

## **Trade Integration and income inequality in Brazil: a general Equilibrium approach**

Topic: Global Flow of Funds Data and its Applications

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This study aims to evaluate the effects of the trade integration between Brazil and the European Union and Brazil and the United States. In order to complement similar studies, this research proposes, besides to the effects on macroeconomic and sectoral indicators, an evaluation of the effects on the income structure of ten representative households in Brazil. We have used a global-national integrated Computable General Equilibrium (CGE) model, the BR-TAM (Brazilian Trade Analysis Model). This model has been calibrated based on the use and integration of two other CGE models, the global model " GTAP (Global Trade Analysis Project) and the national one " ORANIG-BR (Computable General Equilibrium Model of a Single Country of the Brazilian Economy). The BR-TAM model considers the trade relations among the regions and the sectoral linkages of the Brazilian economy. In addition, it maps the generation and appropriation of income, as well as its use, by the extension in the national module that incorporates multiple households and income flows from the Social Accounting Matrix (MCS) estimated based on preliminary data from the Input-Output Matrix (MIP) for 2011 of The University of Sao Paulo Regional and Urban Economics Lab (NEREUS), from the Integrated Economic Accounts (CEI) and from the Household Budgets Survey (POF) of Brazilian Institute of Geography and Statistics (IBGE). The effects of the two integration scenarios, although presenting some similarities, generally point to diverse trade-offs in relation to activity level, employment, and sectoral production. Different activities are potentiated in each of them. Moreover, different pressures are exerted on the income structure and, consequently, on Brazilian income inequality and concentration. In this way, this study contributes to the literature and trade agenda through a prospective study able to orient a short and medium-term integration strategy, since it brings some potential effects on macroeconomic and sectoral variables, and on income structure of heterogeneous household in Brazil.