

International trade and the Brazilian Agribusiness: a computable general equilibrium approach

Topic: Agribusiness and Forestry

Author: Fernando Salgueiro Perobelli

Co-Authors: Ramon Goulart Cunha, Vinicius A. VALE

The contribution of international trade to an economy includes the levels of economic activity and employment. There are studies that show, through the multiplier, the monetary effect on economic activity or the number of jobs created for each additional unit of exports. Note that the importer process also creates jobs and develops economic activity. The main objective of this paper is to evaluate the impacts of commodity exports on the Brazilian economy. In order to reach this aim we calibrate a computable general equilibrium model opening for 110 goods and 55 sectors for the year 2008, called ORANIGBR. Note that the model has 39 goods that represent the Brazilian agribusiness and the vector of exports is opening to major trading partners of Brazil in terms of agriculture. We closed the model in a short-run and long-run perspective. The closures enables us to simulate the different alternatives of the Brazilian economy in terms of exports related to the agribusiness and verify the impacts upon sectorial behavior and macroeconomic indicators. The validity of this study is given both by the relative importance of exports of agricultural goods to the macroeconomic results of the Brazilian economy and the nuances that are involved in the trade of agricultural goods (e.g protectionism, general trade agreements, bilateral agreements). With regard to protectionism, we should note that when consider the elimination of trade barriers the largest controversial aspects in international trade are linked to agricultural goods. In general, in most developed countries, the political question inherent in the agricultural sector provides, in part, their production system. Another aspect that permeates the industry, and therefore protectionism process, is that it has always been considered as strategic in terms of food security, which is why the production of many products occurs in developed countries, even in absolute disadvantage of conditions with other countries. The participation of governments in the agricultural production process and trade has grown to the extent that the goal was to increase and sustain agricultural income, avoiding major price fluctuations on the international market, and develop basic self-sufficiency in production. After the Second World War was established the International Trade Organization (ITO) that would be responsible for the trade policies. The first multilateral round of negotiations took place in Geneva in 1947 and the rules became known as the General Agreement on Tariffs and Trade (GATT). In 1993, with the Uruguay Round new rules for world trade and the World Trade Organization (WTO) was established. The Ministry of Agriculture, Livestock and Supply - MAPA is responsible for the positioning of Brazil in international agricultural negotiations, both in multilateral, regional and bilateral. The offensive interest of Brazil in this sector, with a view to further trade liberalization, facing the protectionism of some countries with which Mercosur has agreements being negotiated. As an example, the European Union, Israel, India and South Africa, all in the negotiation process, however, with their agricultural sectors extremely protected by their respective governments. Brazil has participated in negotiations with countries located in the Americas (Cuba, Chile, Colombia, Ecuador, Mexico, Peru) under agreements between Mercosur and these countries. Furthermore, in 2010, was resumed negotiations on an agreement between Mercosur and the European Union. In addition to these negotiations, recently the market in South Africa was reopened for Brazilian exports of boneless beef and pork. The decision is important for the interests of Brazilian meat exporters, and confirms the effectiveness of national health controls and the quality and health of the Brazilian product, already recognized by other trading partners. With the opening of the South African market for these products, the Ministry hopes that Brazil will export \$ 7 million a year in pork and \$ 12 million in beef. The opening of this market is considered an important opportunity to diversify the use of products in question, especially for pork, sector in which Brazilian exports are concentrated in a few markets. In addition, access to the South African market may lead

to the opening of markets in other countries of the African continent, for example, the members of the South African Customs Union (SACU). Thus, more specifically, this article aims to: a) implement simulation exercises that seek to identify the impacts on the Brazilian economy of the continuity of these policies and highlight the relative importance of these markets for the Brazilian economy and b) assess sectorial impacts projections of agribusiness exports carried by MAPA. In methodological terms, the external sector ORANIGBR model will be open for this set of countries and blocs.