

Trade Policy in Brazil: Causes and Consequences of Our Isolation

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Ornelas, E, J P Pessoa e L Ferraz. 2020. *Política Comercial no Brasil: Causas e Consequências do Nosso Isolamento*. São Paulo: BEI Editora. 246 pp.

Mainstay of the growth in world economies since the 16th century, international trade gives rise to a diversity of theoretical and empirical research studies that go beyond International Economic Policy, and transition between Economics, Political Science and International Relations (Martin 2015). By addressing subjects that range from its net effect on economies (Dix-Carneiro 2014) and its capacity for distributional impact (Helpman 2016; Pavcnik 2017) to labour market arrangements (Helpman, Itskhoki and Redding 2010), cross-border trade entails issues such as migration, the environment, and human rights, to name a few. This is no different in the Brazilian context.

Brazilian foreign trade performance, a recurring issue that engenders apparently irreconcilable positions, is revisited and updated in the book *Política Comercial no Brasil: Causas e Consequências do Nosso Isolamento*, written by Emanuel Ornelas, João Paulo Pessoa and Lucas Ferraz, especially from a domestic decision-making process perspective. The work, published in 2020, expands the debate as it investigates the country's transactional dynamics from re-democratisation to the present moment, marked by the Covid-19 pandemic. The book adds a detailed diagnosis on the causes of Brazil's timid performance in the foreign market and gives some prescriptions on how to optimize the export and import flow and, consequently, stimulate increased productivity in the country and its greater integration into the Global Value Chains.

From the initial finding that Brazil is 'relatively closed' (Ornelas, Pessoa and Ferraz 2020: 22), the authors question what motives have led successive governments of different ideologies in recent decades not to cause the country to 'engage more' (Ornelas, Pessoa and Ferraz 2020: 214) with the rest of the world. To explain some of these factors, the researchers carried out a bibliographical review of the Economic Policy and made inferences, based on previous empirical studies, about the evolution of the recent trade

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openness rate, the performance of Brazilian exporters against international competitors, and the proportion of anti-dumping cases led by the Federal Government in comparative perspective.

Linked to an accurate domestic policy analysis, the evidence raised by the authors confirms Brazil's timid participation in international trade. As a giant puzzle ranging from the reduced export market and the protectionist barriers encouraged by the lobbying of national pressure groups to low investment in innovation, Brazil's isolation – which was nearly broken in the mid-1990s – is described as an unsettling political arrangement, also translated by the low number of trade agreements in force involving the country.

A fundamental cog in the analysis wheel, the role of the Southern Common Market (MERCOSUR) is questioned, despite the authors' acknowledgement of its added value to Brazil's economy. Starting from its establishment as a customs union, a matter that appears as a possible trade barrier, especially when considering the high and obsolete Common External Tariffs (CET) practised by the countries of the bloc, are the high Brazilian import tariffs, a protectionist legacy that the country has not yet managed to overcome. In parallel, examples of politically well-articulated domestic economic sectors that manage to take advantage of the anti-liberalisation mentality are portrayed.

In the dynamics between losers and winners of the liberalisation process, the authors assembled consumers, domestic companies and workers in the first group. In addition to Brazilian consumers – with restricted access to higher-quality foreign products and, possibly, at lower prices –, losses to national firms are exposed in the book, caused by their difficulty in obtaining certain inputs, generating increased costs and more: technological stagnation and little variation in the Brazilian goods and services portfolio.

In this less virtuous circle, the country's low productivity is also satisfactorily portrayed in the book as one of the factors for Brazil's shy performance in the international scenario. In a timely manner, the authors also point out Brazil's poor performance in international trade as an element that negatively interferes with macroeconomic aspects. Yet, this is a matter that could have been further assessed.

Supported by this analytical perspective, the authors refute liberalisation as a motivator for the destruction or precarious reallocation of jobs in the Brazilian territory. In addition to disputing narratives for or against greater trade openness, the book does not elect trade expansion as an economic panacea. However, the work joins the stream that links such expansion to increased productivity and economic growth, emphasising that their benefits outweigh potential harmful effects (Wacziarg and Welch 2008; Goldberg and Pavcnik 2016).

The book's efforts to advocate greater Brazilian liberalisation also include the analysis of unilateral and bilateral trade agreements – examined, for example, from the perspective of their impact on the Gross Domestic Product (GDP) and the import and export volume – and their potential (and underutilised) gains to the economy. These factors are used to emphasise the relevance of international trade and point out the damage caused by erratic policies by successive national governments. To complement the work, the findings on the Brazilian situation are compared to countries with different profiles such as Mexico, Chile

and Australia – a counterpoint that corroborates the book's central argument: the need for greater Brazilian trade openness.

The work also offers proposals for future research involving other aspects, such as the perception of public opinion concerning trade protection measures. To encourage new investigations, Ornelas, Pessoa and Ferraz cite preliminary surveys with evidence of high popular support for measures aimed at expanding Brazilian international trade.

At last, in line with the challenges posed by the post-Covid-19 pandemic world, readers are provided with a thought-provoking afterword on the role of Brazilian trade policy in a close international economic reality that is marked by uncertainties. Foreseeing painful effects in the medium to long run on the world economy, the authors believe that the abrupt rupture in production and work relations – even after the viral dissemination is controlled – will force Brazilian economy to operate at a level below its potential and at risk of a high fiscal cost to the federal government. Therefore, in view of such opaque scenario, the book insists trade policy be reviewed as a way of helping the fragile Brazilian economy.

Although it lacks greater empirical rigour, the book does not intend to be conclusive in its diagnosis and prescriptions about the best direction for the policy in question. However, it is opportune as it adds to the debate not only from an International Economic Policy perspective, but also for improving reflections on domestic policy, highlighting important – and persistent – causes for the hindrance to the country's transactions abroad, revealing factors of Brazil's timid presence in the international scenario.

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