INTER-AMERICAN DEVELOPMENT BANK

INTEGRATION AND REGIONAL PROGRAMS DEPARTMENT

Intal
Institute for the Integration
of Latin America and the Caribbean

ITD
Integration, Trade and
Hemispheric Issues Division

Trade Liberalization and the Political Economy of Protection in Brazil since 1987

Marcelo de Paiva Abreu

Special Initiative on Trade and Integration

INTAL - ITD
Working Paper -SITI- 08B

Trade Liberalization and the Political Economy of Protection in Brazil since 1987

Marcelo de Paiva Abreu

Abril, 2004
Working Paper -SITI- 08B

The Institute for the Integration of Latin America and the Caribbean (INTAL), and the Integration, Trade and Hemispheric Issues Division (ITD) of the Integration and Regional Programs Department of the IDB have organized a joint publication series:

Working Papers
Refereed technical studies providing a significant contribution to existing research in the area of trade and integration.

Occasional Papers
Articles, speeches, authorized journal reprints and other documents that should be of interest to a broader public.

Inter-American Development Bank
Integration and Regional Programs Department

Institute for the Integration of Latin America and the Caribbean IDB - INTAL
Esmeralda 130, 16th and 17th Floors (C1035ABD) Buenos Aires, Argentina - http://www.iadb.org/intal

Integration, Trade and Hemispheric Issues Division
1300 New York Avenue, NW. Washington, D.C. 20577 United States - http://www.iadb.org/int

Printed in Argentina

Institute for the Integration of Latin America and the Caribbean
Trade Liberalization and the Political Economy of Protection in Brazil since 1987
1ª ed. - Buenos Aires: IDB-INTAL, 2004.
56p.; 28 x 21 cm.

ISBN 950-738-180-5

1. Libre Comercio. 2. Brasil - Política Económica. I. Título
CDD 382

US$ 5.00

Editing:
Mariela Marchisio

Contents

Special Initiative on Trade and Integration

This Working Paper was prepared under the Inter-American Development Bank's Special Initiative on Trade and Integration approved by the IDB's Board of Executive Directors and managed by the Integration and Regional Programs Department. Created in 2002, the purpose of the Special Initiative is to strengthen the Bank's capacity to: (i) contribute to the policy debate in trade and integration; (ii) provide technical support to governments; and (iii) support public outreach on trade and integration initiatives.

This document is part of the first component of the Initiative.

The author is in the Department of the Inter-American Development Bank, on leave from the Department of Economics, PUC-Rio. He wishes to thank help and/or comments provided by Dionísio Carneiro, Robert Devlin, Honório Kume, Mauricio Mesquita Moreira, Eustáquio Reis and his colleagues in the Integration and Regional Programs Department.

C O N T E N T S

List of Acronyms

Contents

CET	Common External Tariff
CNAE	Classificação Nacional de Atividades Econômicas
EC	European Commission
FDI	Foreign direct investment
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
IBGE	Instituto Brasileiro de Geografia e Estatística
ISI	Import substituting industrialization
M&A	Mergers and acquisitions
MFN	Most favored nation
NAFTA	North American Free Trade Agreement
SIDRA	Sistema IBGE de Recuperação Automática
TRIMS	Trade-related investment measures
TRIPS	Trade-related aspects of intellectual property rights
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Contents

GLOSSARY ON TARIFF NOMENCLATURE

In this set of papers many types of tariffs will be mentioned. This glossary includes the relevant definitions.

Ad valorem tariff is generally a tariff corresponding to a percentage of the FOB (free on board) value of imports.

Specific tariff is generally a tariff based on payment of fixed nominal duties by physical unit of imports.

Average implicit tariff is the ratio between collected duties and value of imports.

Ad valorem equivalent of specific tariff is the ratio at the product level of aggregation between specific duty and value of import.

Average tariff is the legal MFN nominal tariff at the sector or economy-wide level of aggregation. It can be weighted, for instance, by trade values or value added.

Effective tariff is the ratio of between value added valued at post-protection prices and value added valued at world prices minus 1.

Implicit tariff in relation to the world price is the ratio between domestic and world prices.

Implicit nominal protection corrects the implicit tariff in relation to the world price by taking into account production subsidies.

Contents

INTRODUCTION TO THE RESEARCH PROGRAM

The interest of specific Latin American economies in the successful completion of the Free Trade Area of the Americas (FTAA) negotiations is very heterogeneous. A list of relevant factors would include geographic orientation of trade, composition of exports, degree of openness of the economy, level of protection and commitment to trade liberalization. Mercosur trade flows with the rest of the world are more important than those of other economies in Latin America whose trade tends to be concentrated with the United States. In contrast with other Latin American economies Mercosur agricultural exports tend to be relatively important. These are exactly the products facing high protection in the United States. The level of protection in Mercosur, mainly as a reflection of the size and past policies of Brazil, is higher than in almost any other market in Latin America, although there are no tariff peaks and few non-tariff barriers. Finally, while commitment to trade liberalization is high in most of Latin America it is less so in Mercosur, and especially in Brazil, a latecomer in abandoning import substitution.

Success in the FTAA negotiations depends crucially on the convergence of views between the United States and Mercosur, and especially Brazil, in relation to access of goods to their respective domestic markets. In the last instance this convergence is likely to depend on reciprocal concessions during the transitional period towards a true free trade area that will eliminate protection of "sensitive" sectors both in the United States and Mercosur. In both sides there are strong obstacles to the required dismantlement of protection. The average tariff in the United Sates is low. However, many products in which Mercosur producers are particularly interested face tariff peaks. Protectionist interests seem well entrenched to resist the required dismantlement of protection.

This research program focuses mostly on the political economy of protection in Brazil as a high growth cum high tariff economy for most of the 20th century. Brazil has a strong inertial tradition of lack of commitment to trade liberalization. Trade liberalization was undertaken mostly in the early 1990s, and while substantial given such traditions, was late and relatively modest if compared to those in most other Latin American economies. Mercosur involved tariff reduction in Brazil and modest and temporary increased protection in its other members.

To understand the present political economy of protection in Brazil it is essential to understand its roots and how the heavily protected Brazilian economy was near the top of the world economic growth league until quite late in the last century. Transition to an outward-looking model in a revision of the original import substitution strategy did not involve opening the domestic market and relied heavily on sustained export subsidies. Even attraction of foreign direct investment hinged on maintaining a high tariff and selective rights of establishment. Conversion to trade liberalization was slow and half-hearted in contrast with most of the other economies in Latin America. Success in the FTAA negotiation depends on the balance in Brazil and the United States between the interests of exporting sectors, likely to be favored by increased market access, and the resistance of protected sectors that fear increased import competition.

Three papers are planned in this research program to cover the theme "Trade liberalization and the political economy of protection in Brazil". They will consider the evolution of the political economy of protection in Brazil in chronological sequence. The first paper is concerned with the

high protection cum high growth experience in Brazil until the second half of the 1980s and its crisis. This second paper analyses unilateral trade liberalization since the late 1980s and its difficulties since the mid-1990s. The last paper centers on reciprocity in the context of regional trade negotiations and on the political economy aspects of the reciprocal trade concessions between the United States and Mercosur likely to be required in the transition period towards an FTAA. It will include the identification by sector and region of rent-seeking protectionist interests and market-seeking export interests in Brazil and the United States.

TRADE LIBERALIZATION AND THE POLITICAL ECONOMY OF PROTECTION IN BRAZIL SINCE 1987

Marcelo de Paiva Abreu

Contents

I. FATIGUE OF THE ISI STRATEGY

External Constraints

During the Tokyo round in the 1970s for the first time the US adopted a stance in multilateral negotiations that placed emphasis on reciprocity rather than on the universal application of the most favored nation (MFN) clause. This explains the attempts to introduce specific codes that would limit MFN to their signatories, clearly undermining one of the pillars of General Agreement on Tariffs and Trade (GATT). Another related development was the idea of "graduation" of the more advanced developing economies after a certain gross domestic product (GDP) *per capita* threshold had been reached. This gained ground as an instrument adopted by the United States to restrict what was seen as free-riding by those more advanced developing economies which were deemed to be prepared to start to make concessions especially in relation to market access.[1]

After the late 1970s the US negotiating strategy was based on an emphasis on differentiated treatment of different types of products in contrast with the universal application of formulae to reduce protection that had been used in some cases in the past. The US selected new issues whose inclusion in the GATT was thought to favor US interests - trade related aspects of intellectual property (TRIPS), trade-related investment measures (TRIMS), services, even temporarily "high-technology goods" - while the backlog of unfinished business in which developing economies were especially interested was to remain very low in the list of negotiating priorities.

It was natural that a country such as Brazil, where ideas linking rapid growth and high protection had been firmly entrenched in hearts and minds by history, adopted a policy of obstruction in the GATT in the first half of the 1980s. As the fragility entailed by the continued adoption of such economic strategy became increasingly evident, however, it was to be expected that this ended up by being reflected in changes in the Brazilian foreign economic policy. The transition from obstructionist to *demandeur* was inexorable as it would be difficult to conciliate active profiles as a foot-dragger on the new issues and a *demandeur* in agriculture. After the launching of the Uruguay Round at Punta del Este in 1986, there were until 1988 two conflicting strategies within the Brazilian Ministry of Foreign Affairs and the Brazilian government. The previous emphasis on blocking the new issues was gradually substituted by a more active role concerning agriculture. Brazil was reluctant to join the initial core of the Cairns group (Argentina, Australia, Brazil, New Zealand and Uruguay) and insisted that the objective should be limited to the coordination of stances rather than agree on a joint position. Brazilian agreement with the first Cairns proposal in

---

[1] For further analysis of the evolution of the Brazilian stance in the GATT see Abreu [2001]. The following paragraphs are based on the same source.

1987 required a previous assurance by Australia that provisions on special and differential treatment for developing countries would be preserved in the liberalization process (Oxley [1990], p. 112).

Such a reorientation towards more liberal policies was mainly a result of a reassessment of protectionism within the government and had no strong links with *demandeur* sectors either among consumer of imported inputs and capital goods or exporters seeking concessions that would broaden their market access. Nor was there any marked resistance from adversely affected sectors when trade liberalization actually started in 1988 or even when it was deepened after 1990.

The reorientation of the Brazilian stance had been already clear in the Montreal "mid-term" meeting of the Uruguay Round in 1988, with both a more flexible stance on the new issues, especially TRIPS, and convergence towards the US position, via Cairns, on agricultural liberalization. So interest was focused on an issue that was important in the historical GATT backlog, and in which Brazil had a concrete interest as a *demandeur,* both directly, as an efficient agricultural producer, and indirectly, as agricultural liberalization was considered crucial by Argentina, a country that had become a Brazilian foreign policy priority after the mid-1980s. The Brussels 1990 meeting of the GATT marked the consolidation of Brazil's transition to a positive agenda in the negotiations as it had a significant role in the negotiation of agricultural issues (Ricupero [1993], p. 30). The failure of Brussels, planned as the final meeting of the Uruguay Round had, from a Brazilian perspective, the advantage of providing more time to allow for the shift towards a substantive agenda as a *demandeur*.

There were no clear alternative policies that could have been adopted by Brazil. The loss of credibility in the 1980s and early 1990s, following protracted macroeconomic difficulties that produced persistent high inflation and low growth, drastically reduced the degrees of freedom to define and implement foreign economic policies. The scope for choice imagined by those who criticized the policies because they were allegedly based on "conformism with constrained development", or because they were those of a "second class power", or based on ideas of a "conceptually 'small Brazil' ", simply did not exist (Batista [1993], p. 120).

Criticisms of this timid shift towards more liberal policies have tried to emphasize the subordinate position of Brazil in relation to the US. At the core of the criticism is the nature of relations between the Cairns coalition, the US and the then European Commission (EC). But there is no doubt that convergence between Cairns and the US was a vital factor to explain even the rather limited success in liberalizing agricultural trade against the stubborn resistance of the EC. On the other hand, especially after the 1982 debt crisis, financial objectives were dominant and pressures by international organizations, such as the International Monetary Fund, to implement trade liberalization were really rather modest. The United States even agreed to delay implementation of the commitment by Brazil to dismantle its GATT-illegal export subsidies that had generated so much friction in connection with the implementation of the GATT code agreed in the Tokyo Round.

Internal Constraints

The exhaustion of ISI (import substituting industrialization) -based strategy as an engine of growth in the late 1970s due to the reduction in the level of imports has been noted elsewhere (see Abreu [2004], pp. 30, 33). Rates of GDP growth declined dramatically after 1980. First there was a sharp

3-year recession, but even in the longer term performance was mediocre as GDP *per capita* levels were barely maintained constant on average in the following twenty years. The already modest ratio of imports in consumption continued to decline in response to exchange devaluation and import controls in the early 1980s. By 1984 the ratio was 4.3% for aggregate manufactured imports (6.8% in 1979) and in those sectors more exposed to foreign competition it did not exceed 15.7% (Miscellaneous industries).

There was a sharp decline of public savings following the second oil shock: in relation to the early 1970s they were halved to around 4% of GDP in the late 1970s and approached zero in 1983-1985. The pressure to cut government investment and subsidies was intense. It was somewhat surprising that gross investment never fell much below 17% of GDP in the 1980s while GDP *per capita* stagnated. Part of the explanation is the fact that the government was unable to cut investment on a rational basis, i.e., following a schedule of expected rates of return so as to be able to concentrate resources to complete better quality investments and freeze the rest. Across the board cuts resulted in delaying the completion of practically all public investment with a comprehensive fall in the expected rates of return of all public financed projects. Investments whose rate of return was in any case not very high to start with became disastrous after a long period of fierce budgetary cuts affecting their completion. Private investment also suffered with the sharp slowing down of the level of activity and the persistent stagnation that followed but it was adjusted more rationally and promptly to the change in economic prospects. In any case the relationship between investment and effective increase in productive capacity became tenuous.

There were other important reasons for the sharp increase in the marginal capital-output ratio especially in the second half of the 1980s. There is evidence of a significant rise in the price of investment in relation to the GDP deflator after 1986, partly because the prices of domestic capital goods increased substantially with lower levels of capacity utilization and very high protection.

Inflation had remained relatively under control in the 1970s, but after the second oil shock in 1978-1979 it accelerated beyond 100% yearly after 1979, then to 200% after 1984, reaching peaks beyond 2,000% in 1990 and 1994 (GDP deflator) with an extremely volatile pattern of monthly rates as successive stabilization plans were unsuccessful. With the Real plan of 1993-1994 yearly rates were reduced below 10% after 1995. Higher uncertainty on the stability of price indexation rules following the major heterodox stabilization efforts after 1986 fostered a significant increase in prices of heavy construction as suppliers sought protection against possible future losses in long-term contracts. In line with other high-inflation episodes the prices of capital goods also tended to increase as investment served as shelter against accelerating inflation (Carneiro and Werneck [1993] pp. 60-66).[2]

The declining confidence in the autarkic model that had been adopted for a century created, together with international developments, conditions for a slow shift in the stance concerning protectionism and would open space for a significant fall in the protection of domestic markets.

---

[2] For a theoretical treatment of the link between accelerating inflation and construction prices, see Loyo [1994]. See the discussion on the impact of trade liberalization and stabilization on prices of capital goods in section 3 below.

II. TRADE LIBERALIZATION

Brazil as a Laggard in Latin America

Trade liberalization in Brazil started to be implemented in 1988. Liberalization took place in three waves of tariff reduction: the first in 1988-89 when an average nominal tariff of 57.5% (not weighted) was reduced to 32.1%; the second, and most significant, in 1991-93 bringing the tariff down to 13.5% - and also a sharp reduction in the all-important non-tariff barriers to imports - and the last, in 1994, to 11.2%. After 1994, there was a modest reversal of trade liberalization with the average nominal tariff rising to 15.5-15.6% in 1997-1998.[3] Table 1 presents the data for selected years between 1987 and 1998. Tables A.1A and A.1B in the statistical appendix include data on all years of the 1987-1999 period.

The first wave of trade liberalization in 1988-1989 essentially removed redundancy in the tariff (Kume, Piani and Souza [2000] p. 3). The second wave abolished practically all non-trade barriers, notably import prohibitions (the notorious Annex C list), the import licensing procedures used more or less permanently since the late 1940s covered by waivers under GATT article XVIII:B (balance of payments needs), and the so-called special import regimes which regulated the allocation of foreign exchange cover based on discretionary criteria coupled with tariff rebates. A schedule of tariff reductions was implemented in 1991-1993.[4] Finally, in 1994 there were tariff adjustments at least partly explained by the intention to impose tighter disciplines on domestic prices during the initial period of implementation of the Real stabilization plan.[5]

At the beginning of implementation of the liberalization program in 1987 the most protected sectors in decreasing order were apparel, automobiles, trucks and buses, textiles, rubber products and sugar with nominal tariffs between 102.7% and 77.5%. At the other extreme of the spectrum were mining, oil and coal extraction and steel products[6] with tariffs between 15.6% and 29.9% (see Table 1). The simple average tariff was 57.5%. The simple average effective rate of protection in 1987 was 77.1% with a peak of 308.1% for automobiles, trucks and buses. For five other sectors the effective rate was above 100% (for effective tariffs see Table 3). For the complete 1987-1999 data on effective tariffs in Brazil see Tables A.2A and A.2B in the statistical appendix.

In 1994, after the 1991-93 program was completed and additional cuts undertaken as a complement to the Real stabilization program, the average nominal tariff (not weighted) had been reduced to 11.2%, a much better measure of protection than in the earlier period as non-tariff barriers had become negligible. The peak nominal tariffs had been reduced to 23.5% for dairy and in other relatively protected sectors to tariffs were around 18-19% for electrical products, electronic products, machinery and tractors, automobiles, trucks and buses. The average effective tariff reached a trough in 1994 of 13.6%. Sectoral tariffs varied between -4.9% (oil and coal extraction)

---

[3] Kume, Piani and Souza [2000] is the standard source on the Brazilian tariff after 1987. For tariff policy immediately preceding the beginning of the liberalization period, see Kume [1990].

[4] In early 1992, the government decided to shorten the implementation period that had been initially decided so that it would end six months earlier than envisaged initially. See Table 2.

[5] For more details see Kume, Piani and Souza [2000].

[6] Tariffs on other chemicals were low but reflected their abnormal composition in 1987.

and 27.7% (automobiles, trucks and buses). There was some increase in the tariff coefficient of variation (standard deviation divided by the mean) from 0.370 in 1987 to 0.527 in 1994.

In response to balance of payments difficulties related to the Mexican crisis in the end of 1994 there was some reversal of previous liberalization with increased tariffs, new non-tariff barriers and safeguards. The role of anti-dumping actions was significantly increased and by the end of the 1990s the number of initiations was nearing 20 a year contrasted to one or two in the late 1980s. Safeguards and subsidy countervailing measures were also introduced but were of secondary importance in terms of value of affected trade (GATT [1993] pp. 143-149; WTO [1997a] pp. 65-76; WTO [2000] pp. 43-48, 135-137). This reversal affected especially the automotive industry that was the most protected sector in 1999 with a nominal tariff of 30.3% and an effective tariff of 89.1%. In the other heavily protected sectors nominal and effective tariffs did not exceed 25%. The average tariff rose to a peak of 15.6 in 1997 (Table 1) but it fell slightly to 15% in 1999 and 13.5% in the end of 2002 (excluding agricultural products). According to the World Trade Organization (WTO) it was 13.7% in 2000 (WTO [2000]). Data from the Hemispheric Trade and Tariff Data Base for Market Access indicate a peak in 1997 (14.7%) falling to 13.2% in 2002 (see Table 4). The average effective rate increased from 13.6% in 1994 to 18.7% in 1999.

In 1994, the levels of nominal protection in Brazil were not dissimilar from that of other main Latin American economies. Not only that of Argentina, its integration partner in the project of a customs union, but also of Chile, Colombia and Mexico (see Table 4).[7] But Brazil had been late liberalizer as it moved with a lag of three to four years in relation to all these economies with the exception of Colombia.

The Mercosur Common External Tariff (CET) to be implemented after 1994 was an important factor to explain Brazilian tariff reductions in large number of products affected by high tariffs. The tariff on capital goods (900 tariff lines) was to converge from above to the CET of 14% until 2001. On informatics and telecommunications products (200 lines) the tariff was to converge from above to the CET of 16% until 2006. There was also a list of up to 300 national exceptions to the CET (generally below the CET) to converge until 2001. The tariffs on many agricultural products produced by its partners, of which wheat was the most important, were reduced.

The formation of Mercosur resulted, on the other hand, in a modest reversal of the significant trade liberalization that had taken place in Argentina in the very beginning of the 1990s as the average tariff, which had dipped below 10% (excluding the 3% statistical tax) in March 1991, peaked to a level just under 14% in 1995. But this was short-lived as by 1997-1998 the nominal average tariff was very near its minimum previous level.[8] There was, however, an important

---

[7] In some economies non-tariff barriers were relatively more important than in others. In spite of Chile's pioneer trade liberalization program it has maintained a system of price bands that results in variable protection of certain agricultural goods that may reach up to 31.5% *ad valorem*, WTO [1997b]. The same applies to Colombia, WTO [1997c]. The tariff levels for Mexico refer to non-preferential imports, a small share of total Mexican imports.

[8] On the intricacies of Mercosur's impact on Argentina's commercial policies see Berlinski [1998]. The impact of Mercosur on Brazilian policies was not so complex as there was no resort to *reintegros* and other instruments to compensate for the lack of competitiveness of exports due to foreign exchange overvaluation. But there was also a maze of Brazilian exceptions to the Mercosur common external tariff (CET) and products excepted from intra-zone liberalization. See WTO [1997a] pp. 39-40 and WTO [2000] pp. 20-22, 30-34. See Tables A.3 and A.4 in the statistical appendix for details on the evolution of the nominal tariff in Argentina by "tariff study category" and by SITC category, respectively, for 1991 and 1998, as well as the Mercosur CET for 2006.

permanent consequence as tariffs on machinery and transport equipment increased while tariffs on consumer goods (durable and non-durable) and intermediate goods, even if increased temporarily, were eventually reduced.[9] This reflected an important source of tension within Mercosur: the divergence of interests of Argentina and Brazil concerning the level of the common external tariff on capital goods and on informatics and telecommunications products. While Brazil fought for a high tariff in order to protect domestic production (and exports to Argentina), Argentina, not being a producer of such goods, wished to avoid the higher costs of investment resulting from high levels of protection.

This Brazilian propensity to be a laggard in trade liberalization was once again apparent after the mid-1990s in relation to Chile where a new wave of trade liberalization was started after 1998 and also in relation to Mexico where, in spite of a rise in the MFN tariff, the impact of the North American Free Trade Agreement (NAFTA) in the reduction of protection was extremely significant given the concentration of Mexican trade in the region. The Colombian tariff remained unchanged and this was also the case of the Argentinean tariff mostly reflecting developments in the Mercosur and many *ad hoc* measures to compensate at least partially the effect of the peso overvaluation.

Trade-Related Liberalization and Macroeconomic Policies

Trade liberalization in Brazil was part of a comprehensive set of economic reforms that included notably an important privatization program that first removed the Brazilian government from involvement in the production of inputs in which it had an important and, in some cases, dominant position such as steel and chemical products. The market share of foreign banks was much increased although on a discretionary basis: most of it was related to the privatization of public banks - mainly those controlled by state governments - and private banks taken over following government intervention. The second-generation privatization effort involved the rather successful privatization of the whole telecommunications sector, a government monopoly since the 1960s. Many electricity distribution companies were also privatized but with much less success due to the lack of a clear regulatory framework. Reforms also affected infrastructure closely related to trade such as railways, roads and the operation of ports. It is important to stress that much of the reform efforts involving the role of foreign direct investment (FDI) were of an *ad hoc* nature: rather than being bound formally in a set of rules through treaty there was simply an evolution of discretionary policies and as so in many aspects there was a failure to consolidate a more attractive environment to attract FDI on a permanent basis. The same was true of other issues such as policies affecting TRIPS and TRIMS in relation to which Brazil had been traditionally unresponsive to clear priorities made explicit by policy-makers and politicians in the developed economies.

It is not easy to disentangle the effects of trade liberalization from the effects of other reforms. But before 1995 trade liberalization is likely to have had much more significant effect than other reforms.[10] Another essential element to be taken into account when considering the effects of trade reform is the role of changing macroeconomic policies. A successful stabilization program

---

[9] See Berlinski [1998] and Table A.5 in the Statistical Appendix.

[10] Some reforms were notable for their absence as, for instance, those affecting the labor market.

was implemented in 1993. There was an initial nominal appreciation of domestic currency, followed by a slow nominal depreciation that resulted in substantial overvaluation of domestic currency in relation to the early 1990s. In 1996-1998 the real exchange rate was back to its level of the early 1970s, some 40% below its peak after a debt default in the late 1980s. After 1995, and up to the end of 1998, the effects of the relative overvaluation of the domestic currency compounded the consequences of trade liberalization on imports.[11] A major balance of payments crisis forced devaluation in early 1999 when, to general surprise, its inflationary impact was rather modest. Although not monotonically the Brazil-US real exchange rate gradually increased to reach levels similar to those of the late 1980s.

After 1994, the counterpart of the massive inflow of FDI was a fast growth of the current account reaching 4.5% of GDP in 1999, in sharp contrast with most of the 1980s and early 1990s as less access to the world financial markets, and much lower FDI, inflows had been an important element to justify a stress on a sizable surplus in the current account as a policy objective. Net foreign investment flows had become negligible in the 1980s as the economic crisis deepened. With the beginning of economic reform in the early 1990s the recovery was spectacular and closely linked to the privatization of public assets. Average inflow rose from the average US$ 1.6 billion in 1990-1994 to US$ 5.5 billion in 1995 and more than US$ 30 billion in 1999 and 2001. Indeed, Brazil was first in the world ranking of economies by transaction values of cross-border mergers and acquisitions (M&As) of privatized firms in the late 1990s (UNCTAD [2000] p. 262). A rough comparison of accumulated FDI inflows and transaction values of M&As in Brazil in 1995-2000 suggests that at least 50% of FDI flows are explained by M&As.[12]

Services, which answered in Brazil for 30.8% of FDI stock in 1995, attracted more than 86% of FDI flows in 1996-2000 - corresponding mainly to M&As, but also to new investment - so that their share in the FDI total stock in 2000 was 64%. FDI flows into manufacturing fell to 12.8% of the total. Most of the FDI flows were to sectors where there had been very little FDI in the past, either because there were legal or *de facto* state monopolies, as in telecommunications and electricity, or because of obstacles to entry, as banking. FDI in manufacturing was crowded out in the period, falling from 66.9% to less than 34% of total FDI stock. After 2000, as opportunities for investment in services became scarce and the economic climate deteriorated, this imbalance was partly redressed: the share of industry in total FDI rose to 32.5% in 2001 and 40.2% in 2002.[13]

While it is certainly true that in the longer term enhanced efficiency in the provision of services will result in improved competitiveness of exports that embody such services, the link is roundabout if compared to straightforward FDI in manufacturing having the world market as a target. Ideally, FDI should have a less volatile pattern and be more directly linked to improved export performance. But this has proved to be elusive and certainly has at least partly to do with market access conditions in developed markets. FDI in public utilities, however, may induce, especially in the larger economies, FDI in manufacturing activities spinned-off by the rapidly expanding privatized utilities.

---

[11] Using Brazilian wholesale industrial prices and US producer prices. I thank Dionísio Carneiro for the series of real exchange rates.

[12] See Abreu [2002] on which this and the following two paragraphs are based.

[13] Computed from stock data from Censo de Capitais Estrangeiros undertaken by the Brazilian Central Bank (*http://www.bcb.gov.br*)

TABLE 1
BRAZIL: AVERAGE TARIFFS BY SECTOR, SELECTED YEARS, 1987-2002
(Percentages)

Sector	1987	1990	1994	1997	1999	2002
Agricultural products	43.0	5.9	0.2	9.9	9.8	n.a.
Mining products	22.0	9.6	1.5	6.5	6.2	4.9
Oil and coal extraction	15.6	3.3	0.0	0.0	--	0.0
Non-metallic minerals	63.8	31.5	9.2	13.7	13.5	12.1
Steel products	29.9	14.5	6.3	10.2	10.1	9.0
Non-ferrous metallurgy	35.0	17.6	7.6	11.7	11.7	10.4
Other metallurgical products	60.8	34.8	14.3	18.9	18.8	17.4
Machinery and tractors	49.0	37.2	19.0	17.8	16.9	14.3
Electrical equipment	65.4	44.1	18.4	19.8	19.0	17.3
Electronic equipment	54.1	40.6	19.0	17.9	16.6	12.4
Automobiles, trucks and buses	92.6	78.7	19.9	47.1	30.3	29.9
Parts, components and other vehicles	61.7	37.4	17.4	18.7	17.9	16.3
Wood products and furniture	50.0	25.4	8.8	14.0	14.0	12.6
Cellulose, paper and printing	59.5	23.6	8.3	14.2	14.2	12.5
Rubber products	82.0	46.6	12.1	15.0	14.8	13.5
Chemical elements	63.0	24.8	8.5	16.7	20.2	12.7
Oil refining	31.6	19.4	5.2	5.4	5.4	8.5
Chemical products	25.4	21.8	7.1	10.9	10.8	8.0
Pharmaceutical and perfumery products	72.3	31.5	4.6	10.7	10.6	9.4
Plastic products	56.6	39.0	15.7	18.1	17.4	16.1
Textile products	87.4	31.8	13.2	19.4	19.4	16.5
Apparel	102.7	51.1	19.4	22.8	22.8	21.4
Footwear	74.1	29.6	13.2	18.0	16.8	14.5
Coffee industry	69.1	28.9	9.8	15.0	15.6	n.a.
Processing of vegetal products	70.3	34.6	10.0	14.8	14.7	13.3
Meatpacking	43.7	19.7	7.3	12.2	12.2	11.1
Dairy industry	69.2	32.7	23.5	21.1	22.0	20.8
Sugar	77.5	25.7	10.1	19.0	19.0	n.a.
Vegetal products	48.5	16.6	8.0	11.4	11.8	10.6
Other food products	73.8	45.0	13.0	18.0	17.9	19.3
Other industries	53.2	41.6	14.4	16.3	15.6	14.3
Simple average	57.5	30.5	11.2	15.6	15.0	13.5
Average weighted by value added	54.9	27.2	10.2	13.4	13.2	n.a.
Mean deviation	21.3	14.9	5.9	7.6	5.7	n.a.

Sources: Kume, Piani and Souza [2000] and communication from Honório Kume for 1999 and 2002 (4th quarter). Simple averages by sector.

TABLE 2
BRAZIL: SCHEDULED TARIFF REDUCTION (SIMPLE AVERAGES) 1991-1994
(Percentages)

	Defined in early 1991	Redefined early 1992
1990	32.2	32.2
1991	25.3	25.3
1992 January	21.2	21.2
1992 October		17.1
1993 January	17.1	
1993 July		14.2
1994 January	14.2	

Sources: GATT [1993] and Kume, Piani and Souza [2000] p. 7.

III. THE IMPACT OF TRADE LIBERALIZATION

Import Penetration

The impact of trade liberalization on the Brazilian economy was widespread and significant.[14] Decreased protection after 1988 led to a continuous increase of import penetration measured as a proportion of apparent consumption. For industry as a whole it increased five-fold, from 4.5% in 1989 to 22.5% in 1999, and then it was slightly reversed in 2000 in a lagged response to the substantial exchange rate depreciation in the beginning of 1999 (see Tables 5A and 5B).[15] The largest increase in market penetration ratios between 1989 and 1999 was for capital goods (transport equipment) and other capital goods: 10.3-fold and 5.8-fold, respectively. The penetration ratios for less sophisticated intermediate goods and consumer durables also expanded more than five times in the period.

TABLE 3
BRAZIL: EFFECTIVE TARIFFS BY SECTOR, SELECTED YEARS, 1987-1999
(Percentages)

Sector	1987	1990	1994	1995	1999
Agricultural products	45.8	3.0	2.4	7.6	9.8
Mining products	16.9	6.3	-0.1	0.1	4.1
Oil and coal extraction	8.3	-3.4	-4.9	-2.4	-2.2
Non-metallic minerals	81.7	38.8	10.5	11.5	15.3
Steel products	30.9	15.8	8.8	9.1	14.3
Non-ferrous metallurgy	34.4	12.8	7.5	9.2	12.0
Other metallurgical products	88.4	51.0	19.7	22.0	24.8
Machinery and tractors	47.5	41.5	22.4	18.0	17.5
Electrical equipment	88.5	62.5	25.8	31.3	23.8
Electronic equipment	55.4	44.2	21.7	21.5	16.8
Automobiles, trucks and buses	308.1	351.1	27.7	113.8	89.1
Parts, components and other vehicles	73.3	44.6	21.8	21.8	19.5
Wood products and furniture	53.1	29.4	10.0	11.6	15.2
Cellulose, paper and printing	65.5	22.6	8.1	9.7	14.8
Rubber products	122.4	70.2	15.2	14.9	16.1
Chemical elements	72.7	25.2	8.7	6.9	23.0
Oil refining	62.9	38.5	7.1	3.4	5.7
Chemical products	12.3	29.4	9.2	9.2	12.3
Pharmaceutical and perfumery products	91.7	35.8	3.0	7.5	9.8
Plastic products	31.4	50.7	23.3	21.2	20.7
Textile products	123.1	49.2	20.9	21.9	25.0
Apparel	117.2	67.0	24.5	23.6	26.1
Footwear	96.9	28.8	15.9	23.9	18.8
Coffee industry	73.7	30.6	10.1	10.2	16.1
Processing of vegetal products	121.6	80.6	17.5	16.4	20.8
Meatpacking	43.6	19.4	7.3	8.3	12.2
Dairy industry	74.1	35.0	24.8	18.6	23.3
Sugar	83.8	23.9	9.5	16.7	20.0
Vegetal products	82.3	20.7	8.5	8.0	12.7
Other food products	118.9	94.5	19.2	20.3	24.1
Other industries	64.8	58.9	16.9	15.3	16.9
Simple average	77.1	47.7	13.6	17.1	18.7
Average weighted by value added	67.8	37.0	12.3	10.4	15.4
Mean deviation	53.8	60.6	8.4	19.5	14.6

Source: Kume, Piani and Souza [2000].

[14] See Markwald [2001] for an earlier survey of such effects.

[15] Using a different aggregation it is possible to show that in 2001 in 18 out of twenty industrial sectors (CNAE classification) import penetration was further deepened in relation to 2000. Data communicated by Maurício Moreira.

TABLE 4
LATIN AMERICA, MAIN ECONOMIES: AVERAGE TARIFFS (NOT WEIGHTED), 1985-2002
(Percentages)

	Argentina	Brazil	Chile	Colombia	Mexico
1985	22.8 (February)	51.3	26.0	46.4	
1986	24.1	51.3	20.0		22.6
1987		57.5	20.0		
1988	26.0 (November)	39.6	15.0	45.3	10.4
1989	18.3 (December)	32.1	15.0	44.6	
1990	18.2 (December)	30.5	15.0	34.1	13.1
1991	9.5 (March) 12.2 (November)	23.6	11.0	14.1	
1992	12.2 (January)	15.7	11.0		
1993		13.5	11.0		
1994		11.2	11.0	11.8	13.0
1995	10.5 (January) 13.9 (later)	12.8	11.0	13.3	13.0
1996		13.0	11.0	11.5	13.0
1997	11.3	14.7	10.8	11.6	15.5
1998	13.5	14.6	10.8	11.6	13.2
1999	13.5	14.3	9.8	11.6	16.2
2000	13.3	14.1	9.0	11.6	16.3
2001	13.4	13.2	8.0	11.6	16.3
2002	13.2	12.3	7.0	11.7	16.4

Sources: Argentina: 1985-1991: GATT [1992b]; 1991 (November): GATT [1992a]; 1992-1995: WTO [1999]; 1997-2002: Hemispheric Trade and Tariff Data Base for Market Access. Pre-1998 statistical tax (of 3% most of the time) excluded.

Brazil: 1985-1986: Azevedo and Portugal [1998]; 1987-1996: Kume, Piani and Souza [2000]; 1997-2002: Hemispheric Trade and Tariff Data Base for Market Access.

Chile: 1985-1996: Meller [1993] and 1997-2002: Hemispheric Trade and Tariff Data Base for Market Access.

Colombia: 1985 and 1988: GATT [1990]; 1989-1991, Ocampo [1993]; 1994-1995: TRAINS; 1996: WTO [1997b]; 1997-2002: Hemispheric Trade and Tariff Data Base for Market Access. Includes the import surtax until its extinction in 1992.

Mexico: 1986, 1988 and 1990: Ros [1993]; 1994-1996, WTO [1998], 1997-2002, Hemispheric Trade and Tariff Data Base for Market Access. Nominal tariff includes the *ad valorem* equivalent of specific and compound duties on products containing sugar.

An alternative measure of increased penetration is the absolute difference between penetration ratios at the origin and at the end of the reference period. From this point of view the sectors most affected were those producing capital goods (excluding transport equipment) and consumer durables with expansion of penetration ratios of 54.8% and 34.3%, respectively, between 1989 and 1999. Most of the more significant expansion of penetration ratios occurred in the capital goods sector. In almost all cases it exceeded 20%, reaching more than 40% in sectors producing electronic and communications equipment, machinery, electrical equipment, and other vehicles, with a peak of almost 70% for electronic and communications products. In tractor and road building sector, the penetration ratio rose from 1.7% to 34.1%. In the autos, trucks and buses sector it rose from 0% to 17.7% in 1998 in spite of a return to protection. In the engines and parts

for vehicles sector it increased from 6% to 40.2% (in 2000). In many sectors producing more elaborated intermediate goods the expansion in penetration ratios exceeded 20%.[16]

Productivity

There have been many attempts to gauge the impact of trade liberalization on productivity in Brazil. It has been estimated that the impact of comprehensive liberalization of economic policies resulted in an increase of total factor productivity of 58% between 1990 and 1994, of which about 56% can be related to the removal of non-tariff barriers and tariff reduction (Hay [1997]). More disaggregated results at the industrial sector level show strong links between increase in both labor productivity and total factor productivity and increased openness measured by variables such as nominal protection, effective protection and import-GDP ratio (Rossi and Cavalcanti Ferreira [1999]). A study based on a sample of medium-sized and large firms in Brazil, found that between 1986 and 1998 total factor productivity was favorably affected by the competitive push related to increased import penetration. Results suggested that each 1% rise in the import ratio would increase total factor productivity by 0.3% and each 1% reduction in tariffs would increase total factor productivity by 0.3% (Muendler [2002]). This has been confirmed for a still larger sample of Brazilian firms for the period between 1996 and 2000: each 1% increase in the import ratio would increase total factor productivity by 0.1% and each 1% reduction in tariffs would increase total factor productivity by a further 0.1% (López-Córdova and Moreira [2004]).

Distributive Effects

The evidence on the effects of trade liberalization on income distribution is less clear. Some studies have failed to find a simple link between trade liberalization and a closing of the wage gap in Brazil (Muendler [2000]). Others have found that there are no strong links between tariff reduction, changes in industrial wage structure and in wage inequality (Pavcnik, Blom, Goldberg and Schady [2002]). But the rising premia on skilled labor in Brazil are mainly explained by factors such as skill-biased technological change partly instigated by trade liberalization. If the ratio between imports and domestic consumption had remained constant between 1990 and 1997 the number of jobs in the economy would be increased by about 1 million, about 1.7% of total personnel employed. Most of the impact of trade liberalization affected jobs in the manufacturing industry where the contraction of employment induced by opening up the economy was of 7.2%.[17] It has been shown that there was significant structural change in the parameters of a partial adjustment employment model if the periods before and after trade liberalization are compared. After liberalization, adjustment was swifter and the elasticities of employment with respect to industrial output and labor real costs much higher (Gonzaga [1997]).

---

[16] Moreira and Puga [2001] discusses extensively how penetration ratios were affected by the 1999 devaluation and show that measured using the 1998 real exchange rate the penetration ratio for the industrial sector as a whole in 1999 would be 5 points lower than the 22.5% computed at current prices.

[17] Simulations undertaken by Moreira and Najberg [2000].

TABLE 5A
BRAZIL: IMPORT-APPARENT CONSUMPTION RATIOS, SELECTED YEARS, 1989-2000
(Percentages)

Sectors classified by category of use	1989	1994	1998	1999	2000
Non-durable consumer goods	2.6	4.4	8.2	10.3	9.1
Wheat milling	12.5	37.2	34.5	38.5	38.8
Pharmaceutical products	6.9	11.4	14.5	21.3	19.4
Other textile products	1.0	2.8	13.1	15.3	14.4
Preservation of fruits and vegs., including juices	2.3	7.2	9.9	12.8	11.5
Dairy products	4.3	3.8	6.3	8.3	6.2
Plastic products	0.5	2.7	6.1	7.9	6.8
Apparel	0.3	1.0	7.7	7.5	6.4
Other food products	3.0	4.0	7.6	7.4	6.5
Footwear	0.4	3.2	9.5	15.8	27.0
Perfumes and soap products	1.6	2.6	5.7	6.4	6.2
Beverages	3.5	3.9	4.9	5.7	5.4
Refining of vegetable oils and starches	1.3	3.7	6.6	4.6	5.5
Production, processing and preservation of meat	8.4	3.3	5.5	4.3	4.8
Prepared animal feeds	0.3	0.7	1.5	1.7	1.5
Tobacco industry	0.1	1.1	2.7	1.6	2.4
Coffee industry	0.0	0.0	0.1	0.1	0.2
Sugar industry	0.0	0.4	0.0	0.1	0.1
Production, processing and preservation of poultry	0.0	0.0	0.1	0.1	0.0
Durable consumer goods	7.8	12.3	26.4	37.9	42.1
Other vehicles	18.8	23.6	46.5	64.5	111.4
Electric equipment and appliances including domestic appliances and office equipment	3.8	8.1	15.4	20.9	17.5
Radio, television and sound and video apparatus	4.9	11.4	14.0	18.0	16.2
Intermediate goods	2.2	7.5	10.4	12.7	14.4
Cellulose and wood pulp	10.3	9.6	24.3	50.3	38.9
Glass and glass products	4.0	9.0	15.1	18.8	19.9
Refined petroleum products	3.1	11.2	12.1	14.9	17.9
Wood products	1.2	3.9	15.0	246.4	52.5
Paper and paper products	1.4	5.1	11.1	9.5	8.2
Other non-metallic minerals	1.8	2.8	5.8	7.2	6.1
Concrete, cement structures and plaster	0.1	0.6	1.6	1.8	1.8
Cement and clinker	0.3	0.6	0.9	0.6	0.5

Source: Moreira and Puga [2001].

TABLE 5B
BRAZIL: IMPORT-APPARENT CONSUMPTION RATIOS, SELECTED YEARS, 1989-2000
(Percentages)

Sectors classified by category of use	1989	1994	1998	1999	2000
Elaborated intermediate goods	5.2	12.2	20.7	23.5	21.9
Chemical elements, non-oil or carbon	41.4	39.5	57.9	63.1	54.4
Resins, fibers and elastomer products	6.3	16.1	32.6	34.6	32.1
Cables and other electrical equipment	8.8	17.7	26.5	33.0	32.9
Fertilizers	9.8	19.4	26.9	29.5	34.6
Non-ferrous metallurgy	8.0	16.1	27.0	33.0	29.6
Rubber products	4.8	11.4	22.2	21.5	19.9
Textiles, man-made fiber	0.8	10.5	17.7	20.2	23.2
Other chemical products	5.7	9.9	15.1	18.2	15.3
Textiles, natural fiber	3.5	13.1	18.1	17.1	15.1
Other metallurgical products	1.5	4.4	11.5	11.8	10.7
Basic and intermediate petrochemicals	4.0	8.8	9.8	10.9	11.5
Basic iron and steel	1.9	3.8	8.8	8.0	8.0
Laminated plastics	0.2	2.4	5.0	6.1	6.3
Cast and forged steel	0.5	1.0	6.2	5.1	4.3
Capital goods	11.4	28.0	56.9	67.4	66.2
Electronic and communications products	11.6	33.5	65.9	81.0	95.9
Machinery and equipment, including parts and components	13.3	30.0	56.9	62.6	52.5
Equipment for production and distribution of electricity	8.2	15.0	43.4	54.7	46.9
Tractors and road building equipment including parts and components	1.7	5.5	24.3	34.1	20.2
Capital goods-Transport equipment	2.1	11.6	22.4	21.9	20.4
Engines and parts for vehicles	6.0	18.0	34.7	37.9	40.2
Autos, trucks and buses	0.0	8.7	17.5	14.5	11.8
Industry total	**4.5**	**10.6**	**19.1**	**22.5**	**21.6**

Source: Moreira and Puga [2001].

Lower Prices of Imported Inputs and Capital Goods

Studies at the firm level found that easier access to foreign equipment and intermediate products between 1986 and 1998, what is called the foreign input push, had an extremely limited impact on total factor productivity. It was conjectured that this might have been due to time lags related to "learning effects, factor complementarities and production rearrangements" (Muendler [2002]). This result has been confirmed for 1996-2000 (by López-Córdova and Moreira [2004]).

Even if the decreased prices of capital goods that resulted at least partly from trade liberalization seem to have had a very limited impact on total factor productivity they had very significant effects on the reduction of investment costs. It is possible to compare the evolution of gross capital formation costs to that of the GDP deflator using national accounting data (Table 6). These costs peaked in 1989-1990, as both machinery and equipment and construction prices soared, at least partly due a combination of supply restrictions in a very closed and stagnant economy with preemptive pricing policies of building contractors and increased demand for real assets induced

by the acceleration of inflation. The apparent reversal in 1999 of the previous substantial fall in the costs in machinery and equipment is related to increased import costs in the wake of the 1999 big devaluation.[18]

The impact of hyperinflations on relative prices of capital goods has been studied based on two episodes of hyperinflation: Germany after World War I (1920-1923) and China post-World War II (1946-1949) (Tallman and Wang [1995]). In Germany, the price of capital goods (using wholesale prices as a proxy) in relation to consumer goods increased 65.8% between April 1920 and November 1922, and fell afterwards 23.2% until July 1923. In China capital goods prices increased 112.8% between March 1946 and December 1948, then dropped 18% until March 1949. Evidence was found of long-term and impulse significant impacts of growth of money supply on capital goods-consumer goods relative prices.

The case of Brazil is not exactly comparable to those of Germany and China. One cannot speak of a clear, well-defined, hyperinflation period as in Germany and China since there were several episodes of inflation, significant deceleration and acceleration from 1980 to 1994. Average monthly inflation rates for any extended period were lower than those in Germany and China. There were well-defined indexation rules in Brazil that resulted in less pressure to increase the relative prices of capital goods.

The sharp reduction in the prices of machinery and equipment in Brazil after 1990 is likely to have resulted from a combination of trade liberalization after 1990 and the sharp reduction in the rate of inflation after 1993 (see Table 6).[19] Had prices stayed at their 1990 level, the investment of 4.6% of GDP in machinery and equipment (current prices) by 1998 would have required 8% of GDP to create the same productive capacity. In terms of reduction of investment costs in capital the instantaneous impact of trade liberalization cum price stabilization was thus equivalent to 3.4% of GDP.

A considerable fall in the relative prices of capital goods had already occurred by 1993 and it is reasonable to expect that the full impact of tariff reduction would take some time to be fully transmitted to prices. Even if, rather conservatively, it is assumed that the fall in machinery and equipment costs between 1990 and 1993 was only explained by trade liberalization while the fall between 1994 and 1998 was only explained by the end of high inflation and/or foreign exchange policies, the accumulated reduction in investment costs in 1991-1994 would have been equivalent on average to more than 0.8% of the GDP on average each year between 1990 and 1998, even without taking dynamic effects into account. What would have been the full economic consequences of a counterfactual scenario without trade liberalization is open to question, as it would be crucially dependent on discretionary assumptions about adjustments in economic policy. But it is reasonable to expect some combination of significant curtailment of investment with the consequent creation of supply bottlenecks, persistently inefficient production of capital goods and continued appropriation of rents by the more efficient among domestic producers of capital goods. Growth performance since the early 1990s would very likely be still worse than it in fact had been. That

---

[18] See Reis, *et al.* [1996, 2003]. But this reversal seems not to have been confirmed by more recent data, see footnote 20 below.

[19] The overvaluation of the Real in 1996-1998 also played a role in reducing the costs of imported capital goods.

is, instead of stagnating between 1980 and the end of the 1990s, GDP per capita in Brazil might well have fallen.[20]

TABLE 6
BRAZIL: RELATIVE PRICES OF CAPITAL FORMATION AND GDP DEFLATOR AND INVESTMENT IN MACHINERY AND EQUIPMENT AS % OF GDP, 1970-1998, (1990=100)

	Ratio of construction costs to GDP deflator	Ratio of machinery and equipment costs to GDP deflator	Ratio of gross capital formation costs to GDP deflator	Investment in machinery and equipment as % of GDP (current prices)
1970	68.4	51.8	65.0	7.7
1980	79.6	59.2	71.3	8.1
1985	83.9	64.4	78.1	5.3
1990	100.0	100.0	100.0	7.0
1991	94.1	92.3	92.9	5.2
1992	102.9	87.6	100.7	4.9
1993	108.9	84.4	104.0	4.7
1994	110.9	77.5	103.7	5.6
1995	109.5	69.7	99.7	5.9
1996	107.9	61.7	94.8	4.9
1997	107.2	57.7	92.4	4.9
1998	107.0	57.0	92.2	4.6
1999	107.5	67.6	96.9	4.3

Source: Based on Reis, *et al.* [2003].

[20] Some preliminary calculations based on recently released national accounts and construction costs suggest that between 1997 and 2002 the cost of fixed capital formation in relation to the GDP deflator fell a further 34.2% and that of machinery and equipment 32.2%, IBGE [2003] and Sistema Nacional de Pesquisa de Custos e Índices da Construção Civil , SIDRA (*http://www.ibge.gov.br*).

IV. POLITICAL ECONOMY OF THE 1988-1995 TRADE LIBERALIZATION AND THE PROTECTIONIST BACKLASH AFTER 1995

For a long period after the early 1960s there was no democratic rule in Brazil. A President would be again elected by free popular vote only in 1990. Trade and industrial policies were decided and implemented in a very centralized way. There was, of course, scope for exertion of pressure by the private sector, but the whole exercise was highly constrained by firmly established guidelines on right of establishment of foreign direct investment, market-sharing agreements and compulsory association of foreign capital, domestic firms and public-owned enterprises. Given the highly discretionary nature of trade and industrial policy it is reasonable to speak of only a slightly modified economic strategy if compared with earlier years: it was still of the pick the winner type (subsidized credits, tariff exemptions, import licenses, export subsidies), even if with more macroeconomic responsibility and less anti-export bias.

The domestic and external constraints to a continued adoption of an economic strategy based on ISI have been considered in section 1. Economic stagnation, developments in the GATT and closer links with Argentina, however important, are not sufficient conditions to explain why trade liberalization became one of the most important policies of the new administration in 1990 and it was possible to curb the resistance of the strongly entrenched protectionist interests. That President Collor was forced to resign in 1992 to avoid being impeached for corruption should not obscure the fact that its election in 1989 resulted in important modernizing changes in Brazilian traditional economic policies based in massive state intervention and protection. Significant trade liberalization, as mentioned, was accompanied by other structural reforms, such as the privatization of public-owned assets.

The political economy of this trade liberalization episode relied heavily on the nature of the 1989 direct presidential election. The victory of a barely-known populist candidate from the Northeast against the political establishment - both of conservatives, who had supported the military in power, and the conventional opposition that had opposed it - was a political earthquake. Perhaps most important, the candidates that represented or could have represented either industrialists or trade unions in favor of continued protection against imports were defeated.[21] The populist message that propped the victorious campaign relied heavily on a curb to the abuses linked to government intervention so that trade liberalization was only a part of a more comprehensive liberalization program.

Significant trade liberalization in Brazil between 1988 and 1994 was followed by a backlash after 1994 as trade liberalization was at least temporarily reversed in some sectors. This was after the balance of payments shock following the Mexican crisis in the end of 1994. At the more obvious level of analysis it is clear that political clout was very unevenly distributed among different industrial sectors affected by trade liberalization and this explains the different response to the tensions related to previous fast trade liberalization. The political climate surrounding the 1994 election was certainly less mercurial than that of 1989 and the two main candidates in the field came from São Paulo, both with long-established records of opposition to military rule. The direct or potential links of their parties with established interests of import-substituting industries

[21] Most ISI investments had been traditionally concentrated in Southeast Brazil and especially in the state of São Paulo.

were well known. There was a clear mobilization of senior politicians representing São Paulo in the government coalition. The sharpest reversal of former policy involved a special regime for the automotive industry that raised effective tariff levels from 27.5% to 113.8% between 1994 and 1995 and to a peak 217.5% in 1996. The average effective tariff rate for all sectors also increased from 13.6% in 1994 to 17.1% in 1995 and 18.7% in 1999 (see Tables 3 and A.2B).

In the wake of successive macroeconomic crises in Argentina and Brazil the arrangements settled in 1994 in the Treaty of Ouro Preto were changed in several occasions after 1995. This affected both the list of national exceptions to the Mercosur CET and the list included in the Regime of Final Adjustment to the CET that contained sensitive products excluded from duty free treatment. The growing resistance of Mercosur partners to the increase in their tariffs on capital goods that were agreed in 1994 led to widespread exceptions to the CET and tended to serve as justification for Brazil's lack of commitment to the long-term convergence process agreed in the launching of Mercosur.

Reversal of liberalization leading to a special automotive regime started with an increase of nominal protection on automobiles from 20% in late 1994 to 70% by mid-1995. It was followed by the imposition of import quotas based on article XVIII:B of GATT 1994. After this decision failed to be approved in Geneva, a special regime was introduced allowing significant import duty rebates on vehicles and capital goods imported by firms installed in Brazil provided those firms met certain export requirements and a minimum nationalization index. Import duties on components were sharply reduced, further amplifying the impact on the level of effective tariffs. WTO-legality hinged on Brazilian free riding of the Argentinean automotive policies that had been grandfathered when the WTO was created. The alleged justification for such measures was the target of reaching equilibrium in the trade balance at the firm level, a clear lapse into interventionist policies that were similar to those typical of the 1950s or the 1970s. Incredibly enough, this rather mercantilist balance of payments accounting even failed to take into account inter-industrial relations and the proposed exercise to evaluate "import content" was wholly based on value of production rather than in value added criteria. A tariff-quota was created to appease suppliers deemed to be insufficiently contemplated by the special regime to qualify to subsidies related to export performance, as they had no domestic production.[22]

Reversal of trade liberalization was not limited to the automotive industry, the classical example of sector with clout to protect its interests. In the case of agricultural products, sugar processing, steel and other metallurgical products, chemical and pharmaceutical products, cellulose and paper products, and textiles there was a much more limited temporary reversion of liberalization as measured by tariff levels, although not of import penetration ratios (see Tables 1, 5A and 5B).

Qualitative evidence on the links between the evolution of import penetration and the structure of protection is strong. Protectionist interests are likely to react in a more decisive way when the advance in import penetration has been more significant in the recent past. Concentration in production is likely to be a significant variable to explain the level of protection due to the well-

[22] See de Negri [1999] for a detailed description of the Brazilian "automotive regime".

known arguments related to concentration of interests. Effective tariff variations may have possibly been more relevant than nominal tariff variations.[23]

The literature on the political economy of protection has followed two traditions. One has underlined the importance of narrow industry groups, the "special interests". The other has centered attention on factoral or "class interests". Interindustry factor mobility plays a crucial role in determining whether the effects of trade, and trade policy, on income set in motion a conflict of "special interests", or of "class interests". If factors are mobile between industries, the effects of trade will tend to make owners of different factors of production oppose each other across all industries (capital versus labor, for instance). If factors are immobile, the effects of trade will tend to make owners of the same factor in different industries oppose each other. The higher the heterogeneity of rates of return to factors between different industries, the lower the factor mobility and conversely. This heterogeneity can be measured by coefficients of variation (standard deviation divided by the mean) across industries at given dates: the higher the coefficient of variation, the less mobile are factors.[24]

The political economy of protection in many national experiences has tended more recently to center on conflict between "special interests". This contrasts with "class-based" conflict between organizations - parties, for instance, representing capital and labor - with opposing views on the level of protection that was typical of the end of the 19th century in several developed economies. In the United States, increased factor mobility between 1870 and, say, 1919, led to nearly unanimous support of high tariff by Republicans and opposition by Democrats, during a period in which the political economy of protection was clearly factor-, or class-based. Such degrees of class cohesion were unheard of before 1870 and after 1945 when the opposition of "special interests" was the rule (see Hiscox [2002] Chapter 1). It has been argued that for a large group of developed economies the long-term trend was an increase in factor mobility throughout the whole of the 19th century reaching a maximum in the beginning of the 20th century, followed by a continuous decrease during the 20th century (Hiscox [2002] Chapters 4 to 10). It is possible to show, using data on wages and profits (or similar measures), that the hypothesis of a long-term U-shaped curve for returns on labor and capital is confirmed for the United States, the United Kingdom, Canada and Australia. Results for France and Sweden are less satisfactory.

The use of this methodology for developing economies could in principle be marred by difficulties related to data availability. The hypothesis has also to be adjusted to cope with the technological lags marking ISI in comparison with industrialization in the more mature economies. But for Brazil such difficulties tend to be less important as, as it was seen, the political economy of protection at least up to 1930 has been dominated by the fact that Brazil had market power in the world coffee market. Opposition to the tariff was very much concentrated in the groups which consumed imports but that were not partly compensated by higher export prices, as was the case

---

[23] A separate investigation following the lines of the standard literature on the United States and other developed economies seems worthwhile. The objective would be, using cross-section data on tariff, rather than on non-tariff protection, to analyze the simultaneous determination of protection (tariff level) and import penetration. See Ray [1981], Trefler [1993], and Goldberger and Maggi [1999]. There is work on endogenous protection in Mercosur such as Olarreaga and Soloaga [1998] also relevant in this context.

[24] Polar cases on assumptions on factor mobility are the Stolper-Samuelson (perfectly mobile) and Ricardo-Viner (factor specific) trade models. See Hiscox [2002], Chapter 1.

of coffee growers. This included both exporters of commodities other than coffee and the urban middle class. In the case of Brazil, interest should be thus concentrated mainly on what is likely to be the period of decreasing factor mobility.

Table 7 and Figures 1 and 2 show the coefficients of variation for the Brazilian industry 1919-2000 for two proxies of factor return by sector: average wage and profit per worker. Census data are available for 1919-1985. For 1990-2000, the source is an increasingly more comprehensive yearly industrial survey. There was thus a methodological break between 1985 and 1990. The computed coefficients of variation are well in line with what was expected. Those for average wages are roughly increasing since 1919 with the exception of the 1985-1990 break. U-shaped Hiscox-type results are also obtained for profits per worker with a declining specificity in the use of capital until 1949 being reversed afterwards. But the data on profits per worker were obtained residually by deducting wages paid and inputs bought from values of production. The quality of data on wages is better. Evidence on the increasing specificity of factor use in the industrial sectors after 1949 is an indication of the increasing importance of narrow industry-based coalitions in the political economy of protection.

TABLE 7
BRAZIL: COEFFICIENTS OF VARIATION OF AVERAGE WAGES AND PROFITS PER WORKER IN INDUSTRIAL SECTORS, 1919-2000*

	Average wage				Profits per worker			
	CV-9	CV-19	CV-22	CV-22	CV-9	CV-19	CV-22	CV-22
	Census	Census	Census	Industrial survey	Census	Census	Census	Industrial survey
1919	0.157				1.778			
1939	0.179	0.225			0.533	0.627		
1949		0.235	0.254			0.480	0.478	
1959			0.234				0.512	
1970			0.325				0.631	
1975			0.301				0.760	
1980			0.342				0.776	
1985			0.516				0.975	
1990				0.324				0.644
1995				0.394				0.581
2000				0.488				0.953

Notes: * CV-9 refers to nine sectors defined in the 1919 Census, CV-19 to the nineteen sectors defined in the 1939 Census and CV-22 to the twenty two sectors defined in the 1949 Census.

Sources: IBGE [1990] and *Pesquisa Industrial Anual* in the IBGE site.

Hiscox used records of U.S. Congressional votes on trade bills to characterize the degree of cohesion of votes according to party lines. This exercise is unfortunately impossible for most developing economies due to the lack of continuity of democratic rule and also to the much weaker role of parliament in the definition of trade policies. To a large extent, even during periods of full democratic rule Congress just rubber-stamped the results of international negotiations undertaken by the Executive branch.

FIGURE 1
BRAZIL: COEFFICIENTS OF VARIATION OF AVERAGE WAGES IN INDUSTRIAL SECTORS, 1919-2000

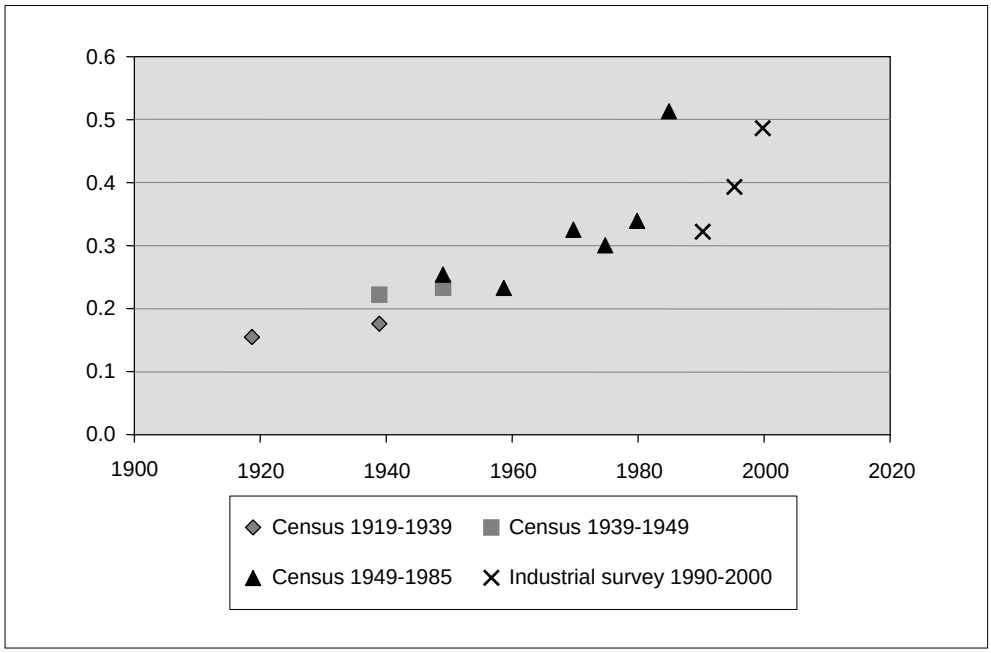
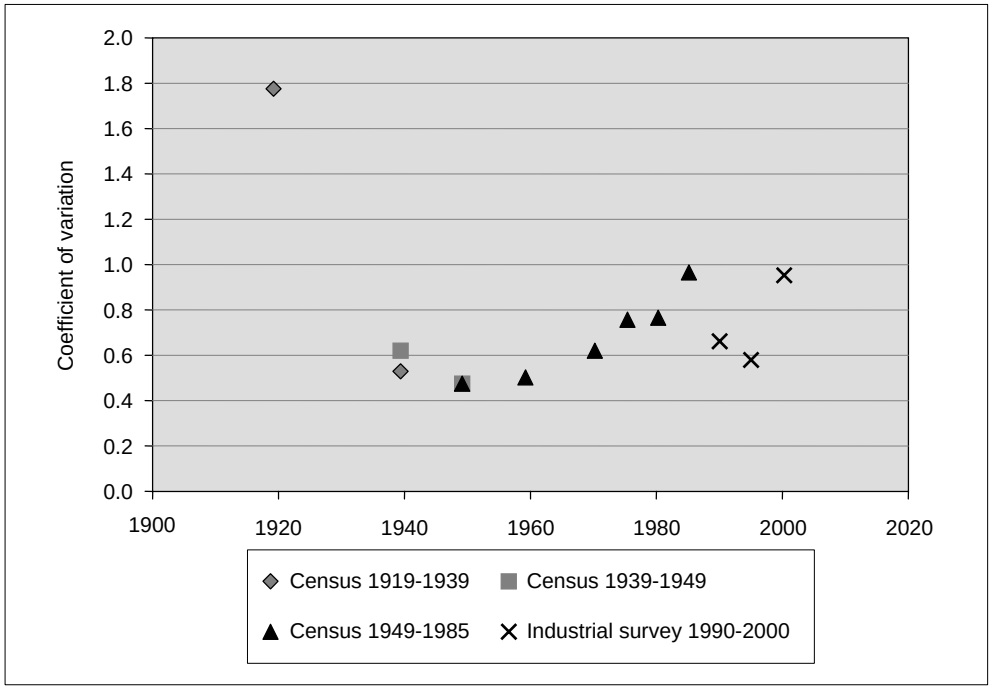


FIGURE 2
BRAZIL: COEFFICIENTS OF VARIATION OF PROFITS PER WORKER IN INDUSTRIAL SECTORS, 1919-2000



Even with the return of democratic rule in the second half of the 1980s, the government has proved to be a poor representative of interests not directly represented, or simply not represented, in the decision-making process related to trade and industrial policies. The idea that policy decision-making should be organized on a sector by sector basis in specialized "chambers" (*câmaras setoriais*) was wrapped in a simplistic reasoning which purported to underline the virtues of "democracy" and of negotiation. In their golden age these chambers involved representation of governmental agencies, domestic producers and trade unions on a sectoral basis. This was deemed to be the preferred institutional arrangement to negotiate prices, wages, trade and industrial policies. From the level of public debate it cannot be said that there was substantial improvement in relation to the very obscure decision-making processes adopted until the mid-1980s. The difference in relation to the past, of course, in addition to greater apparent transparency was that trade unions were excluded from such negotiations before the mid-1980s. Taxpayers and consumers who were generally those who paid the bill continued to be excluded and were very imperfectly represented by the government. The *câmaras setoriais* were intermittently active in the discussion and definition of industrial and trade policies, especially in relation to the automotive sector, textiles and toys. Their role was significant in the process of reversal of trade liberalization.[25] This arrangement, which was of considerable importance between the late 1980s and mid-1990s, fits well with the evidence on the preponderance of narrow industry-based interests which was discussed previously as resulting from the increased specificity in the use of factors in different industrial sectors.

Brazil as a member of Mercosur has been engaged since 1994 in negotiations on the formation of a Free Trade Area of the Americas to be completed by January 2005. Parallel negotiations with the European Union have been taking place since 1999. Mercosur has, of course, also been involved in the Doha round of multilateral negotiations in the World Trade Organization since the new round was launched in 2001, also to be completed by January 2005. Mercosur has been playing an important role in all these negotiations, especially as a *demandeur* of further liberalization of distortions that affect agricultural products, but also as a *demandeur* of a reform of rules concerning discretionary trade measures, in particular anti-dumping. Symmetrically, Mercosur would be expected to comply with further advance in the implementation of a complex set of issues, mainly involving rules, in relation to which the developed economies are *demandeurs*. This includes, among others, intellectual property, foreign investment, public procurement, services (rules and access) as well as environment and labor standards.

Moreover, the Mercosur common external tariff was seen to be quite high if compared to that of other developing economies, including those in Latin America. It is expected that further reduction of Mercosur applied tariffs on industrial products will also be part of the demands of the more developed economies. In particular, if Mercosur is to press for a significant dismantlement of protection (or related policies) affecting agricultural products, it must be prepared to further open its market for manufactured goods. The third paper in this research program is on the political

[25] See Fritsch and Franco [1993] pp. 18, 33-35 and Anderson [1999]. See also Mello [1997] for a candid view on the links between the *câmaras setoriais* and the special regime for the automotive sector.

economy of protection in Brazil and the United States. It will analyze issues related to different scenarios of reciprocal concessions involving Mercosur in relation to market access for goods in such negotiations and especially how concepts such as reciprocity and balanced concessions should be interpreted in the regional context. It will also evaluate the political geography of interests in favor and against trade liberalization in the United States and in Brazil in the context of FTAA negotiations.

STATISTICAL APPENDIX

TABLE A.1A
BRAZIL: TARIFFS BY SECTOR, 1987-1993
(Percentages)

Sector	1987	1988	1989	1990	1991	1992	1993
Agricultural products	43.0	17	6	5.9	5.1	3.9	3.5
Mining products	22	19.7	9.9	9.6	5.1	1.7	1.7
Oil and coal extraction	15.6	5.6	1.9	3.3	1.7	0.6	0
Non-metallic minerals	63.8	39.2	32.3	31.5	19.6	11.8	10.7
Steel products	29.9	29	15.4	14.5	10.3	7	5.8
Non-ferrous metals	35	30.6	18.4	17.6	13	8.2	7.4
Other metallurgical products	60.8	45.8	34	34.8	27.6	19.9	16.3
Machinery and tractors	49	46.8	38.8	37.2	28.5	20.2	19.1
Electrical equipment	65.4	50	41.2	44.1	35.2	23.5	18.8
Electronic equipment	54.1	48.6	39.4	40.6	35.2	24.3	20.7
Automobiles, trucks and buses	92.6	65	65	78.7	58.7	39	34
Parts, components and other vehicles	61.7	42.8	38	37.4	29.9	20.8	17.9
Wood products and furniture	50	30.3	25.8	25.4	16.4	9.8	9.5
Cellulose, paper and printing	59.5	32.1	24.3	23.6	13.4	9.5	9.3
Rubber products	82	49.3	47.6	46.6	34.8	20.6	14.9
Chemical elements	63	31.4	26.1	24.8	18.4	14.2	12.4
Oil refining	31.6	33.8	21.2	19.4	14.1	9.9	9.5
Chemical products	25.4	34.7	26	21.8	16.6	11.9	12.2
Pharmaceutical and perfumery products	72.3	45.3	34.4	31.5	20.8	13.8	12.8
Plastic products	56.6	57.1	39.5	39	31.2	19.2	16.8
Textile products	87.4	57.3	53.3	31.8	30.6	20.9	15.6
Apparel	102.7	76	75	51.1	48.3	29.3	20
Footwear	74.1	41	35.8	29.6	24.8	16	14.2
Coffee industry	69.1	35	28.9	28.9	20	14.4	12.2
Processing of vegetal products	70.3	42	34.6	34.6	28.1	12.8	10.6
Meatpacking	43.7	29.8	20.7	19.7	16	10	9.9
Dairy industry	69.2	40.3	32.7	32.7	27.5	20.9	20
Sugar	77.5	29.3	25.7	25.7	20.4	20	20
Vegetal products	48.5	20.5	16.6	16.6	9.6	8.9	8.9
Other food products	73.8	51.8	45	45	38.9	22.3	17
Other industries	53.2	49.1	42.1	41.6	33.2	21.1	16.4
Simple average	57.5	39.6	32.1	30.5	23.6	15.7	13.5
Average weighted by value added	54.9	37.7	29.4	27.2	20.9	14.1	12.5
Mean deviation	21.3	14.6	15.8	14.9	12.7	8.2	6.7

Source: Kume, Piani and Souza [2000]. Simple averages for each sector.

TABLE A.1B
BRAZIL: TARIFFS BY SECTOR, 1994-2002
(Percentages)

Sector	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agricultural products	0.2	7.4	7.3	9.9	9.9	9.8	n.a.	n.a.	n.a.
Mining products	1.5	2.8	3.7	6.5	6.4	6.2	6.1	5.8	4.9
Oil and coal extraction	0	0	0	0	0	-	0.0	0.0	0.0
Non-metallic minerals	9.2	10.2	10.5	13.7	13.6	13.5	13.5	13.2	12.1
Steel products	6.3	7.1	7.8	10.2	10.2	10.1	10.2	9.9	9.0
Non-ferrous metals	7.6	8.9	8.8	11.7	11.7	11.7	11.7	11.3	10.4
Other metallurgical products	14.3	15.8	15.9	18.9	18.9	18.8	18.8	18.4	17.4
Machinery and tractors	19	16.5	15.5	17.8	17.7	16.9	16.2	15.7	14.3
Electrical equipment	18.4	21.3	17.2	19.8	19.5	19.0	19.0	18.6	17.3
Electronic equipment	19	19.3	15.6	17.9	17.4	16.6	15.8	14.7	12.4
Automobiles, trucks and buses	19.9	41	52.4	47.1	38.1	30.3	30.3	30.2	29.9
Parts, components and other vehicles	17.4	17.9	16.1	18.7	18.5	17.9	17.8	17.5	16.3
Wood products and furniture	8.8	10.7	11	14	14	14.0	14.0	13.6	12.6
Cellulose, paper and printing	8.3	9.8	10.3	14.2	14.2	14.2	14.2	13.8	12.5
Rubber products	12.1	12.6	12.5	15	14.8	14.8	14.8	14.5	13.5
Chemical elements	8.5	7.6	6.5	16.7	21.1	20.2	17.0	15.9	12.7
Oil refining	5.2	3.8	4.1	5.4	5.4	5.4	9.6	9.3	8.5
Chemical products	7.1	7.6	7.8	10.9	10.9	10.8	9.3	9.0	8.0
Pharmaceutical and perfumery products	4.6	8	8	10.7	10.8	10.6	10.6	10.3	9.4
Plastic products	15.7	15.3	15.2	18.1	18.2	17.4	17.4	17.1	16.1
Textile products	13.2	14.9	16.3	19.4	19.4	19.4	17.8	17.5	16.5
Apparel	19.4	19.8	19.8	22.8	22.8	22.8	22.7	22.4	21.4
Footwear	13.2	17.9	15.3	18	17.2	16.8	16.8	16.2	14.5
Coffee industry	9.8	10	12	15	15	15.6	n.a.	n.a.	n.a.
Processing of vegetal products	10	12.1	12	14.8	14.8	14.7	14.6	14.3	13.3
Meatpacking	7.3	8.4	9.2	12.2	12.2	12.2	12.4	12.1	11.1
Dairy industry	23.5	18.1	18.9	21.1	23	22.0	22.2	21.9	20.8
Sugar	10.1	16	16	19	19	19.0	n.a.	n.a.	n.a.
Vegetal products	8	8.3	8.4	11.4	11.5	11.8	12.0	11.6	10.6
Other food products	13	14.6	15.1	18	17.9	17.9	20.5	20.2	19.3
Other industries	14.4	13.5	13.5	16.3	16.4	15.6	15.6	15.3	14.3
Simple average	11.2	12.8	13	15.6	15.5	15.0	15.0	14.7	13.5
Average weighted by value added	10.2	10.8	10.8	13.4	13.4	13.2	n.a.	n.a.	n.a.
Mean deviation	5.9	7.4	8.7	7.6	6.6	5.7	n.a.	n.a.	n.a.

Source: Kume, Piani and Souza [2000]. Simple averages for each sector.

TABLE A.2A
BRAZIL: EFFECTIVE TARIFFS BY SECTOR, 1987-1993
(Percentages)

Sector	1987	1988	1989	1990	1991	1992	1993
Agricultural products	45.8	14.8	2.2	3.0	2.7	2.3	1.9
Mining products	16.9	15.0	4.6	6.3	2.3	0.0	-0.6
Oil and coal extraction	8.3	-2.9	-5.4	-3.4	-4.0	-4.0	-5.0
Non-metallic minerals	81.7	46.2	39.6	38.8	22.6	13.2	12.2
Steel products	30.9	36.3	18.6	15.8	13.0	9.0	8.4
Non-ferrous metallurgy	34.4	28.0	13.4	12.8	9.0	6.0	5.5
Other metallurgical products	88.4	59.2	47.6	51.0	40.8	30.7	23.5
Machinery and tractors	47.5	50.2	44.0	41.5	31.3	22.1	21.7
Electrical equipment	88.5	61.6	55.6	62.5	50.6	32.1	24.8
Electronic equipment	55.4	51.2	42.5	44.2	41.4	27.6	23.5
Automobiles, trucks and buses	308.1	201.3	244.3	351.1	198.3	93.5	76.5
Parts, components and other vehicles	73.3	43.9	45.1	44.6	36.3	24.9	21.3
Wood products and furniture	53.1	28.9	29.1	29.4	17.0	9.5	9.8
Cellulose, paper and printing	65.5	30.1	23.0	22.6	11.1	8.0	8.2
Rubber products	122.4	58.5	67.1	70.2	49.8	26.0	16.9
Chemical elements	72.7	30.9	26.6	25.2	18.6	14.6	12.6
Oil refining	62.9	70.0	42.3	38.5	26.8	15.7	12.7
Chemical products	12.3	44.9	33.9	29.4	21.5	14.9	16.4
Pharmaceutical and perfumery products	91.7	51.8	39.8	35.8	23.0	14.8	13.6
Plastic products	31.4	72.1	49.5	50.7	41.4	24.2	20.2
Textile products	123.1	83.9	85.7	49.2	50.9	31.4	21.3
Apparel	117.2	94.3	95.5	67.0	63.1	36.6	23.7
Footwear	96.9	39.8	38.5	28.8	25.6	16.5	15.0
Coffee industry	73.7	36.2	30.2	30.6	20.9	15.3	12.8
Processing of vegetal products	121.6	86.0	79.7	80.6	64.1	19.1	16.1
Meat packing	43.6	29.6	20.3	19.4	15.8	9.8	9.9
Dairy industry	74.1	41.6	34.8	35.0	29.8	22.9	21.7
Sugar	83.8	24.8	22.2	23.9	18.8	20.6	21.3
Vegetal products	82.3	24.1	19.5	20.7	5.2	7.6	8.0
Other food products	118.9	98.5	94.2	94.5	82.8	36.5	25.3
Other industries	64.8	64.0	58.2	58.9	47.3	27.9	19.1
Simple average	77.1	52.1	46.5	47.7	34.8	20.3	16.7
Average weighted by value added	67.8	46.8	38.8	37.0	28.6	17.7	15.2
Mean deviation	53.8	36.6	44.5	60.6	36.5	17.2	13.5

Source: Kume, Piani and Souza [2000].

TABLE A.2B
BRAZIL: EFFECTIVE TARIFFS BY SECTOR, 1994-1999
(Percentages)

Sector	1994	1995	1996	1997	1998	1999
Agricultural products	2.4	7.6	7.4	9.9	9.9	9.8
Mining products	-0.1	0.1	1.3	4.4	4.2	4.1
Oil and coal extraction	-4.9	-2.4	-1.8	-2.2	-2.2	-2.2
Non-metallic minerals	10.5	11.5	11.9	15.5	15.4	15.3
Steel products	8.8	9.1	11.2	14.3	14.2	14.3
Non-ferrous metallurgy	7.5	9.2	8.8	11.8	11.9	12.0
Other metallurgical products	19.7	22.0	21.5	24.7	24.8	24.8
Machinery and tractors	22.4	18.0	16.7	18.6	18.6	17.5
Electrical equipment	25.8	31.3	22.7	25.0	24.5	23.8
Electronic equipment	21.7	21.5	16.4	18.5	17.9	16.8
Automobiles, trucks and buses	27.7	113.8	217.5	177.0	129.2	89.1
Parts, components and other vehicles	21.8	21.8	18.4	20.8	20.5	19.5
Wood products and furniture	10.0	11.6	11.9	15.1	15.1	15.2
Cellulose, paper and printing	8.1	9.7	10.4	14.7	14.7	14.8
Rubber products	15.2	14.9	14.0	16.3	16.0	16.1
Chemical elements	8.7	6.9	5.4	18.3	24.2	23.0
Oil refining	7.1	3.4	4.3	5.6	5.7	5.7
Chemical products	9.2	9.2	9.1	12.5	12.5	12.3
Pharmaceutical and perfumery products	3.0	7.5	7.3	10.0	10.0	9.8
Plastic products	23.3	21.2	19.1	21.9	21.9	20.7
Textile products	20.9	21.9	21.8	24.9	24.9	25.0
Apparel	24.5	23.6	23.1	26.1	26.1	26.1
Footwear	15.9	23.9	18.2	20.8	19.4	18.8
Coffee industry	10.1	10.2	12.4	15.4	15.4	16.1
Processing of vegetal products	17.5	16.4	17.8	20.9	20.8	20.8
Meat packing	7.3	8.3	9.2	12.2	12.1	12.2
Dairy industry	24.8	18.6	19.9	22.1	24.4	23.3
Sugar	9.5	16.7	16.8	19.9	19.9	20.0
Vegetal products	8.5	8.0	8.3	11.6	12.0	12.7
Other food products	19.2	20.3	21.6	24.3	24.1	24.1
Other industries	16.9	15.3	15.0	17.9	17.9	16.9
Simple average	13.6	17.1	19.9	21.6	20.2	18.7
Average weighted by value added	12.3	10.4	14.3	16.6	16.2	15.4
Mean deviation	8.4	19.5	37.2	29.6	21.3	14.6

Source: Kume, Piani and Souza [2000].

TABLE A.3
ARGENTINA: MFN TARIFFS, APRIL 1991 AND DECEMBER 1991

	April 1991	December 1991
Raw hides and skins	12.1	13.9
Rubber	9.1	11.9
Wood and cork	11.5	13.4
Pulp, paper and paperboard	7.3	10.4
Textiles	17.9	18.7
Mineral products and fertilizers	6.7	10.0
Precious stones & precious metals	10.7	13.0
Ores and metals	10.7	12.9
Coal, petroleum & natural gas	1.9	6.4
Chemicals	3.6	7.7
Non-electric machinery	15.4	16.9
Electrical machines and apparatus	10.1	12.8
Transport equipment	10.6	13.2
Scient. instr., phot. & opt. Goods, clocks and watches	12.1	14.3
Footwear and travel goods	22.0	22.0
Photographic and cinematographic supplies	4.6	8.4
Furniture	19.6	20.0
Musical instruments, sound recording and reproduction apparatus	12.9	15.3
Toys	13.4	15.0
Works of art	0.0	5.0
Firearms, ammunition	19.7	20.2
Office and stationery supplies	16.9	17.8
Manufactures, n.e.s.	14.9	16.4
Foodstuffs	1.4	6.0
Grains	0.0	5.0
Animals and products thereof	1.2	5.8
Oilseeds, fats and oils	0.0	5.0
Cut flowers, plants, veg. materials	0.0	5.0
Beverages and spirits	10.6	12.9
Dairy products	0.0	5.0
Fish, shell fish and products	5.4	9.0
Tobacco	9.7	12.1
Other agric. Products, animal origin	0.0	5.0
Other agric. Products, veg. origin	0.0	5.0
Total	9.5	12.2

Source: GATT [1992a] p. 147.

TABLE A.4
ARGENTINA: MFN TARIFFS BY SITC CATEGORY, 1998 AND 2006

	1998	2006
Agriculture, hunting, forestry and fishing	9.5	7.1
Mining and quarrying	6.1	3.3
Manufacturing	13.8	11.4
Food, beverages and tobacco	14.5	11.6
Textile, wearing apparel and leather industries	20.2	17.0
Wood and wood products including furniture	14.4	10.6
Paper, paper products, printing and publishing	15.1	10.8
Chemicals, petroleum, coal, rubber and plastics	10.6	8.1
Non-metallic mineral products except petrol and coal	13.6	10.8
Basic metal industries	13.6	9.8
Fabricated metal products, mach. & equipment	14.6	13.0
Other manufacturing industries	19.7	16.5
Total	13.5	11.1

Source: WTO [1999] pp. 166-169.

TABLE A.5
ARGENTINA: AVERAGE TARIFFS, 1991, 1993 AND 1997

	November 1991	October 1993	September 1997
Total	19	17	14
Non-durable consumer goods	25	30	23
Durable consumer goods	23	20	19
Intermediate goods	16	19	14
Machinery	21	10	14
Transportation equipment	26	9	19

Source: Berlinski [1998], Tables V.6 and V.7.

BIBLIOGRAPHY

ABREU, MARCELO DE PAIVA. "The political economy of high protection in Brazil before 1987", (mimeo). Inter-American Development Bank, Washington, D.C. 2004.

_____ . "Basis for future competitiveness in Latin America and the Caribbean: trade agreements and FDI attraction", in Joaquín Vial and Peter Cornelius (eds.), *The Latin American Competitiveness Report 2001-2002*. New york and Oxford: Oxford University Press. 2002.

_____ . "O Brasil, o GATT e a OMC: história e perspectivas", *Política Externa*, Vol. 9, N° 4., 2001.

ANDERSON, PATRÍCIA. "Câmaras setoriais: histórico e acordos firmados", *Texto para Discussão* 667. Rio de Janeiro: IPEA. 1999.

AZEVEDO, A.F.Z. AND MARCELO PORTUGAL. "Abertura comercial brasileira e instabilidade da demanda por importações", *Nova Economia* 8 (1), pp. 37-63. 1998.

BANCO CENTRAL DO BRASIL. *Censo de Capitais Estrangeiros* (*http://www.bcb.gov.br*).

BATISTA, PAULO NOGUEIRA. "A política externa do governo Collor: modernização ou retrocesso?", *Política Externa*, 1 (4). March-May 1993.

BERLINSKI, JULIO. "El sistema de incentivos en Argentina (De la liberalización unilateral al Mercosur)", *Documentos de Trabajo* 217. Instituto Torcuato di Tella, Centro de Investigaciones Económicas, Buenos Aires. 1998.

DE NEGRI, JOÃO. "O custo de bem estar do regime automotivo brasileiro", *Pesquisa e Planejamento Econômico*, 29 (2). August, 1999.

CARNEIRO, DIONISIO D. AND ROGÉRIO L.F. WERNECK. "Obstacles to investment resumption in Brazil", in Edmar L. Bacha (ed.), *Savings and Investment Requirements for Resumption of Growth in Latin America*. Washington, D.C.: Inter-American Development Bank. 1993.

FRITSCH, WINSTON AND GUSTAVO FRANCO. "The political economy of trade and industrial policy reform in Brazil in the 1990s", *Serie Reformas de Política Pública* 6. Santiago: CEPAL. 1993.

GENERAL AGREEMENT ON TARIFFS AND TRADE - GATT. Trade Policy Review. *Argentina 1992*, Vol. I, Geneva, 1992a.

_____ . Trade Policy Review. *Argentina 1992*, Vol. II, Geneva. 1992b.

_____ . Trade Policy Review. *Brazil 1992*, Geneva. 1993.

_____ . Trade Policy Review. *Colombia 1990*, Geneva. 1990.

GOLDBERGER, PENELOPI AND GIOVANNI MAGGI. "Protection for sale: an empirical investigation", *American Economic Review* 89 (5), pp. 1135-1155. December, 1999.

GONZAGA, GUSTAVO M. "Efectos de la apertura sobre el empleo industrial en Brasil", in Mauricio Cárdenas (ed.), *Empleo y distribución del ingreso en America Latina*. Bogotá: TM Editores, 1997.

HAY, DONALD. "The post-1990 Brazilian trade liberalization and the performance of large manufacturing firms: productivity, market share and profits", *Texto para Discussão* 523. IPE, Rio de Janeiro. 1997.

Hemispheric Trade and Tariff Data Base for Market Access (*http://www.ftaa-alca.org*).

HISCOX, MICHAEL J. *International and Political Conflict. Commerce, Coalitions, and Mobility*. Princeton: Princeton University Press. 2002.

INSTITUTO BRASILEIRO DE GEOGRAFIA E ESTATÍSTICA - IBGE. *Contas Nacionais, número 10, Sistema de Contas Nacionais do Brasil, 2000-20002*. IBGE, Rio de Janeiro. 2003.

_____ . *Estatísticas históricas do Brasil. Séries econômicas, demográficas e sociais*, 2nd edition. IBGE, Rio de Janeiro. 1990.

_____ . *IBGE data base*, Sistema Nacional de Pesquisa de Custos e Índices da Construção Civil, SIDRA (*http://www.ibge.gov.br*).

_____ . *Pesquisa Industrial Anual*. Several years.

KUME, HONÓRIO. "A política tarifária brasileira no período 1980-1988: avaliação e reforma", (mimeo), EPICO 17. IPEA, Rio de Janeiro. 1990.

KUME, HONÓRIO; GUIDA PIANI AND CARLOS FREDERICO B. DE SOUZA. "A política brasileira de importação no período 1987-98: descrição e avaliação", (mimeo). IPEA, Rio de Janeiro. 2000.

LÓPEZ-CORDOVA, ERNESTO AND MAURÍCIO MESQUITA MOREIRA. "Regional integration and productivity: the experiences of Brazil and Mexico", in Antoni Estevadeordal, Dani Rodrik, Alan Taylor and Andres Velasco (eds.), *Integrating the Americas: FTAA and Beyond*. Cambridge: Harvard University Press. 2004.

LOYO, EDUARDO HENRIQUE DE MELLO MOTTA. "A inflação incerta e os preços reais das compras públicas", M.A. dissertation, Department of Economics, Catholic University of Rio de Janeiro. 1994.

MARKWALD, RICARDO. "O impacto da abertura comercial sobre a indústria brasileira: balanço de uma década", *Revista Brasileira de Comércio Exterior*, 68. July-September, 2001.

MELLER, PATRICIO. "Economia politica de la apertura comercial chilena", CEPAL, *Serie Reformas de Política Pública* 5. Santiago: CEPAL. 1993.

MELLO, ANTÔNIO SÉRGIO MARTINS. "As novas bases políticas da indústria automotiva", *Gazeta Mercantil*. January 23, 1997.

MOREIRA, MAURÍCIO MESQUITA AND SHEILA NAJBERG. "Trade liberalization in Brazil: creating or exporting jobs?", *Journal of Development Studies*, 36 (3), pp. 78-99. February, 2000.

MOREIRA, MAURÍCIO MESQUITA AND FERNANDO PIMENTEL PUGA. "Coeficientes de comércio em 2000: o desafio externo", *Nota Técnica AP/DEPEC*, 4/2001, May 24, 2001. BNDES, Rio de Janeiro. 2001.

MUENDLER, MARC-ANDREAS. "Trade liberalization and the wage gap in Brazil", (mimeo). University of California, Berkeley. 2000.

_____ . "Trade, technology, and productivity: a study of Brazilian manufacturers, 1986-1998", (mimeo). University of California, Berkeley. 2002.

OCAMPO, JOSÉ ANTONIO. "Economia y economia política de la reforma comercial colombiana", CEPAL, *Serie Reformas de Política Pública* 1. Santiago: CEPAL. 1993.

OLARREAGA, MARCELO AND ISIDRO SOLOAGA. "Endogenous tariff formation: the case for Mercosur", *The World Bank Economic Review* 12 (2), pp. 297-320. May, 1998.

OXLEY, ALAN. *The Challenge of Free Trade*. Harvester Wheatsheaf, Hemel Hempstead. 1990.

PAVCNIK, NINA; ANDREAS BLOM; PINELOPI GOLDBERG AND NORBERT SCHADY. "Trade liberalization and labor market adjustment in Brazil", (mimeo). October, 2002.

RAY, EDWARD J. "Tariffs and nontariff barriers to trade in the United States and abroad", *Review of Economics and Statistics* 63, pp. 161-168. May, 1981.

REIS, EUSTÁQUIO; FERNANDO BLANCO COSSIO; JOÃO VICTOR ISSLER; KÁTIA CYLENE AND LUCILENE MORANDI. "Evidências macroeconômicas dos determinantes da poupança no Brasil, 1975-95", Report prepared for the research project *Determinantes del ahorro interno en America Latina*, Inter-American Development Bank. June, 1996.

REIS, EUSTÁQUIO; FERNANDO BLANCO COSSIO; LUCILENE MORANDI; MÉRIDA MEDINA AND MARCELO ABREU. "O Século XX nas contas nacionais", in *Estatísticas do século XX*. Rio de Janeiro: IBGE. 2003.

RICUPERO, RUBENS. "A Rodada Uruguai e o futuro do sistema multilateral de comércio", (mimeo), V Fórum Nacional, Painel V, Novo modelo: estratégias para a nova inserção internacional do Brasil, São Paulo. May 3-6. 1993.

ROS, JAIME. "La reforma del régimen comercial en México durante los años ochenta: sus efectos económicos y dimensiones políticas", CEPAL, *Serie Reformas de Política Pública* 4. Santiago: CEPAL. 1993.

ROSSI JUNIOR, JOSÉ LUIS AND PEDRO CAVALCANTI FERREIRA. "Evolução da produtividade industrial brasileira e abertura comercial", *Pesquisa e Planejamento Econômico* 19 (1). 1999.

TALLMAN, ELLIS W. AND PING WANG. "Money demand and the relative price of capital goods in hyperinflations", *Journal of Monetary Economics* 36, pp. 375-404. 1995.

TREFLER, DANIEL. "Trade liberalization and the theory of endogenous protection: an econometric study of U.S. import policy", *Journal of Political Economy*, 101 (1). 1993.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT - UNCTAD. *World Investment Report 2000 Cross-border Mergers and Acquisitions and Development*, United Nations. New York and Geneva. 2000.

WORLD TRADE ORGANIZATION - WTO. *Trade Policy Review Brazil 2000*. Geneva. 2000.

_____ . *Trade Policy Review Argentina 1999*. Geneva. 1999.

_____ . *Trade Policy Review Mexico 1997*. Geneva. 1998.

_____ . *Trade Policy Review Brazil 1996*. Geneva. 1997a.

_____ . *Trade Policy Review Chile 1997*. Geneva. 1997b.

_____ . *Trade Policy Review Colombia 1996*. Geneva. 1997c.

Contents

INTAL PUBLICATIONS

REGULAR PUBLICATIONS

Integration & Trade. Two journal issues (English and Spanish) by subscription or individual issue purchase.

INTAL Monthly Newsletter (English, Portuguese and Spanish - Internet).

SUB-REGIONAL INTEGRATION REPORTS

ANDEAN Report. Annual publication (Spanish). English version: Internet.

CARICOM Report. Annual publication (English).

CENTRAL AMERICAN Report. Annual publication (Spanish). English version: Internet.

MERCOSUR Report. Annual publication (English, Portuguese and Spanish).

SPECIAL REPORTS

Tributación en el MERCOSUR: Evolución, comparación y posibilidades de coordinación (Spanish). Alberto Barreix and Luiz Villela. 2003.

MERCOSUR: Impacto Fiscal de la Integración Económica (Spanish and Portuguese). Luiz Villela, Alberto Barreix and Juan José Taccone (eds.). 2003.

Perspectivas y Desafíos del Proceso de Integración Argentino-Chileno a Diez Años del ACE 16 (Spanish). 2002.

América Latina a principios del Siglo XXI: Integración, Identidad y Globalización. Actitudes y expectativas de las elites latinoamericanas. Spanish (Internet).

INTAL: 35 años de Compromiso con la Integración Regional. Spanish.

Impacto del TLCAN en las exportaciones de prendas de vestir de los países de América Central y República Dominicana. Spanish (Internet).

El impacto sectorial de la integración en el MERCOSUR (Spanish and Portuguese). Juan José Taccone

and Luis Jorge Garay (Eds.) 1999.

Integración en el Sector Transporte en el Cono Sur (Spanish):

Transporte Terrestre. José Alex Sant'Anna. 1997.

Puertos y vías navegables. Martín Sgut. 1997.

Los ferrocarriles y su contribución al comercio internacional. Ian Thomson. 1997.

Integración energética en el Cono Sur (Spanish). Mario A. Wiegers. 1996.

WORKING PAPERS

Las relaciones de comercio e inversión entre Colombia y Venezuela (Spanish). Eglé Iturbe de Blanco. INTAL DT-03. 1997.

MERCOSUL e Comércio Agropecuario (Portuguese). Ives Chaloult and Guillermo Hillcoat. INTAL DT-02. 1997.

The Integration Movement in the Caribbean at Crossroads: Towards a New Approach of Integration (English). Uziel Nogueira. INTAL WP-01. 1997.

DISSEMINATION PAPERS

El Tratado de Libre Comercio entre el Istmo Centroamericano y los Estados Unidos de América. Oportunidades, desafíos y riesgos (Spanish). Eduardo Lizano and Anabel González. INTAL DD-09. 2003.

Los países pequeños: Su rol en los procesos de integración (Spanish). Lincoln Bizzozero - Sergio Abreu. INTAL DD-08. 2000.

Capital social y cultura. Claves olvidadas del desarrollo (Spanish). Bernardo Kliksberg. INTAL DD-07. 2000.

La dimensión cultural: base para el desarrollo de América Latina y el Caribe: desde la solidaridad hacia la integración. (Spanish) Alejandra Radl. INTAL DD-06. 2000.

Cómo expandir las exportaciones de los países dentro de una economía globalizada (Spanish). Rubens Lopes Braga. INTAL DD-05. 1999.

Comercio Electrónico: conceptos y reflexiones básicas (Spanish). Gerardo Gariboldi. INTAL DD-04. 1999.

Evolución institucional y jurídica del MERCOSUR (Spanish). Vicente Garnelo. INTAL DD-03. 1998.

Estado de evolución en la elaboración e implementación de las Normas ISO 14.000 y CODEX Alimentarius (Spanish). Laura Berón. INTAL DD-02. 1997.

Integración y democracia en América Latina y el Caribe (Spanish). Alvaro Tirado Mejía. INTAL DD-01. 1997.

DATABASES - SOFTWARE

DATAINTAL (CD-ROM) Sistema de estadísticas de comercio de América

Base INTAL MERCOSUR (BIM)

Base de datos bibliográficos (INTEG)

Directorio de las Relaciones Económicas de América Latina y el Caribe con Asia-Pacífico (CD-ROM)

Instrumentos básicos de integración económica en América Latina y el Caribe. Updated to March, 2003.

Rueda de Negocios

Contents

INTAL/ITD PUBLICATIONS

WORKING PAPERS - SPECIAL INITIATIVE ON TRADE AND INTEGRATION (SITI)

Trade Liberalization and the Political Economy of Protection in Brazil since 1987 (English). Marcelo de Paiva Abreu. INTAL-ITD WP-SITI-08B. 2004.

The Political Economy of High Protection in Brazil before 1987 (English). Marcelo de Paiva Abreu. INTAL-ITD WP-SITI-08A. 2004.

The Food Industry in Brazil and the United States: The Effects of the FTAA on Trade and Investment (English). Paulo F. Azevedo, Fabio R. Chaddad and Elizabeth M.M.Q. Farina. INTAL-ITD WP-SITI-07. 2004.

MERCOSUR: EN BUSCA DE UNA NUEVA AGENDA. Agenda de institucionalización del MERCOSUR: Los desafíos de un proyecto en crisis (Spanish). Pedro da Motta Veiga. INTAL-ITD DT-IECI-06E. 2003.

MERCOSUR: EN BUSCA DE UNA NUEVA AGENDA. La inestabilidad cambiaria en el MERCOSUR: Causas, problemas y posibles soluciones (Spanish). José Luis Machinea. INTAL-ITD DT-IECI-06D. 2003.

MERCOSUR: EN BUSCA DE UNA NUEVA AGENDA. MERCOSUR: Dilemas y alternativas de la agenda comercial (español). Sandra Polónia Rios. INTAL-ITD DT-IECI-06C. 2003.

MERCOSUR: EN BUSCA DE UNA NUEVA AGENDA. La inserción del MERCOSUR al mundo globalizado (Spanish). Juan Ignacio García Pelufo. INTAL-ITD DT-IECI-06B. 2003.

MERCOSUR: EN BUSCA DE UNA NUEVA AGENDA. Informe del relator (Spanish). Andrew Crawley. INTAL-ITD DT-IECI-06A. 2004.

Estudio sobre las condiciones y posibilidades políticas de la integración hemisférica (Spanish).
Adalberto Rodríguez Giavarini. INTAL-ITD DT-IECI-05. 2003.

Agricultural and Trade Policy on Trade Liberalization and Integration via a US-Central American Free Trade Agreement (English). Dale Hathaway. INTAL-ITD WP-SITI-04. 2003.

Agricultural Liberalization in Multilateral and Regional Trade Negotiations (English).
Marcos Sawaya Jank, Ian Fuchsloch and Géraldine Kutas. INTAL-ITD-STA WP-SITI-03. 2003.

Reciprocity in the FTAA: The Roles of Market Access, Institutions and Negotiating Capacity (English).
Julio J. Nogués. INTAL-ITD-STA WP-SITI-02. 2003.

Free Trade Area of the Americas: The Scope of the Negotiations (English and Spanish).
Herminio Blanco M. and Jaime Zabludovsky K. INTAL-ITD-STA WP-SITI-01. 2003.

WORKING PAPERS

Premio INTAL - Segundo Concurso de Ensayos. La coordinación macroeconómica y la cooperación monetaria, sus costos, beneficios y aplicabilidad en acuerdos regionales de integración (Spanish, English and Portuguese).

Mauricio de la Cuba; Diego Winkelried; Igor Barenboim; Louis Bertone; Alejandro Jacobo and James Loveday Laghi. INTAL-ITD DT-17. 2004.

Agricultural Exporters in a Protectionist World: Review and Policy Implications of Barriers Against Mercosur (English). Julio J. Nogués. INTAL-ITD WP-16. 2004.

Rules of Origin in FTAs in Europe and in the Americas: Issues and Implications for the EU-Mercosur Inter-Regional Association Agreement (English). Antoni Estevadeordal and Kati Suominen. INTAL-ITD WP-15. 2004.

Regional Integration and Productivity: The Experiences of Brazil and Mexico (English).
Ernesto López-Córdova and Mauricio Mesquita Moreira. INTAL-ITD-STA WP-14. 2003.

Regional Banks and Regionalism: A New Frontier for Development Financing (English).
Robert Devlin and Lucio Castro. INTAL-ITD-STA WP-13. 2002.

Métodos casuísticos de evaluación de impacto para negociaciones comerciales internacionales (Spanish).
Antonio Bonet Madurga. INTAL-ITD-STA DT-12. 2002.

Las trabas no arancelarias en el comercio bilateral agroalimentario entre Venezuela y Colombia (Spanish). Alejandro Gutiérrez S. INTAL-ITD-STA DT-11. 2002.

The Outlier Sectors: Areas of Non-Free Trade in the North American Free Trade Agreement (English). Eric Miller. INTAL-ITD-STA WP-10. 2002.

A ALCA no limiar do século XXI: Brasil e EUA na negociação comercial hemisférica (Portuguese). Antonio José Ferreira Simões. INTAL-ITD-STA DT-09. 2002.

Metodología para el análisis de regímenes de origen. Aplicación en el caso de las Américas (Spanish). Luis J. Garay S. y Rafael Cornejo. INTAL-ITD-STA DT-08. 2001.

Qué hay de Nuevo en el Nuevo Regionalismo de las Américas? (Spanish). Robert Devlin and Antoni Estevadeordal. INTAL-ITD-STA DT-07. 2001.

What's New in the New Regionalism in the Americas? (English and Spanish). Robert Devlin and Antoni Estevadeordal. INTAL-ITD-STA WP-06. 2001.

The New Regionalism in the Americas: The Case of MERCOSUR. (English). Antoni Estevadeordal, Junichi Goto and Raúl Saez. INTAL-ITD WP-05. 2000.

El ALCA y la OMC: Especulaciones en torno a su interacción (Spanish). Jaime Granados. INTAL-ITD DT-04. 1999.

Negotiating Preferential Market Access: The Case of NAFTA (English). Antoni Estevadeordal. INTAL-ITD WP-03. 1999.

Towards an Evaluation of Regional Integration in Latin America in the 1990s (English). Robert Devlin and Ricardo Ffrench-Davis. INTAL-ITD WP-02. 1998.

Una evaluación de la homogeneidad macroeconómica y del desarrollo de la región centroamericana (Spanish). Florencio Ballestero. INTAL-ITD DT-01. 1998.

OCCASIONAL PAPERS - SPECIAL INITIATIVE ON TRADE AND INTEGRATION (SITI)

El nuevo interregionalismo trasatlántico: La asociación estratégica Unión Europea-América Latina (Spanish). Luis Xavier Grisanti. INTAL-ITD/SOE IECI-DD-04. 2004.

A Key to Hemispheric Integration (English and Spanish). Herminio Blanco M., Jaime Zabludovsky K. and Sergio Gómez Lora. INTAL-ITD OP-SITI-03. 2004.

Una nueva inserción comercial para América Latina (Spanish). Martín Redrado y Hernán Lacunza. INTAL-ITD DD-IECI-02. 2004.

La coordinación y negociación conjunta de los países de la Comunidad Andina en el marco del ALCA y la OMC (Spanish). Victor Rico. INTAL-ITD DD-IECI-01. 2004.

OCCASIONAL PAPERS

Brazil's Trade Liberalization and Growth: Has it Failed? (English). Mauricio Mesquita Moreira. INTAL-ITD OP-24. 2004.

Trinidad and Tobago: Trade Performance and Policy Issues in an Era of Growing Liberalization (English). Anneke Jessen and Christopher Vignoles. INTAL-ITD OP-23. 2004.

The Trade and Cooperation Nexus: How Does Mercosur-EU Process Measure Up? (English). Robert Devlin, Antoni Estevadeordal and Ekaterina Krivonos. INTAL-ITD-STA OP-22. 2003.

Desigualdad regional y gasto público en México (Spanish). Rafael Gamboa and Miguel Messmacher. INTAL-ITD-STA DD-21. 2003.

Zonas Francas y otros regímenes especiales en un contexto de negociaciones comerciales multilaterales y regionales (Spanish). Jaime Granados. INTAL-ITD-STA DD-20. 2003.

The External Dimension of MERCOSUR: Prospects for North-South Integration with the European Union (English). Paolo Giordano. INTAL-ITD-STA OP-19. 2003.

Regional Aspects of Brazil's Trade Policy (English). Eduardo A. Haddad (coord.), Edson P. Domínguez and Fernando S. Perobelli. INTAL-ITD-STA OP-18. 2002.

El proceso de integración Argentina-Brasil en perspectiva: El ciclo cambiario y la relación público-privada en Argentina (Spanish). Ricardo Rozemberg and Gustavo Svarzman. INTAL-ITD-STA DD-17. 2002.

A Study on the Activities of IFIs in the Area of Export Credit Insurance and Export Finance (English). Malcom Stephens and Diana Smallridge. INTAL-ITD-STA OP-16. 2002.

Diseños institucionales y gestión de la política comercial exterior en América Latina (Spanish). Jacint Jordana and Carles Ramió. INTAL-ITD-STA DD-15. 2002.

Mercosul em sua primeira década (1991-2001): Uma avaliação política a partir do Brasil (Portuguese). Paulo Roberto de Almeida. INTAL-ITD-STA DD-14. 2002.

The Trade Policy-Making Process Level One of the Two Level Game: Country Studies in the Western Hemisphere (English and Spanish). INTAL-ITD-STA OP-13. 2002.

Search for a New Partnership in Trade and Investment between Latin America and Asia-Pacific (English). Mikio Kuwayama. INTAL-ITD-STA OP-12. 2001. Spanish version: Internet.

Regional Public Goods in Official Development Assistance (English). Marco Ferroni. INTAL-ITD-STA OP-11. 2001.

Breaking from Isolation: Suriname's Participation in Regional Integration Initiatives (English). Anneke Jessen and Andrew Katona. INTAL-ITD-STA OP-10. 2001.

NAFTA and the Mexican Economy: Analytical Issues and Lessons for the FTAA (English). J. Ernesto López-Córdova. INTAL-ITD-STA OP-09. 2001.

La integración comercial centroamericana: Un marco interpretativo y cursos de acción plausible (Spanish). Jaime Granados. INTAL-ITD DD-08. 2001.

Negotiating Market Access between the European Union and MERCOSUR: Issues and Prospects (English). Antoni Estevadeordal and Ekaterina Krivonos. INTAL-ITD OP-07. 2000.

The Free Trade Area of the Americas and MERCOSUR-European Union Free Trade Processes: Can they Learn from Each Other? (English). Robert Devlin. INTAL-ITD OP-06. 2000.

The FTAA: Some Longer Term Issues (English). Robert Devlin, Antoni Estevadeordal and Luis Jorge Garay. INTAL-ITD OP-05. 1999.

Financial Services in the Trading System: Progress and Prospects (English). Eric Miller. INTAL-ITD OP-04. 1999.

Government Procurement and Free Trade in the Americas (English). Jorge Claro de la Maza and Roberto Camblor. INTAL-ITD OP-03. 1999.

The Caribbean Community: Facing the Challenges of Regional and Global Integration (English). Anneke Jessen and Ennio Rodríguez. INTAL-ITD OP-02. 1999.

ALCA: Un proceso en marcha (Spanish). Nohra Rey de Marulanda. INTAL-ITD DD-01. 1998.

Contents

INT/ITD PUBLICATIONS

WORKING PAPERS

MERCOSUR: Achievements and Challenges. Carlos Sepúlveda and Arturo Vera Aguirre. Working Paper # 222. September 1997 (also available in Spanish).

Transport Infrastructure in Latin America. Arturo Vera Aguirre. Working Paper # 221. July 1997 (also available in Spanish).

Convergence and Divergence Between NAFTA, Chile, and MERCOSUR: Overcoming Dilemmas of North and South American Economic Integration. Raúl A. Hinojosa-Ojeda, Jeffrey D. Lewis and Sherman Robinson. Working Paper # 219. May 1997.

Towards Free Trade in the Western Hemisphere: The FTAA Process and the Technical Support of the Inter-American Development Bank. Enrique V. Iglesias. Working Paper # 217. July 1997 (also available in Spanish)

Economic Integration and Equal Distribution. Willem Molle. Working Paper # 216. May 1997.

What can European Experience Teach Latin America About Integration. L. Alan Winters. Working Paper # 215. May 1997.

Facts, Fallacies and Free Trade: A Note on Linking Trade Integration to Labor Standards. Donald J. Robbins. Working Paper # 214. May 1997.

From Miami to Cartagena: Nine Lessons and Nine Challenges of the FTAA. Robert Devlin and Luis Jorge Garay. Working Paper # 211. July 1996 (also available in Spanish).

Common Market of the Southern Cone: MERCOSUR. Martin Arocena. Working Paper # 204. September 1995 (also available in Spanish).

SPECIAL PUBLICATIONS

Periodic Note on Integration and Trade in the Americas, July 1995; February, August and December 1996; July and December 1997; August and December 1998; February and October 1999; October and December 2000; May 2002; December 2002; December 2003. January 2004 (also available in Spanish and 1997 versions are available in Portuguese).

The Euro and its Effect on the Economy and the Integration of Latin America and the Caribbean. Roberto Zahler. Paper presented at the Seminar "Euro and its International Impact" on occasion of the Annual Meetings of the Boards of Governors. France, March 16, 1999 (also available in Spanish).

Extract from the Bank's 1996 Report on Economic and Social Progress in Latin America, Part II, Chapter 2: Trade Liberalization, 1996 (also available in Spanish).

European Economic and Monetary Union: Recent Progress and Possible Implications for Latin America and the Caribbean. March 1997 (also available in Spanish).

Globalization and Regional Integration: Consequences for Latin America. Speech delivered by Enrique V. Iglesias at the Seminar on "A Critical View of Globality". Mexico City, November 1997 (also available in Spanish).

Protection, Preferential Tariff Elimination and Rules of Origin in the Americas - An Overview. Luis Jorge Garay and Antoni Estevadeordal. June 1995 (also available in Spanish).

The New Face of Regional Integration in Latin America and the Caribbean. Speech delivered by Enrique V. Iglesias at The Annual World Bank Conference on Development in Latin America and the Caribbean. Montevideo, July 1997 (also available in Spanish).

Free Trade Area of the Americas: From Miami to Belo Horizonte. Speech delivered by Enrique V. Iglesias at the III Business Forum of the Americas. Belo Horizonte, May 1997 (English, Portuguese and Spanish).

Transpacific Partnership: Latin America's Role. Speech delivered by Enrique V. Iglesias at the XII International General Meeting of the Pacific Economic Cooperation Council (PECC XII). Santiago, September, 1997 (also available in Spanish).

Special Initiative on Trade and Integration