

## BRAZIL CONFERENCE 2008: PAPER ABSTRACTS

Panel 1

### Brazil as an Agricultural and Energy Superpower

#### **Brazil: The Challenges to Becoming an Agricultural Superpower** Geraldo Sant'Ana de Camargo Barros

This paper provides an overview of Brazil's agro-industrial sector and examines the challenges Brazil faces to become an agricultural superpower. These challenges include restoring the investment pattern in infrastructure, science and technology, and human capital of the previous decades, with the difference that this time the role of private-sector financing will necessarily be much more important. Other challenges include environmental sustainability, sanitary and food quality/security conditions, and trade policy and negotiations. The public sector has yet to deal with centuries-old issues such as rural labor relations, agrarian reform, and Indian issues.

#### **Brazil as an Agricultural and Energy Superpower** André Nassar

The rising prices of agricultural commodities are challenging agricultural producing and exporting countries like Brazil. The short supply of agricultural commodities in the world market, especially those used for food and fuel, should push world suppliers to increase production, taking advantage of the high prices. The recent crop harvests have shown that Brazilian capacity to respond to world prices changes is not as fast as we could expect. Economic problems like high transportation costs and financial constraints due to indebtedness level in the farming sector are undermining the capacity of producers to expand production. Those short-term constraints, however, do not change the long-term picture: although limited, Brazil has plenty of natural resources, in comparison to other big agricultural players, which is the base for competitiveness of the agribusiness sector in any parts of the world.

#### **Brazil as an International Energy Player** Ricardo Sennes

This paper will put forward an analysis of the current Brazilian energy matrix in terms of its constitutive features, namely, oil, natural gas, hydropower and biofuels, as well as the policies and market regulations sustaining them. Once this broad picture is established, this article

will discuss the sector's main trends and their international implications, both regionally and globally. This paper's hypothesis will be that Brazil has been moving from a strict, self-sufficient and fully state controlled strategy towards a more efficient and energy security approach based on a combination of domestic, regional and international factors. State control is still an important determinant, but not the central one.

## Opening Markets: Brazil's Trade Policy

Panel 2

### **Brazil's Trade Policy: Old and New issues** **Mauricio Mesquita Moreira**

After half a century of overt inward-oriented policies, Brazil finally moved to open its trade regime in the early 1990s. In roughly five years, tariffs were slashed; non-tariff barriers removed, and Mercosur became a reality. Later on, even the prospects of a free-trade zone in the hemisphere were entertained. This initial momentum, though, lost steam in the mid 1990s, undermined by inhospitable macroeconomic and international environments. When, at the turn of the century, the right macro policies were finally put in place and the country began to enjoy the benefits of a commodity boom, a new government took over with a clear skeptical view of trade. Despite the initial concern, the political transition did not bring a significant policy reversal. Yet, trade policy reform never regained momentum despite a clear unfinished agenda. This paper looks at this agenda and argues that if Brazil really wants to fully enjoy the growth and welfare benefits of trade, it needs to further lower and rationalize its structure of protection, adopt a more aggressive, WTO-plus, policy to open markets abroad, design a regional integration strategy that makes sense to its smaller partners and bring trade facilitation, particularly, transport costs, to the core of its trade agenda.

### **Brazil's Trade Policy: Moving Away from old Paradigms?** **Pedro da Motta Veiga**

This paper will analyze important changes in Brazil's trade policy in the 1990s, including a unilateral liberalization and an ambitious project of regional integration (Mercosur). These changes took place within the limits set down by the paradigms of foreign and trade policies inherited from the period of protectionist industrialization. This explains both the specific features of unilateral liberalization and the defensive stance systematically adopted by Brazil on the different trade negotiations fronts. In the last few years, these paradigms are being challenged in the field of trade negotiations by offensive interests whose emergence is associated with structural changes in the economy, especially the consolidation of a highly competitive agribusiness. In such a scenario, Brazil is pressured to revise its paradigm of foreign and trade policies and to deepen its integration to the international economy. A tension then arises between, on the one side, the old paradigms that drive government's policy choices and, on the other, pressures and demands for deeper integration. Although the result of this conflict is an open issue, if Brazil is to go further in its international

integration, a new policy agenda is required and the country's global and regional strategies are to be revised.

Panel 3

**Brazil as an Equitable Opportunity Society**

**Income Policies, Income Distribution and the Distribution of Opportunities in Brazil**

**Marcelo Neri**

This paper analyses the role played by income policies on income distribution in Brazil, discussing some of its political economy determinants, its short-run effects and its potential long-run effects through the distribution of opportunities. It analyzes the determinants of the recent trends and cycles of income based on social indicators. The paper shows the existence of electoral cycles behind the expansion of Brazilian official monetary transfers. It evaluates the ratio between fiscal costs versus short-run social welfare benefits of conditional cash transfers (CCTs) and non-contributory social security benefits. The paper maps the impact of income policies on a series of state variables that allows envisaging the permanency of the effects of compensatory policies in Brazil. We evaluate the impacts of income policies using a difference in difference approach between income strata and also between low-income individuals that benefit versus those that did not benefit from these new direct monetary transfers. We take advantage of the recent expansion of these benefits between 2004 and 2006 and the special supplement on social programs of the Brazilian National Survey (PNAD) that were collected in these two years. We use this as an experiment to test how this expansion affected the distribution of opportunity-related social indicators. In light of this evidence, we discuss the desirable upgrades of Brazilian income policies.

**Some Insights into Equity, Opportunity, and Social Welfare in Latin America (and Brazil) from the Economics of Happiness**

**Carol Graham**

This paper analyses the role played by Happiness Economics on the study of equity, opportunity and social welfare in a selected group of countries, including Brazil. It presents a new method that combines tools of economics and those typically used by psychologists. It shows that several well being surveys lend insights into the determinants of welfare, which income data alone would not have provided. It demonstrates how important frustration is in defining wealth outcomes, especially among the insecure middle class. Finally, the paper argues that it is important to generate more inclusive social insurance schemes, but this is a challenge in a very unequal society as Brazil.

## **Technology, Public Policy and the Emergence of Brazilian Multinationals**

**Edmund Amann**

This paper will examine the emergence of Brazilian multinationals, focusing on the roles that technology and public policy have played. The paper will begin by theoretically contextualizing the discussion, pointing to the prominent role that technology may play in the internationalization of firms. Next, some brief quantitative evidence relating to the growth of Brazilian multinationals and outward FDI will be provided. The discussion then will focus more explicitly on the technology issue, first analyzing the evolution of public policy as it has affected enterprises' decisions to innovate. In the subsequent section, case study evidence will be provided concerning the experiences of Embraer, Petrobras, CVRD (Vale) and Odebrecht and - more briefly - WEG, Marcopolo and Gerdau. In the course of the case studies, enterprise technological strategies will be discussed and their relationship with public policy and internationalization analyzed. In all cases it will be established that the development of - or the desire to acquire - technology, has been a critical factor underpinning the growth of Brazilian multinationals.

## **Big Business in Brazil: Comparative and Historical Perspectives**

**Ben Ross Schneider**

Brazil's leading firms have recently drawn increasing attention, especially those expanding into other economies. Most of Brazil's largest, domestic, private firms, or business groups, are concentrated in natural resources, semi-processed commodities, and more recently services. These leading firms are larger than those from much of the rest of Latin America, but smaller than leading firms from developing Asia, which are also more likely to be prominent in manufacturing and electronics. Some of Brazil's leading private firms were established as state owned enterprises and privatized in the 1990s. These and many other private firms continue to benefit from various forms of state promotion or protection.