



Inter-American Development Bank

# ***Trade Policy in Brazil. What is the Agenda?***

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Integration and Trade Sector***

***Brazil and the United States:  
Trade Agendas and Challenges of the Bilateral Relationship***

*Woodrow Wilson International Center for Scholars  
October 16, 2007*



# *Outline*

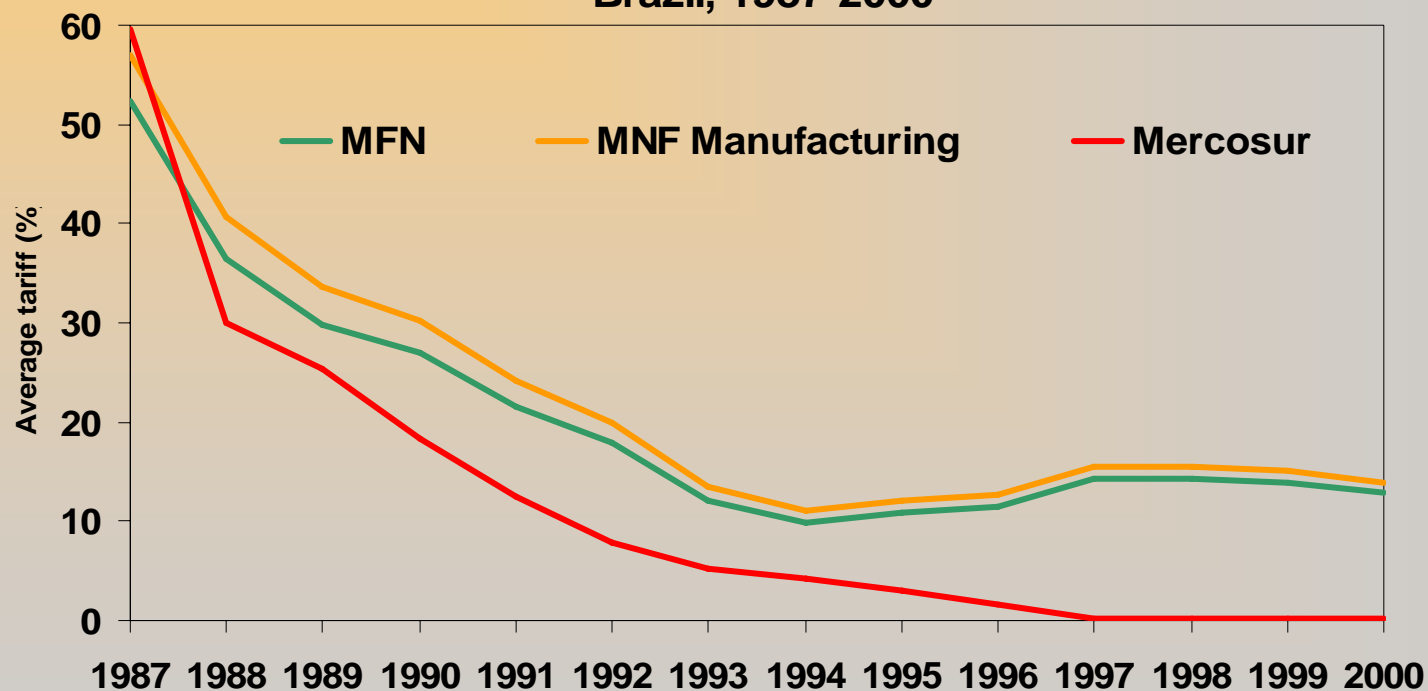
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- ★ Background
- ★ Level and structure of protection.
- ★ Market access.
- ★ Infrastructure.



# *Opening up was substantial...*

**Average MFN and Mercosur Tariff  
Brazil, 1987-2000**

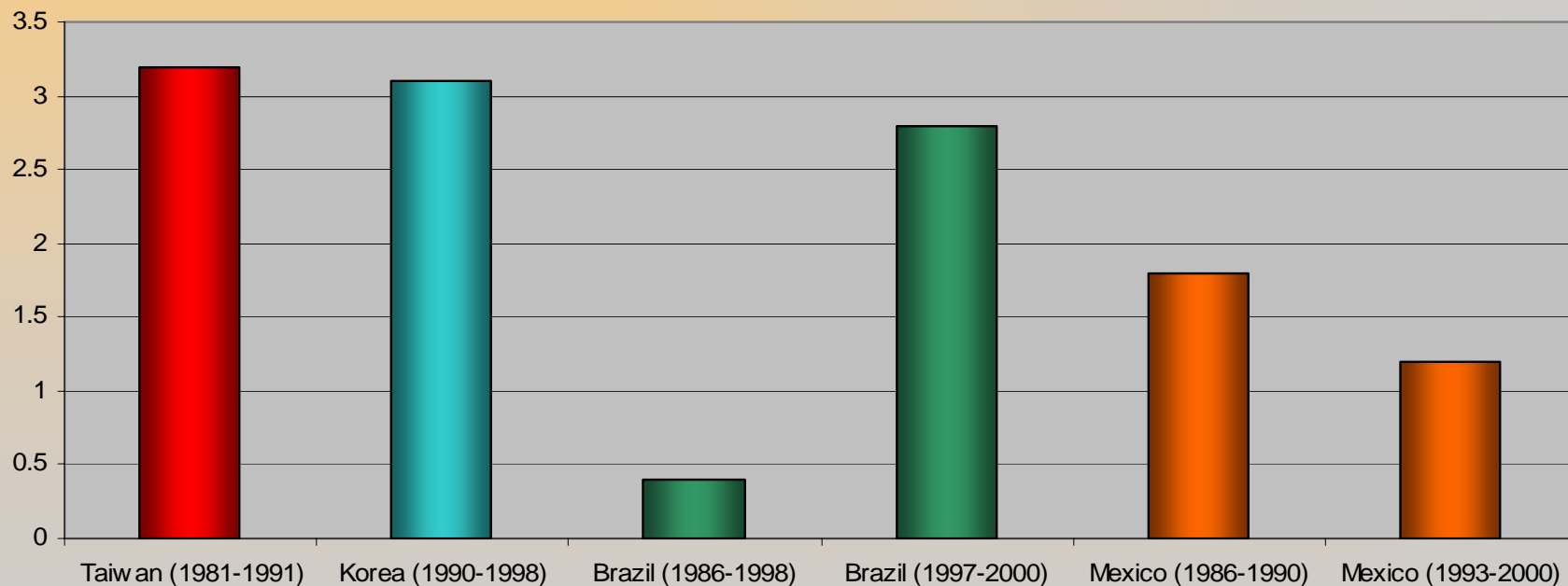


*Source:* For MFN Kume et al. (2000) and Receita Federal. For Mercosur, Estevadeordal et al. (2000) and Receita Federal.



# *And the results encouraging.*

**Figure 1 - Post Trade liberalization Total Factor Productivity Growth.  
Brazil, Mexico, Korea and Taiwan (%)**

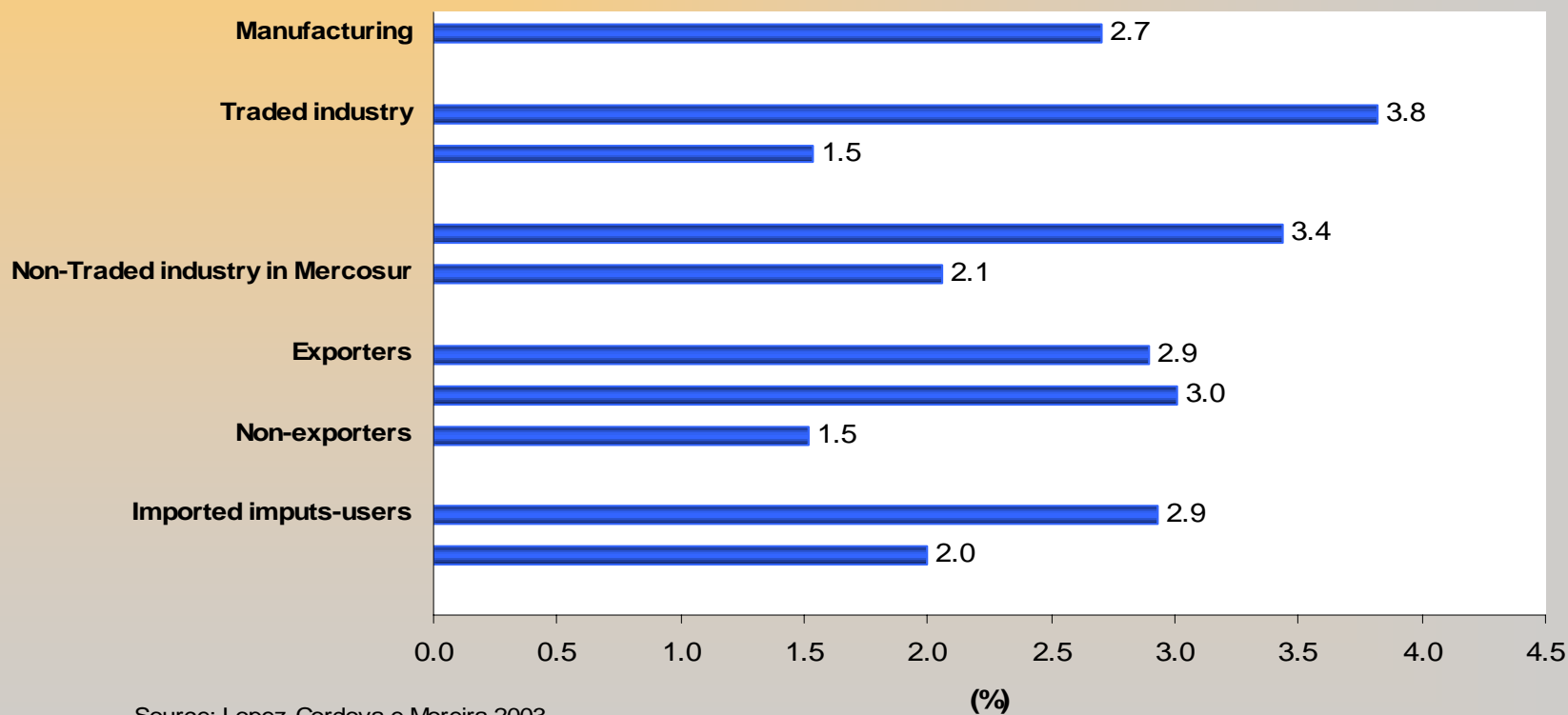


Source: Mexico: 1986-90, Tybout e Westbrook's (1995) and 1993-2000 L&M (2003). Brazil : 1986-98, Muedler (2002) and 1997-2000, L&M (2003). Korea: Hahn 2000. Taiwan: Aw , Chen e Roberts 2001



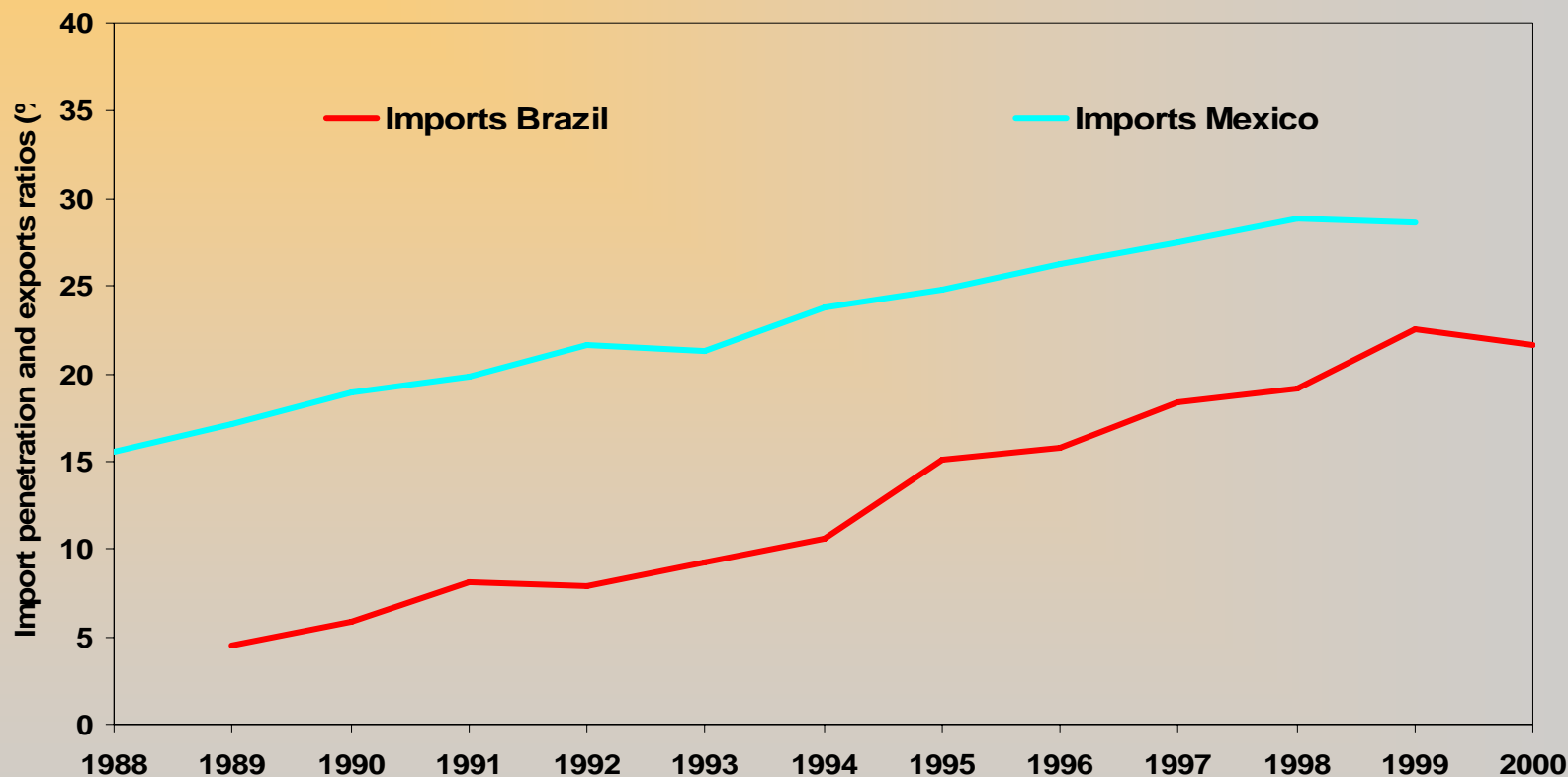
# *And the results encouraging.*

**Figure 2 - Average TFP Growth by Firm and Industry :  
Brazil, 1996-2000**



Source: Lopez-Cordova e Moreira 2003

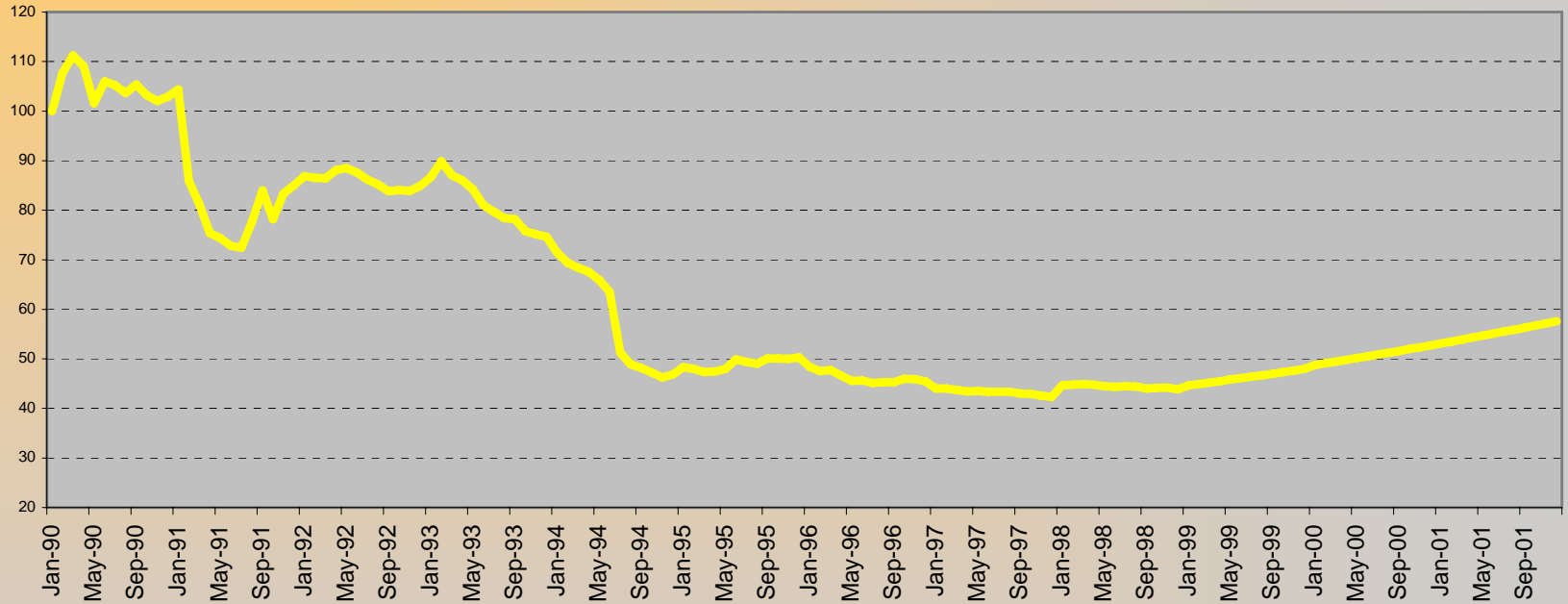
## Import Penetration and Export Ratios in Manufacturing: Brazil and Mexico, 1988-2000



*Note:* Import penetration divided by domestic consumption. Export ratio is exports divided by output. Data for Mexico does not includes maquilas.

*Source:* Own calculations based on IBGE and INEGI Manufacturing Surveys.

**Figure 3- Relative Price of Capital Goods.**  
Brazil Jan. 90 a Dez. 2001.



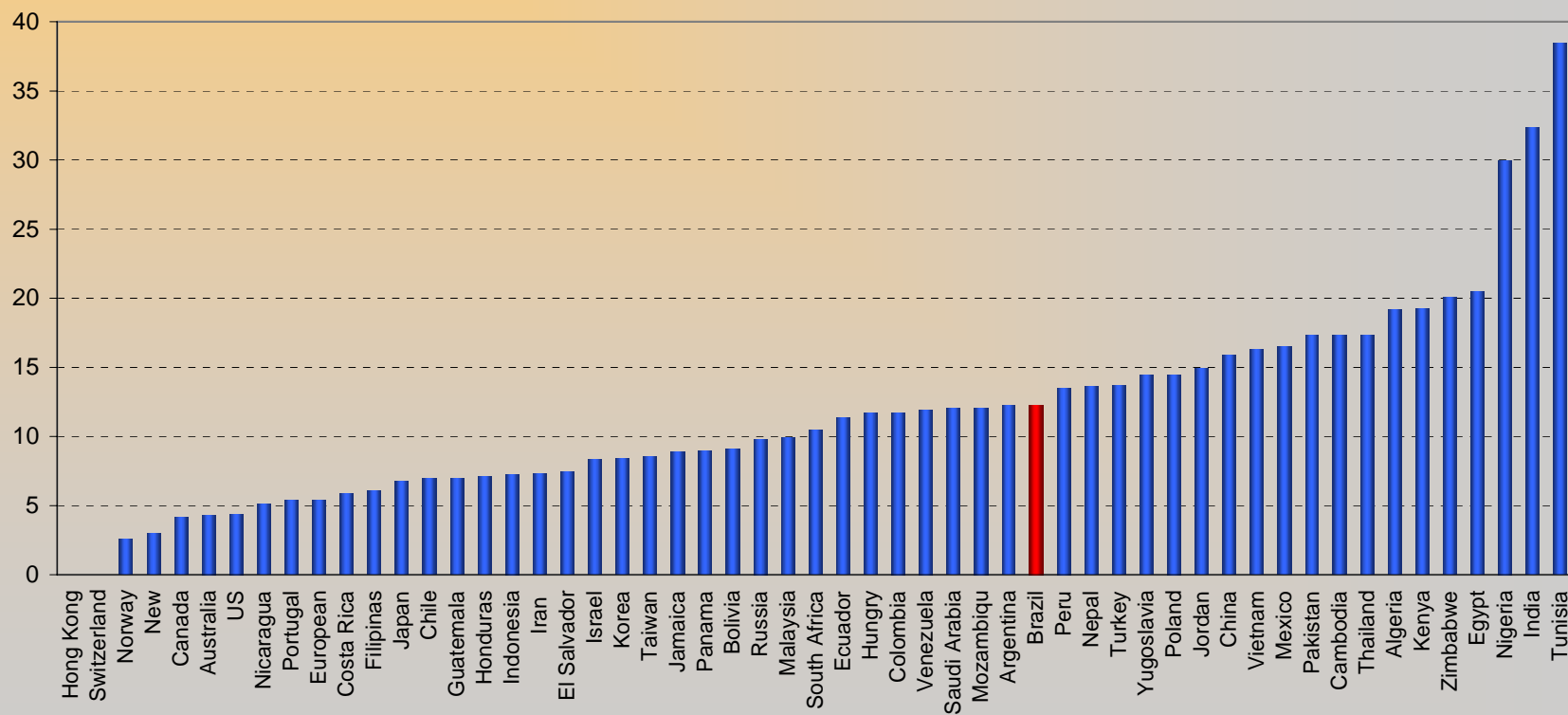
**Note:** Based on data from the wholesale price index (IPA) and general price index (IGP-OG), Fundação Getúlio Vargas .



# The Agenda:

## (1) Level and Structure of Protection

Figure 10 - Simple Average Nominal Tariff for Selected Countries.  
2001/2002 (%)



Source: Trains

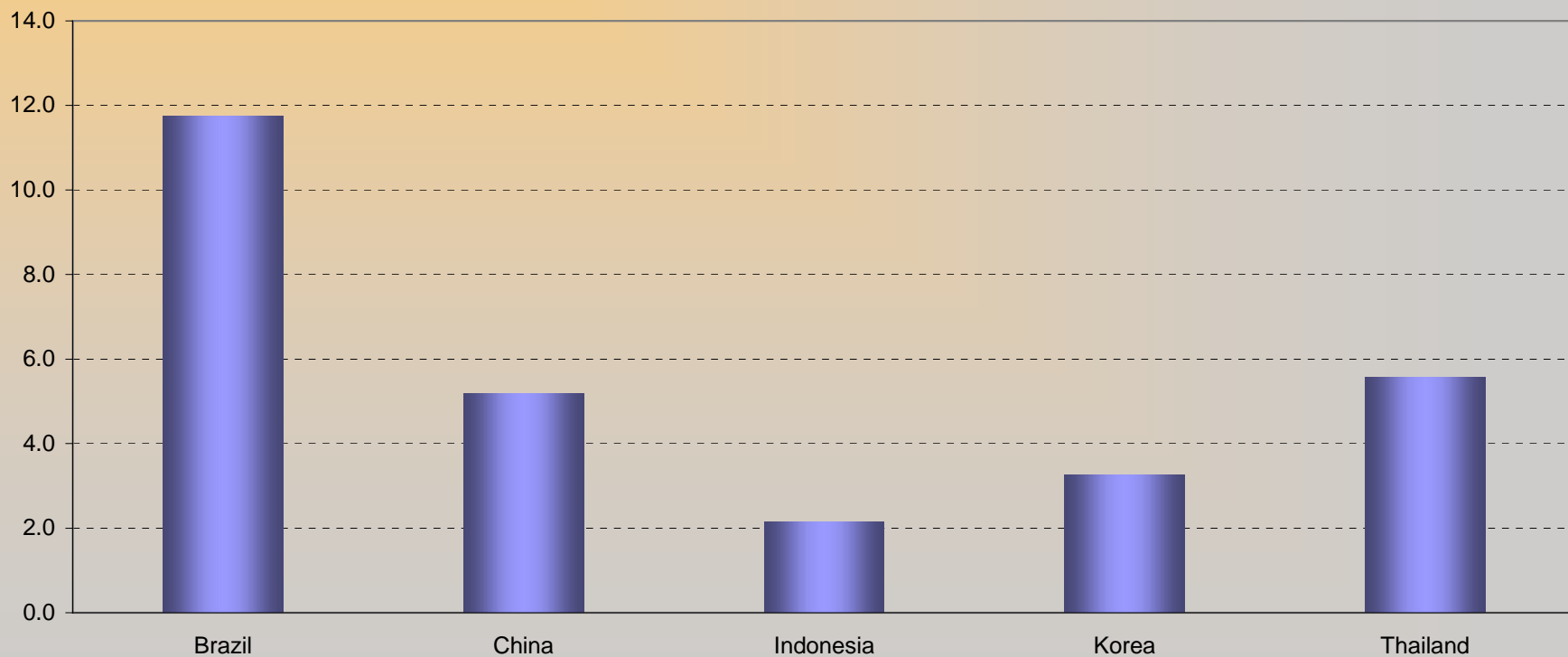




# *The Agenda:*

## *(1) Level and Structure of Protection*

**Figure 12 - Capital Goods Tariffs\* for Selected Countries.  
2001/2002 (%)**



\* Broad Economic Categories (UN), weighted by imports. 2001 tariffs for Thailand and Korea . 2002, for the other countries.

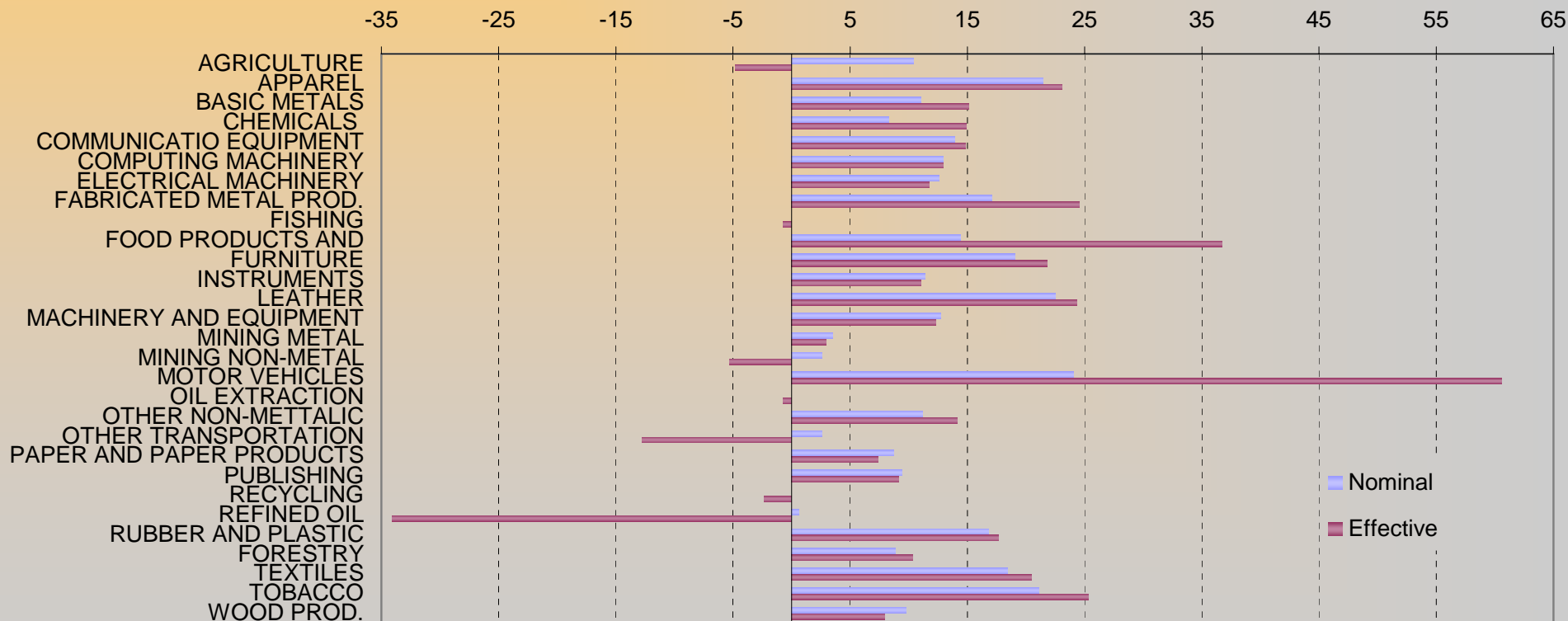
Source: Trains



# The Agenda:

## (1) Level and Structure of Protection

**Figure 11 - Nominal and Effective Tariffs by industry.**  
Brazil 2002 (ISIC 2 digits, %).



Note: Effective Rates of Protection based on the Corden's (1974) method. The technical coefficients are based on 1998 national accounts data, Table 1. Nominal Tariffs are from Trains.



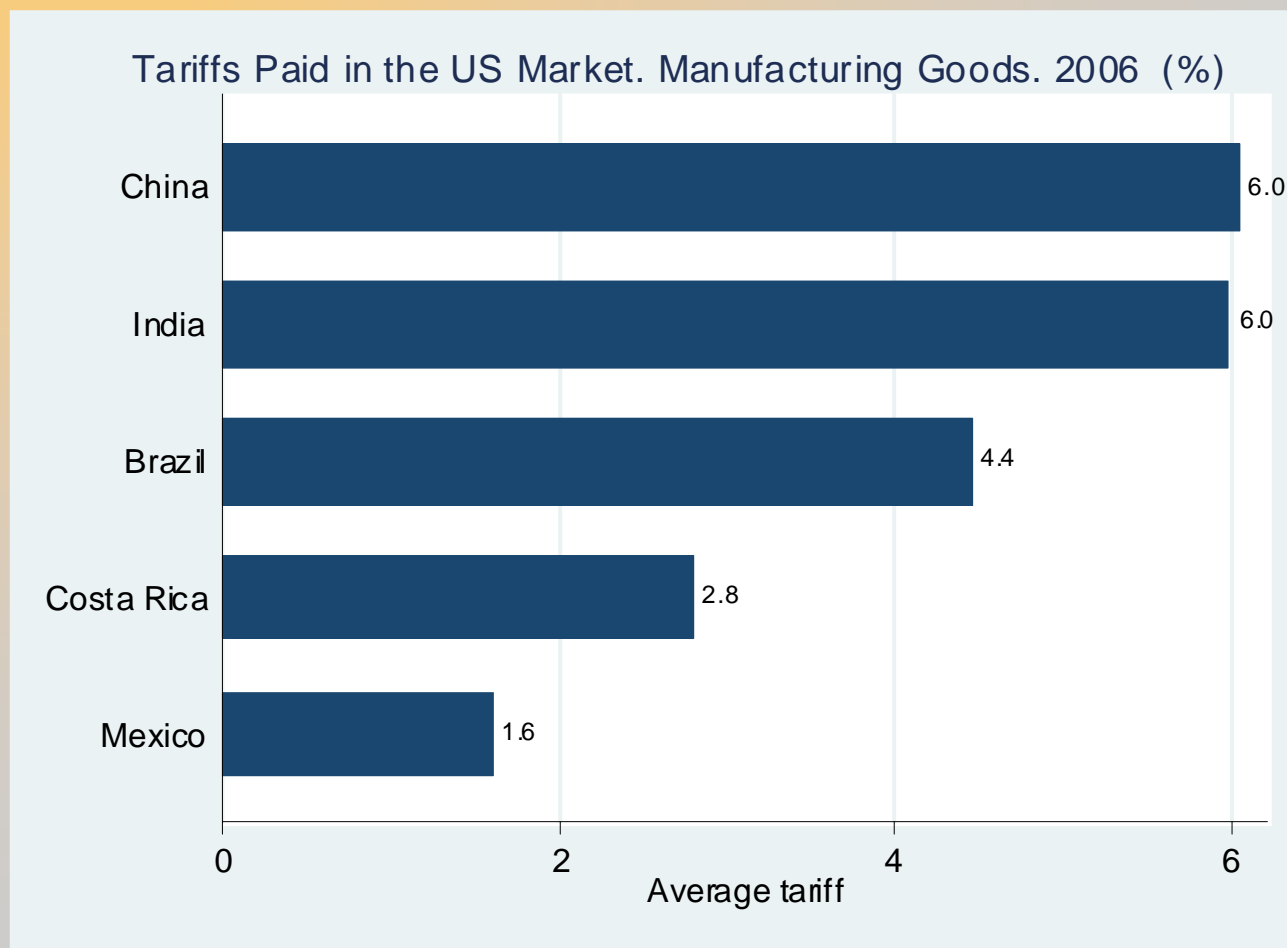
## *Agenda : (2) Market access*

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- ★ Gains from trade depend not only on liberalizing at home, but also on opening market abroad.
- ★ Brazil's recent performance on the latter has been poor: No substantial gains in agriculture and erosion (LAC) and even negative preferences for manufacturing (LAC, US and EU).
- ★ Trade policy seems to have been guided by the (questionable) notion that South-South (SS) agreements are inherently good for growth and North-South (NS) agreements risky and dangerous.
- ★ This view seems to ignore (a) size and endowments limitations of SS and (b) the nature of the threat to manufacturing coming from Asia.



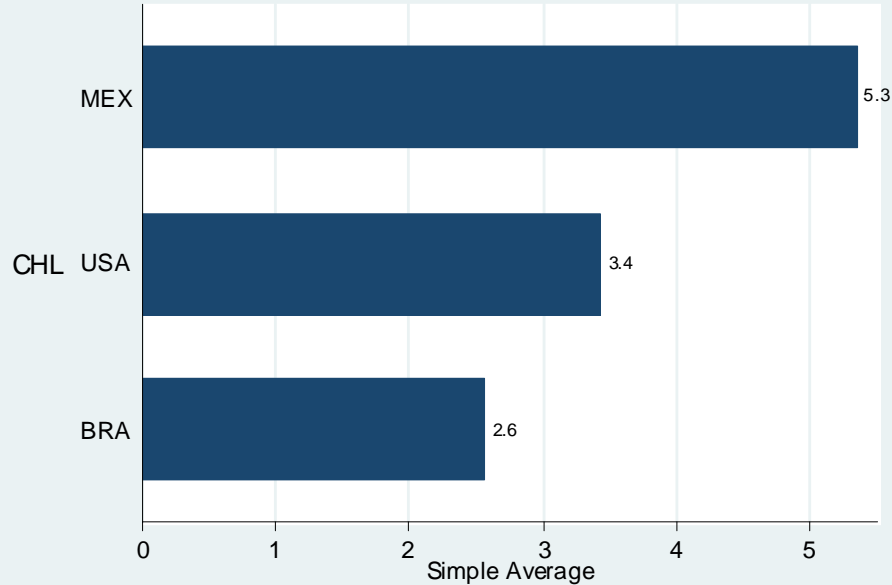
## *Agenda : (2) Market access*



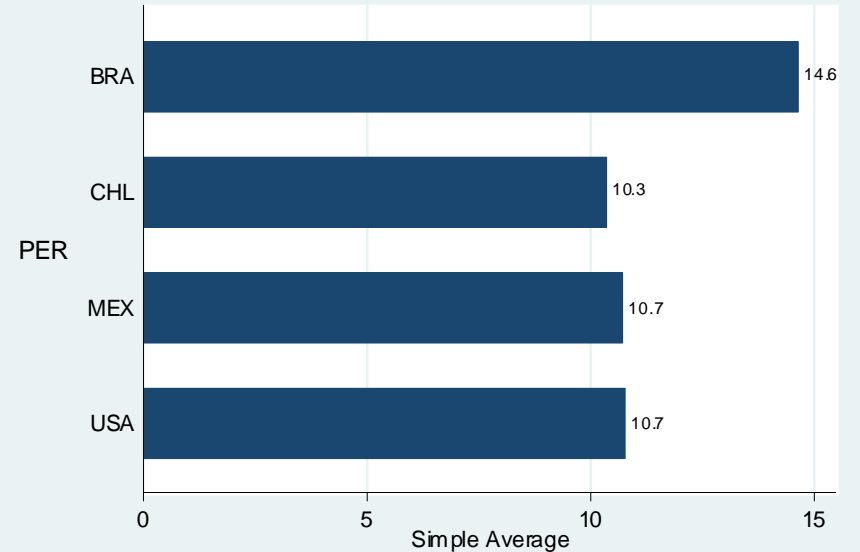


# Agenda : (2) Market access

Tariff Paid on Chile's Market. 2005 (%)



Tariff Paid on Peru's Market. 2005 (%)

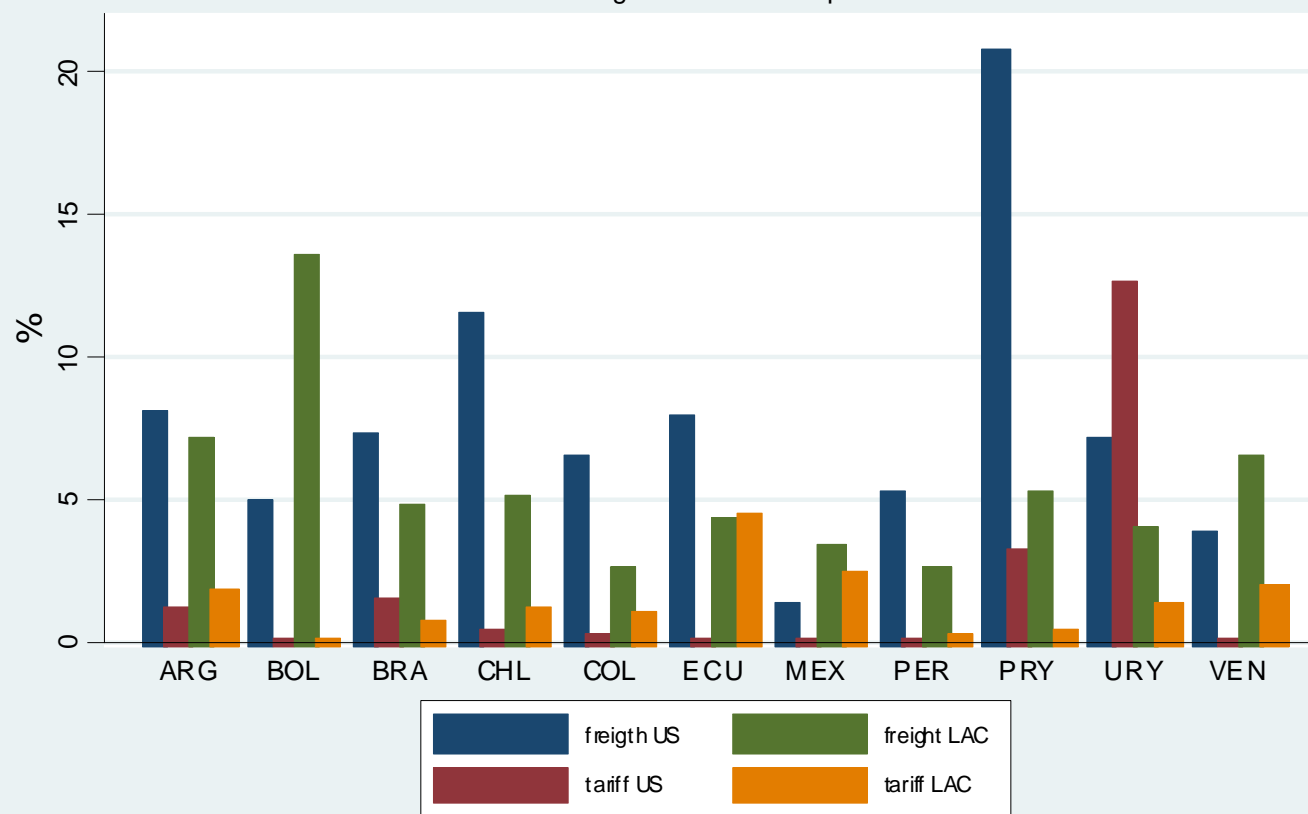




# Agenda : (3) Trade Costs

Figure 3-Weighted Average Ad Valorem Freight and Tariff for Select LAC Countries.

Intraregional and US Exports



Note: Intraregional exports includes Brazil, Argentina, Chile, Peru and Uruguay.

Source: own calculations based on ALADI