Trade Policy in Brazil. What is the Agenda?

Mauricio Mesquita Moreira,
Senior Trade Economist
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

- 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.
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And the results encouraging.

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

And the results encouraging.

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

- Manufacturing: 2.7%
- Traded industry: 3.8%
- Non-Traded industry in Mercosur: 3.4%
- Exporters: 2.9%
- Non-exporters: 3.0%
- Imported imputs-users: 2.9%

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 include 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 base on 1998 national accounts data, Table 1. Nominal Tariffs are from Trains.
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 guide 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**

![Bar chart showing average tariffs paid in the US market for manufacturing goods in 2006 for various countries.](Image)

- **China**: 6.0%
- **India**: 6.0%
- **Brazil**: 4.4%
- **Costa Rica**: 2.8%
- **Mexico**: 1.6%
Agenda: (2) Market access

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

- MEX: 5.3%
- CHL: 3.4%
- USA: 2.6%

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

- BRA: 14.6%
- CHL: 14.6%
- PER: 10.3%
- MEX: 10.7%
- USA: 10.7%
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.