

Slicing the Knowledge Based Economy: Tales from the software industry in Brazil and beyond¹

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ABSTRACT

Having experienced double digit growth rates since the beginning of 1990s decade, the Brazilian software market, is the world's 7th largest. The industry was valued at \$7.7 billion in 2001, a size comparable to the Indian and Chinese markets, with the domestic industry accounting for 98% of its total value. The large, yet inward looking nature of the industry, offers a sharp contrast to the so-called "three Is", India, Ireland and Israel, the most widely cited success stories among developing and industrializing countries. These have established their international reputation among industry players and academics on the basis of their ability to export large values and proportions of their total output. This work explores the relative merits of this alternative development path for the software industry. On the one hand, it analyzes the ways in which a strong reliance on the domestic market can have a stifling effect on the development of the industry. But it also investigates some areas where Brazilian software firms have been able to leverage the domestic market to build competitive positions, domestically and increasingly in the international arena. Then, it discusses future scenarios and challenges for the development of the industry in coming years, contrasting the Brazilian perspective with those of leading competitor countries, especially India and China.

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