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TITLE: REGIONAL INEQUALITY AND GROWTH: THE ROLE OF INTERREGIONAL TRADE IN THE BRAZILIAN ECONOMY

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ABSTRACT:

This paper deals with interregional trade in the Brazilian Economy, estimating its role on efficiency, international competitiveness and regional inequality. Our modeling encompasses much detail. Firstly, we use a large-scale multi-regional computable general equilibrium (CGE) model of Brazil. The model is bottom-up for Brazil's 27 states. Despite the high level of regional disaggregation, the level of sectoral disaggregation is also high, at 36 sectors. Applying the CGE model in simulation exercises, we explore the impacts of reducing transport costs among Brazilian states, identifying the most relevant links for different economic goals (national growth, production costs and regional inequality). The procedure is similar to the "field of influence" approach in the input-output literature (Sonis and Hewings, 1994). We find that trade among most developed states have impact on national growth and international competitiveness, but can also increase regional inequality.