199

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