

Herken-Krauer, Juan-Carlos

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## Manufactured export performance of Brazil in the ALADI market: Preferential entry and comparative status

Kiel Working Paper, No. 299

**Provided in Cooperation with:**

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*Suggested Citation:* Herken-Krauer, Juan-Carlos (1987) : Manufactured export performance of Brazil in the ALADI market: Preferential entry and comparative status, Kiel Working Paper, No. 299, Kiel Institute of World Economics (IfW), Kiel

This Version is available at:

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Manufactured Export Performance of Brazil  
in the ALADI Market:  
Preferential Entry and Competitive Status

by

J.C. Herken-Krauer

Institut für Weltwirtschaft an der Universität Kiel

ISSN 0342 - 0787

Kiel Institute of World Economics  
Department IV  
Düsternbrooker Weg 120, D-2300 Kiel

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September 1987

A 9 3248 / 87  
Weltwirtschaft  
Kiel

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## I. Introduction\*

Brazil's expansion of manufactured exports over the last decade has been spectacular. As recent analysis on the determinants of Brazilian exports of manufactures suggests [Fasano-Filho, Fischer, Nunnenkamp, 1987], there is no uniform set of factors which have determined export expansion in all major markets in the same way. Instead, to different degrees there are market-specific explanations of growth of Brazilian manufactured exports. As a result, a more disaggregated investigation of the relevant markets by regions and sectors might give a clearer and more accurate insight of the real sources of Brazilian success in specific export markets. Such a market could be the Latin American countries linked to each other through a number of multi- or bilateral trade agreements. If such agreements would result in a privileged market access for member countries Brazil's exports could be expected to penetrate more deeply into Latin American countries, not necessarily due to lower production costs compared to non-member countries' exports, but because of tariff- and non-tariff barriers against these countries excluded from the agreements. If this were the case, i.e., if Brazil is enjoying a sizeable privileged access, two basic questions must be answered:

- what is the concrete impact of preferential trade arrangements upon actual sectorial Brazilian exports;
- secondly, as most of those agreements cover only a short period and are subject to frequent politically induced changes, what are the consequences for the continuity and future perspectives of Brazilian exports to the markets of Latin American countries.

The two questions are of particular relevance to the trade of Brazil with the member countries of ALADI (Asociación Latinoamericana de Integración), the Latin American trade arrangement that superseded ALALC (Asociación Latinoamericana de Libre Comer-

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\* The author gratefully acknowledges many helpful comments and suggestions by R. Langhammer and B. Fischer.

cio). They are less important for the trade with Central American countries whose own integration schemes are only loosely connected to ALADI members through membership in the all-Latin American discussion and consultation forum SELA (Sistema Economico Latinoamericano) and are much less institutionalized. Again, the relevance of the specific trade barriers against third countries in the framework of ALADI must be gauged at a very disaggregate level, because of the highly discretionary, temporary and sector-specific character of ALADI regulations.

At the same time, the profound economic recession of the early 1980s has drastically affected the level and pattern of foreign trade flows in the area with an overall cut in imports because of severe balance of payments problems. The picture resulting from the last years makes it difficult to evaluate the effect of regional trade agreements, as many countries imposed ad-hoc restrictions on the inflow of foreign goods or tried to channel significant proportions of goods exchange through special mechanisms like barter trade, state trading and government procurement.

With the very first signs of economic recovery in 1984, there has been a renewed effort towards improving the existing trade agreements within ALADI. Argentina and Brazil, in particular, seem prepared to advance further than the other members and to go bilaterally, above all in key sectors of the manufacturing industry. All this could suggest that a new phase in the economic integration of Latin America might be in the making, which could eventually imply an upgrading of the Argentine market for Brazil.

This study presents first a brief overview of the efforts towards creating a free trade area in Latin America (Chapter II); it then reviews the developments of preferential trade policies since the foundation of ALADI in 1980 (Chapter III) as well as the development and patterns of preferential and non-preferential intra-trade in the area (Chapter IV), with special reference to Brazilian exports of manufactures to the other members of ALADI. A presentation of some hypotheses beyond preferential treatment

regarding the determinants of Brazilian exports to the regional market in Chapter V is complemented with an analysis of ALADI latest developments (Chapter VI) and prospects (Chapter VII).

## II. Institutional Origin and Evolution of ALADI

ALALC was created in 1960 as a "free trade area" to be completed by 1973. The main ideas behind the scheme were essentially related to the assumptions that

- Latin American countries were facing long-term deteriorating terms of trade,
- access to the markets in the developed countries (DCs) was going to become more difficult because of protectionism [Alvarez Garcia and Martins, 1982, p. 67.], and,
- particularly in the case of Argentina and Brazil, given economies of scale for their basic industries were only attainable within the framework of a protected regional market.

Although about 80 per cent of intra-regional trade in the 1950s was already being conducted through special bilateral or multilateral trade arrangements, this system was excessively cumbersome and different to maintain. The push towards a regional multilateral trade agreement was also limited by the fact that only a strictly defined "free trade area" was allowed as an exception from the "most favoured nations" treatment within the framework of Art. XXIV of the GATT<sup>1</sup>.

Argentina and Brazil were the essential engines behind the schemes, but it was actually their own interest to protect their industrial sectors which ultimately contributed to the failure of the initial objectives of the association. Neither of the two

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<sup>1</sup> GATT (1961: pp. 21-22 and pp. 87-88). The GATT Working Party formed to check the legal conformity of the Treaty of Montevideo, the ALALC founding act, with Art. XXIV never arrived to a decision.

countries - by far the biggest markets in the region - was willing to make substantial concessions in the field of manufactured goods, while trade in agricultural products was actually complementary. Attempts of national and foreign entrepreneurs to use some of the smaller countries as a host to penetrate the larger markets of Argentina and Brazil also failed, amidst continuous and heated commercial and political disputes among all countries concerned. At the same time, though Brazil started to make some penetrations in the smaller markets, these flows were either outside the margin of ALALC schedules, or - due to a variety of reasons which had nothing to do with preference margins - more competitive than alternative suppliers. Brazil was at the end in a better position to reach favourable bilateral arrangements outside the ALALC preferential tariff arrangements than to manipulate the ALALC for its own purposes. At the same time Argentina was being submerged into a formidable crisis, reneging or creating obstacles for the implementation of preferential tariff treatment, even for some of the smaller countries whose infant industries were unable to put Argentine industries under strong adjustment pressure.

The initial objective of reaching a definitive free trade area by 1973 was first postponed until 1980, but this was also not attained. Regardless of the question whether the ALALC really became a free trade area or only remained a preferential trading arrangement with less than a hundred per cent discrimination, the key question addresses the integration-induced changes in intra- and extraregional trade flows. More concretely, it has to be analyzed whether the arrangements promoted intra-regional trade at the cost of less efficient domestic production (trade creation) or at the cost of more efficient extra-regional trade (trade diversion). In the three most important markets of the region, Argentina, Brazil and Mexico, the results of a research for the period 1962/63-1977/78 indicate that the absolute amounts of diversion were small compared to the growth of total manufactured

imports from all sources (Langhammer and Spinanger, 1984: pp. 56-63). Manufactured imports from third countries were practically not affected by the trade diversion; most of the increases in the relative share of imports from LAFTA members were done through the creation of new markets and not through the substitution of established trading relationships. Yet, the share of trade diversion in the growth of import from ALALC countries was found to be high.

In 1978 the member countries decided to restructure the organization, and by 1980 they reached an agreement on a new type of economic integration, no longer along the lines of a free trade area, but as a new looser type of "South-South" cooperation. The background of this new type was the Tokyo Round of the GATT finalized in 1979, where the GATT-members agreed on the possibility that developing countries could grant themselves preference margins less than hundred per cent without violating the GATT rules. As a whole, the new organization, ALADI, gave up the objective of a strict multilateral trade agreement, and centered itself on the coordination of bilateral and multilateral agreements. In 1983 the member countries agreed that all the concessions and preferential treatments obtained under the ALALC should be transferred to the new organization. It was not prior to April 1984 that they approved a tentative and multilateral preferential tariff scheme, to be implemented as from 1986.

### III. Structure, Regulations and Effectiveness of ALADI

Although the long-term objective of ALADI still consists of the creation of an almost fully integrated area - a Latin American common market -, its present objective is - and probably will be for the foreseeable future - the establishment of a regional preference area ("área de preferencia económica")<sup>1</sup>, consisting of three basic instruments (ALADI, 1980: p. 3):



- a) a regional customs preference system ("preferencia arancelaria regional"), which aims to cover the whole custom universe. It is allowed to vary on its regulations according to economic sectors and should also theoretically eliminate non-tariff restrictions. Safeguard clauses such as exception lists ("listas de excepciones") for those member countries of relative less economic development are explicitly laid out in the scheme.
- b) regional agreements aimed at promoting economic integration, trade promotion, scientific and technological cooperation, etc.
- c) partial trade agreements ("acuerdos de alcance parcial"), which allow two or more member countries to agree on specific trade flows, but whose concessions can be extended automatically to those countries which are considered to be at a lower stage of economic development.

The countries are classified according to their level of income as follows:

- a) low income countries: Bolivia, Ecuador and Paraguay;
- b) middle income countries: Colombia, Chile, Peru, Uruguay and Venezuela;
- c) high income countries: Argentina, Brazil and Mexico.

At the same time, Uruguay and the landlocked countries are granted other special treatments. This hierarchy serves the purpose to guarantee exports of "less-developed" members reflected in a proportionately greater preference margins entering the markets of the "more-developed" members. Yet, the criterion used in the classification has little to do with standard indicators of development, as Paraguay has a higher GDP per capita than Colombia

and Peru, while Uruguay and Venezuela also have a higher level than Brazil or Mexico<sup>1</sup>. The true guideline underlying this hierarchy seems to have been the level of industrialization and export competitiveness of the members as Brazil, Mexico and Argentina exhibit the highest shares of industrial output in GDP, and the highest share of manufactures in total exports<sup>2</sup>.

A first step towards a regional customs preference system was taken in April 1984, when the member countries agreed on a provisional Regional Tariff Preference (RTP) scheme, establishing initial percentage rates of tariff preferences to be implemented as from 1986. Table 1 presents the RTP for all countries, as a percentage reduction of custom duties. The rates, which are broad averages for all imports, are not likely - according to an ALADI study<sup>3</sup> - to produce a large trade diversion. Moreover, partial and bilateral trade agreements will probably change the picture which may emerge from these low values of average regional tariff preferences.

The same study presents an estimation of the "price-preference" (PP) - see Table 2 - calculated on the basis of average import duties applicable for 1982. The PP consists of the maximum percentage by which the FOB price of a regional product may exceed the FOB price of third countries, or, in other words, the percentage by which, on account of a given tariff preference, the regional exporter may increase the price vis-à-vis international competition. The "effective preference" by means of the RTP, is the percentage by which regional exporters may increase the price in terms of the product value added, as a result of the tariff

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<sup>1</sup> Sintesis ALADI, 10/86, October 1986. Data for 1984, in US\$ at 1982 prices.

<sup>2</sup> Sintesis ALADI, 10/86, October 1986. Average of shares of industrial output for 1981-84; level of exports comprises data for 1984.

<sup>3</sup> 'Possible effects of larger RTP cuts on intra-regional trade', ALADI Newsletter, 5/85, p. 4-5.

Table 1 - Regional Tariff Preference in Force in ALADI since 1986 (Percentage)

Donor country \ Recipient Country	ARG	BOL	BRA	CHI	COL	ECU	MEX	PAR	PER	URU	VEN
Argentina		10	5	7	7	10	5	10	7	7	7
Bolivia	2		2	3	3	5	2	5	3	3	3
Brazil	5	10		7	7	10	5	10	7	7	7
Chile	3	7	3		5	7	3	7	5	5	5
Colombia	3	7	3	5		7	3	7	5	5	5
Ecuador	2	5	2	3	3		2	5	3	3	3
Mexico	5	10	5	7	7	10		10	7	7	7
Paraguay	2	5	2	3	3	5	2		3	3	3
Peru	3	7	3	5	5	7	3	7		5	5
Uruguay	3	7	3	5	5	7	3	7	5		5
Venezuela	3	7	3	5	5	7	3	7	5	5	

Source: ALADI Newsletter, 9-10/85, p. 4-5.

preference and of origin rules. The same study calculates, assuming a mini-mum value added requirement of 50 per cent, that these effective preference rates would range from 0.2 to 2.4 per cent, twice the "price-preference" shown in Table 2.

Given cost advantages of third country products such small preference margins are unlikely to cause per se significant trade diversion. ALADI experts estimate that a 10 per cent "price-preference" could be the first level likely to have a concrete im-

Table 2 - Average "Price-Preference" Resulting from Tariffs Effective in ALADI in 1982<sup>a</sup> (Percentage)

Donor country \ Recipient Country	ARG	BOL	BRA	CHI	COL	ECU	MEX	PAR	PER	URU	VEN
Argentina		1.2	0.6	0.9	0.9	1.2	0.6	1.2	0.9	0.9	0.9
Bolivia	0.1		0.1	0.2	0.2	0.3	0.1	0.3	0.2	0.2	0.2
Brazil	0.6	1.1		0.8	0.8	1.1	0.6	1.1	0.8	0.8	0.8
Chile	0.2	0.5	0.2		0.4	0.5	0.2	0.5	0.4	0.4	0.4
Colombia	0.3	0.8	0.3	0.5		0.8	0.3	0.8	0.5	0.5	0.5
Ecuador	0.2	0.6	0.2	0.4	0.4		0.2	0.6	0.4	0.4	0.4
Mexico	0.5	1.0	0.5	0.7	0.7	1.0		1.0	0.7	0.7	0.7
Paraguay	0.2	0.4	0.2	0.3	0.3	0.4	0.2		0.3	0.3	0.3
Peru	0.5	1.2	0.5	0.9	0.9	1.2	0.5	1.2		0.9	0.9
Uruguay	0.4	0.9	0.4	0.7	0.7	0.9	0.4	0.9	0.7		0.7
Venezuela	0.3	0.6	0.3	0.4	0.4	0.6	0.3	0.6	0.4	0.4	

<sup>a</sup> Average percentage by which the FOB price of an intra-LAIA export may exceed its international price as a result of the Regional Tariff Preference applied to the average duties paid in 1982 in each one of the member countries.

Source: ALADI Newsletter, 9-10/85, p. 4-5.

pact, which mean that RTP rates should increase by between 50 to 100 per cent (ALADI Newsletter, 9-10/85, pp. 4-5). An inter-ministerial meeting which took place in July of 1986 in Mexico agreed on two further steps. The current RTP would be doubled up to a basic 10 per cent preferential cut, as from April of 1987. At the same time, a regional substitution programme of third country imports was to take effect as from April of 1987. The aim of this

programme was to increase intra-regional trade by 40 per cent over the period 1987/89, and the list of goods affected was supposed to cover about 30 percent of ALADI imports from third countries (Sintesis ALADI, 4/86, July-August). All instruments clearly gear at costly trade diversion rather than at intensifying competition between domestically produced goods and substitutes from ALADI partners.

Among all these instruments, the one of more concrete short-term importance has been until now the so-called partial trade agreement, which has been duly used since 1980 for the regulation of trade flows. This type of agreement must have a duration of a minimum of one year (ALADI, 1980, pp. 6-7), can cover every type of trade flows, can also include non-tariff restrictions and do make possible the renegotiation or nullification of former agreements. Furthermore, they can only be used to promote trade between the member countries, and more important, it can also cover trade purchases made by the state or state-controlled enterprises in each country member. Again, the impact of this instrument is to divert trade from non-member countries to the preferred ALADI partner.

A very extensive list of partial trade agreements covering almost exclusively the field of manufactured goods, has been in operation since 1980 [see Appendix A1]. Though the type, duration and relevance of the agreements vary considerable, some of them do in fact constitute very tightly arranged pacts aimed at channelling the trade flows of some products in a bilateral direction. The 1983 agreement on the steel industry signed by Brazil, Mexico, Argentina and Venezuela, for example<sup>1</sup>, stipulates that purchases of state corporations in each member country must be directed to the other members, and that offers by non-signatory countries can be overridden by the signatory-countries within a prescribed margin of prices. It formally establishes, overall, a policy of "compre latinoamericano" in the field of steel products.

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<sup>1</sup> ALADI, Industrias en la Zona, No. 85, 1984, pp. 17-20.

Similar type of agreements have been signed on the field of pulp and paper, chemical and pharmaceutical, machinery and tools, electronics, household goods<sup>1</sup>, though in most cases the latter agreements concentrate on the establishment of preferential tariff concessions rather than on restrictions on the purchases of goods by state-corporations or "first priority" for Latin American products.

In some cases, the percentage preferential margin<sup>2</sup> granted to Brazil - but also enjoyed by other ALADI countries - is considerable, ranging usually between 80-90 per cent. A 1982 agreement between Argentina, Brazil, Mexico and Uruguay on household goods<sup>3</sup> reveals such range of preference, though Argentina granted in some cases much lower rates (between 34 per cent and 2.6 per cent). In the electronics sector<sup>4</sup>, an agreement between the same four countries indicates a more even range of preferences, 80-90 per cent. Various agreements signed by Argentina, Brazil, Mexico and Venezuela, in the chemical industry<sup>5</sup> also stipulate a range of preference of between 95-60 per cent, though Venezuela's tariffs are fairly low (between 15 and 1 per cent).

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<sup>1</sup> See ALADI, Industrias en la Zona, No. 83-87.

<sup>2</sup> The percentage preferential margin is defined as

$$\text{PPR} = \frac{x-y}{x} \cdot 100, \text{ where } x = \text{duties on imports from third countries, and } y = \text{duties on imports from signatory countries.}$$

<sup>3</sup> NABALALC (Nomenclatura Arancelaria para la Asociación Latinoamericana de Libre Comercio) positions 85.06.1.99, 85.12.1.07, 84.40.1.01, ALADI, Industrias en la Zona No. 80, 1982.

<sup>4</sup> NABALALC positions 85.15.1, 85.01, 85.13, 85.19. ALADI, Industrias en la Zona No. 83, 1983.

<sup>5</sup> NABALALC positions 29.13, 29.01, 29.08, 29.16, 29.28, 29.31, 34.03, 38.19. ALADI, Industrias en la Zona No. 85 and 86, 1984.

#### IV. Evolution of Intraregional Trade in General and Brazil's Exports in Particular

Overall, during the last two decades Brazil's foreign trade with ALADI members has not changed substantially, in terms of the geographical distribution of its exports. Between 1970-73 exports to ALADI represented about 10-12 per cent of total exports; between 1981-82 the ratio stood at between 13-15 per cent<sup>1</sup>. In 1983-84 this ratio went down to about 10 per cent, with total Brazilian exports dropping from a peak of above US\$ 4.0 billion in 1981 to about US\$ 2.5 billion. This is still in line with the contraction of imports in Latin America, including intra-regional imports, as can be seen in Table 3. However, when analysed in terms of exports of manufactures, the picture is different. The significance of ALADI for Brazil exports of manufactures has declined if compared with other export markets. From an average of about 40 per cent of total exports of manufactures in the early 1970s, ALADI countries represented about 20 per cent in the early 1980s, with an abrupt decline to a share of 13 per cent in 1983-84<sup>2</sup>. Yet, in absolute terms, the amount of exports to ALADI has kept increasing, if we disregard the abrupt fall during the last three years which indicates the effect of balance of payments restrictions of partner countries rather than the deterioration of preferential market access. Contrasting to the geographical distribution, the sectoral composition of manufactured exports of Brazil to ALADI member countries has undergone some noteworthy changes. In 1962 basic manufactures (SITC 6) had a 24 per cent of their markets in ALADI a share which was raised to 30 per cent in 1981 (Nunnenkamp and Fasano-Filho, 1986, p. 12).

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<sup>1</sup> ALADI, Estadísticas de Comercio Exterior, 1970-1982, p. 1.

<sup>2</sup> We use the concept of "manufactures" for the items 5,6,7, and 8 of SITC for all years up to 1981, and the roughly similar classification of the Banco do Brasil for the most recent years. Other reports tend to exclude items 67 and 68 of the SITC (iron and steel; non-ferrous metals) of their concept of manufactures.

Table 3 - ALADI - Foreign Trade by Destination, 1970-1984 (US\$ million)

Year	Exports (FOB) <sup>a</sup>				Imports (CIF) <sup>a</sup>				Balance
	(1) ALADI	(2) (1/4) Share	(3) Rest of the World	(4) Total	(5) ALADI	(6) (5/8) Share	(7) Rest of the World	(8) Total	(9) Rest of the World
1970	1 278	10.1	11 341	12 619	1 352	11.2	10 704	12 056	+ 637
1973	2 355	11.1	18 929	21 284	2 312	11.3	18 138	20 450	- 791
1976	4 689	13.6	29 677	34 366	4 641	12.5	32 553	37 194	- 2 876
1979	8 733	14.3	52 180	60 913	8 451	13.3	55 143	63 594	- 2 963
1980	10 854	13.8	67 603	78 457	10 536	12.6	73 363	83 899	- 5 760
1981	11 186	13.1	74 460	85 646	12 296	13.4	79 794	92 090	- 5 334
1982	9 874	12.2	71 060	80 934	10 562	14.9	60 533	71 095	+ 10 527
1983	7 302	9.0	73 517	80 819	7 761	15.4	42 614	50 388	+ 30 898
1984	8 345	9.5	79 317	87 662	8 356	15.9	44 070	52 426	+ 35 247

<sup>a</sup>Exports and imports of all ALADI countries.

Source: ALADI, Estadísticas de Comercio Exterior, Montevideo, 1983; ALADI, Newsletter 1/85, pp. 2-3.



Machinery and transport equipment (SITC 7) is another important item, though the share of ALADI declined from 66 per cent in 1962 to about 46.5 per cent in 1981 (Nunnenkamp and Fasano-Filho, 1986, p. 12). In total, and abstracting from the usual abrupt oscillations in trade flows between developing countries, some of the ALADI members still represent an important market for intermediate and capital goods originating in Brazil.

Yet, the whole picture is not easy to interpret. On the one hand, the sporadic and fairly unsuccessful efforts towards freer intra-regional trade in Latin America has meant that a growing proportion of trade between the member countries of the ALADI-ALALC group has been channelled outside the negotiated schedules of tariff and non-tariff restrictions. Total intra-regional imports in ALADI rose from US\$ 1,352 million in 1970 to US\$ 10,562 million in 1982<sup>1</sup>, declining to US\$ 8356 in 1984 (Table 3). The share of negotiated trade<sup>2</sup> declined from 69 per cent in 1970 to 23 per cent between 1981-82, though it rose to an average of 27 per cent in 1983/1984. Brazilian imports from member countries conducted through negotiated schedules also declined from 73 per cent in 1970 to an average of 17 per cent in 1981-82. Looking at the patterns that evolved in some of the most important markets for Brazil - Argentina, Uruguay, Paraguay, Venezuela - one encounters the same trend. This could suggest, at the first sight, that a growing proportion of Brazil exports to ALADI has also been channelled outside the product coverage of the ALADI-ALALC preferential arrangements.

In general, the following findings emerge from the pattern of intra-Latin American trade during the seventies and early eighties:

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<sup>1</sup> ALADI, Estadísticas de Comercio Exterior, 1970-82, Table 4.

<sup>2</sup> The "comercio negociado" is still calculated under the old schedules of ALALC, not of ALADI; ALADI, Estadísticas de Comercio Exterior, 1970-1982, p. III.

Table 4 - ALADI - Intra-regional Imports According to Type of Trade Flow, 1970-1984

Year	Argentina		Brazil		Mexico		ALADI	
	(mill. US-\$)	(per cent)	(mill. US-\$)	(per cent)	(mill. US-\$)	(per cent)	(mill. US-\$)	(per cent)
1970	374	100.0	310	100.0	64	100.0	1 352	100.0
Negotiated		80.5		72.9		82.8		69.2
Non-Negotiated		19.5		27.1		17.2		30.8
1973	436	100.0	606	100.0	193	100.0	2 312	100.0
Negotiated		75.9		73.1		44.0		54.0
Non-Negotiated		24.1		26.9		56.0		46.0
1976	813	100.0	1 283	100.0	239	100.0	4 641	100.0
Negotiated		54.5		82.3		56.9		43.3
Non-Negotiated		45.5		17.7		43.1		56.7
1980	2 138	100.0	2 981	100.0	675	100.0	10 536	100.0
Negotiated		46.4		27.1		63.6		29.8
Non-Negotiated		53.6		72.9		36.4		70.2
1981	1 887	100.0	3 586	100.0	1 128	100.0	12 296	100.0
Negotiated		42.9		18.9		50.1		24.0
Non-Negotiated		57.1		81.1		49.9		76.0
1982	1 535	100.0	3 586	100.0	548	100.0	10 562	100.0
Negotiated		50.7		15.5		49.8		22.5
Non-Negotiated		49.3		84.5		50.2		77.5
1983	1 448	100.0	2 412	100.0	176	100.0	7 761	100.0
Negotiated		-		-		-		26.0
Non-Negotiated		-		-		-		74.0
1984	1 560	100.0	2 270	100.0	452	100.0	8 352	100.0
Negotiated		-		-		-		28.0
Non-Negotiated		-		-		-		72.0

Source: ALADI, Newsletter, 9-10/85.

- Total intra-regional trade rose steadily up to the early 1980s, despite a continuous decline of the fraction of trade covered by the LAFTA-ALADI schemes; it dropped drastically in 1983-84.
- Brazilian exports to the area continued to rise, which meant that also a growing proportion of Brazilian exports has not been regulated within the framework of ALALC-ALADI.
- The slight increase in the share of negotiated trade in 1983-84 - under the new schemes of ALADI - does not yet allow for conclusions on the stability of upward changes in shares or even a new trend.

It should, however, be noted that the relative failure of a generalised multilateral reduction of tariffs does not mean necessarily that Brazilian exports to the area have not enjoyed a significant preferential entry, compared with third countries. Many exports from Brazil originally conducted through ALALC-ALADI schedules might have continued thereafter on a strictly bilateral basis. Brazilian exporters could have gained initially a strong foothold in those markets, under the protection of the ALALC schemes, and remained in the leading position even when those preferential tariff concessions were removed. At the same time, as will be discussed below, non-tariff barriers, neighbouring and bordering traffic, bilateral sectoral intra-industry arrangements, and the key role of state trading and procurement, could have contributed to increased Brazil exports to the area.

From the detailed analysis of Brazil exports by countries and sectors, some clear trends emerged. First of all, the share of manufactured exports to total exports in ALADI and in each member country has increased steadily. Though this is consistent with the changes in the sectoral composition of Brazilian world exports, in the case of ALADI the ratio went beyond the 80 per cent since the early 1980s (Table 5). For some small- and medium-sized markets like Colombia, Chile, Ecuador, Paraguay, Peru and Bolivia, Brazilian exports are almost exclusively composed of manufactures. Secondly, machinery and transport equipment (SITC 7) represent the most important sector, accounting for more than 50 per cent of total flow of manufactures to ALADI (Table 6).

Table 5 - Brazil's Exports of Manufactures to ALADI Countries<sup>a</sup>, 1970-84

Year	Argentina		Bolivia		Chile		Colombia		Ecuador		Mexico		Paraguay		Peru		Uruguay		Venezuela	
	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent	million of US-\$	per cent
1970	75.9	40.9	5.2	68.1	10.1	42.5	5.4	81.5	0.6	82.8	16.2	79.4	9.2	82.5	5.2	68.1	12.0	38.5	6.3	76.1
1971	72.7	36.2	9.6	72.0	13.7	43.4	7.7	89.0	1.4	91.7	19.2	88.1	18.2	84.6	8.3	72.6	13.5	41.1	10.2	87.5
1972	60.8	39.4	18.3	77.2	27.3	50.0	10.8	92.6	3.6	90.3	21.7	92.1	26.2	82.2	24.2	75.2	10.0	27.9	19.6	78.7
1973	70.3	35.4	34.4	92.1	13.4	38.9	18.5	96.7	8.8	68.6	44.6	88.7	48.4	79.9	33.4	82.4	16.8	41.2	30.9	49.0
1974	126.3	41.9	78.4	95.2	36.7	40.0	26.9	94.4	16.7	93.7	81.4	93.2	81.1	82.7	38.1	72.3	31.4	44.2	67.1	77.6
1975	160.2	41.8	113.5	93.3	72.6	72.7	21.9	76.3	26.0	96.2	96.7	75.2	99.8	84.6	64.4	69.2	43.1	49.2	94.7	86.4
1976	86.9	26.2	92.0	91.5	56.4	68.9	21.1	64.5	13.7	98.0	112.3	79.0	108.6	82.4	43.0	53.6	54.9	33.8	74.5	59.5
1977	147.5	39.5	131.8	93.6	104.3	80.0	40.5	65.6	20.5	96.2	83.1	77.8	163.9	88.5	43.2	76.7	64.0	31.2	133.7	67.0
1978	169.2	48.5	125.1	93.5	163.8	85.7	73.7	65.1	41.1	93.7	164.9	92.6	196.8	87.9	30.8	90.2	68.6	51.5	153.1	70.0
1979	426.0	59.3	119.3	94.0	330.3	91.0	108.3	65.6	34.3	98.3	275.2	94.3	280.2	86.4	40.1	91.6	158.4	76.1	148.0	74.6
1980	752.6	69.0	164.1	91.0	394.0	87.4	128.2	94.6	49.0	97.8	429.3	91.4	329.4	80.6	122.3	94.0	233.9	75.3	188.7	82.0
1981	560.5	63.7	230.1	90.2	580.5	90.6	168.5	82.5	68.1	99.0	543.5	84.5	391.6	87.1	267.7	93.9	287.4	77.1	252.1	61.7
1982	517.8	77.8	79.3	97.5	272.0	94.3	268.7	98.9	70.4	99.7	276.5	85.4	318.8	98.4	218.0	98.1	111.2	81.2	366.7	77.4
1983	540.7	82.6	105.9	98.1	175.8	91.6	144.4	96.5	96.1	98.9	141.9	82.0	227.7	97.7	71.3	95.5	83.1	80.1	184.3	68.6
1984	713.3	83.6	138.4	98.6	268.9	96.2	167.2	98.4	139.8	99.3	178.8	62.7	329.3	99.1	118.6	95.6	113.8	83.9	272.2	67.8

<sup>a</sup>The percentage figures represent the share of exports of manufactures (SITC 5-8) in total exports.

Source: UN Commodity Trade Statistics, various issues; Banco Central do Brasil, Boletim Mensal, March 1986

At the regional level, two patterns are clearly distinguishable:

- In those sectors of higher value added, heavy use of physical capital and relative high degree of technological know-how, the intra-regional trade concentrates almost exclusively on Argentina, Brazil and Mexico. However, non-ALADI sources of supply still dominate. Furthermore, 90 per cent of ALADI sales were made by Argentina, Brazil and Mexico; 80 per cent of ALADI purchases were made by the above mentioned countries, plus Venezuela. A recent study on five key groups of capital goods<sup>1</sup> indicates, that between 1978-84, of US\$ 27.6 billion value of imports, only US\$ 1.6 billion came from ALADI-members, while overall ALADI exports represented US\$ 2.8 billion (ALADI Newsletter, May-June 1985, p. 4).
- Overall, Brazil exports of manufactures present some degree of concentration on two regional classifications. First of all, about 70 per cent of the exports of manufactures in the period 1981-84 concentrated in the Southern Cone, i.e. Argentina, Bolivia, Chile, Paraguay and Uruguay, though this ratio was much higher in the early 1970s (above 80 per cent). Secondly, considerable and systematic gains have been made in countries like Venezuela, Chile and Paraguay, which are the one exhibiting the relatively lesser degree of non-tariff restrictions in the ALADI area [Appendix A2]. The substantial gains in Paraguay and Uruguay could also be ascribed to the special advantages of bordering trade.

Yet, the view on the importance of ALADI as an export market of Brazil only allows to assess the accessibility of this market relative to other export markets and this accessibility is determined by size and growth of the markets as well as by importing country's interventions into imports. It does not provide an answer to the question whether the bilateral arrangements secured a competitive edge of Brazilian exports vis-

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<sup>1</sup> The five sectors are: boilers, food-processing equipment, agricultural machinery, construction machinery and equipment, pumps and compressors.



à-vis competing exports of other countries to the same market.

To respond to this question, it is necessary to analyze shifts in trade shares in the importing country. In the following we focus on the most important bilateral trade pattern in the ALALC, the Brazil-Argentine case and the performance of Brazil on the Argentine market. Looking at the evolution of the share of Brazilian imports and the unit value of Brazilian imports in the Argentina market between 1974-83 (Tables A1 and A2) the following shifts can be observed:

- The Brazilian share of the import market in Argentina improved only in some sectors, particularly medicinal and pharmaceutical products, fertilizers, and road vehicles;
- In sectors like iron and steel shapes, iron and steel tubes and pipes, and domestic electric equipment, the shares have remained either stable or very erratic;
- In the group of agricultural machinery, a steady increase in the Brazilian share was followed by an abrupt decline;
- In only three sectors Brazil reveals a substantial market penetration of between 25 and 50 percent: fertilizers, domestic electric equipment and photo and cinema supplies.

As a result, no systematic trend towards stronger or weaker Brazilian penetration into the manufactured goods market of Argentina comprising all industries can be detected. In addition, there does not seem to exist a consistent link of changes in trade shifts with changes in preference margins and the concomitant change in prices of Brazilian goods relative to third country products. This inconclusive finding supports the view that instruments other than preference margins operate in favour of Brazilian suppliers on ALADI market and that these instruments became effective mainly via non-price measures.

## V. Further Determinants of Brazil's Manufactured Exports to ALADI Markets: Some Hypotheses

Our analysis has shown that the ALADI markets as such cannot be considered as an homogeneous and stable outlet for Brazilian manufactured goods. This has been partly due to the cyclical and continuously disrupted and renegotiated multi- and bilateral trade arrangements creating uncertainty with respect to the stability of the trade policy framework. At the same time, the switch from comprehensive multilateral trade agreements in ALALC to bilateral and restricted multilateral agreements in ALADI has meant a greater and growing fragmentation of intra-regional markets, each obeying different set of rules. In addition to the instability of preferential trade policies, balance of payments crises of Latin American countries have made the access to the markets even more difficult to anticipate. Though quantity restrictions in general affect all trading partners, it may have not been too far from reality to assume that imports from ALADI countries were assessed to be less "essential" than imports from developed countries. Hence, they may have faced tighter restrictions than imports from non-ALADI sources.

A disaggregate sectorial approach might illuminate better the real conditions which prevailed for Brazilian exporters, for instance. Even though some of the empirical evidence available can only indirectly testify as to the linkages between preferential tariff treatment and export success, it is obvious that overall Brazil exports of manufactures to ALADI cannot be explained only by implicit protection against third countries. In some sub-sectors the ALADI mechanisms have probably played no role at all. At the same time, the ALADI markets are of key significance for some Brazilian manufactured goods, but the success in those markets must be analysed both within and outside the trade policy framework of ALADI. Compared to non-Latin American trading partners Brazil has other institutional advantages in directing exports to ALADI countries which cannot be ascribed only to special trade arrangements:



First, a very important feature of the demand for imports coming from ALADI is the prominence of the role of central government and state corporations. It is estimated that about 40 per cent of total demand for imports (Sintesis ALADI, 9/85, pp. 4-5) originates from the public sector, and one may add the indirect control that the government may exert in some sectors. Most of this demand is for intermediate and capital goods; in a sector like equipments for electricity generation (Sintesis ALADI, 6/86, pp. 3-4), state corporations represent about 80 per cent of total demand. Given also the prominence of the state in the production and distribution spheres of manufacturing industry in Brazil, and the numerous bilateral agreements in which state purchases are specifically directed to country members, it may be possible to count this feature as an important determinant of some type of exports as well. It should also be noted, that this type of state-to-state transactions usually enjoys preferential credit arrangements, and is also likely to overcome more easily non-tariff barriers.

Second, counter or barter trade has been playing a more substantial role in international transactions, particularly between developing countries; Brazil is considered a leader in counter-trade operations, and many swaps of Brazilian manufactures for raw materials from ALADI members (particularly oil) are being effected systematically (Rubin, 1986). A recent United Nations survey on barter trade also pointed out the growing importance of barter trade for developing countries, particularly Brazil. In the ALADI market a key feature has been the implementation of barter trade between Brazilian steel products, auto-parts, and other manufactured goods, exchanged for raw materials (United Nations, 1986).

Third, Brazilian access to these markets might also have been heavily determined by a more flexible exchange rate policy than that of its neighbours, making Brazilian goods outside and within the ALADI arrangements lists more competitive than the domestic products. A recent study (Anderson, 1985, pp. 3-17) suggests that the real value of the Brazilian currency depreciated consider-

ably against most ALADI members, particularly between 1973-75 and since 1980<sup>1</sup>. In general, exchange rate movements can be expected to have a larger impact on differences between domestic prices and prices of substitutes from ALADI partner countries than preferential tariffs. It may even occur that tariff cuts remain ineffective in terms of shifting demand towards imports because of countervailing exchange rate movements. This issue of the divergence in the real exchange rates between ALADI members is also relevant for the determinants of so-called tariff redundancy. A study on the case of Argentina concludes for the period 1977-79, that positive tariff redundancy - that is a higher nominal protection than necessary to equilibrate differences between domestic and international prices - became smaller largely because of the increase domestic prices. This increase had a greater importance in reducing redundancy than devaluation had in maintaining it that the reduction of tariffs was more than compensated by the rate of devaluation (Marques and Wogart, 1985: pp. 25-27). Although these results cannot be extrapolated for every partner and all periods, it nevertheless accentuates the fact that divergent monetary economic policies undermine the effectiveness of tariff concessions.

Fourth, intra-Latin American freight costs may differ from those of third countries, particularly in the La Plata area, e.g., (Argentina, Uruguay, Paraguay), and also with Venezuela. This is suggested by the skewed distribution of Brazil manufactured exports towards that sub-region.

Fifth, intra-industry trade has become increasingly important for some industrial sectors in Brazil - automotive and machinery - and again this trend seem to be concentrated in the Plata area<sup>2</sup>.

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<sup>1</sup> A similar conclusion is reached for some countries, including Brazil, in the BID-INTAL study "El Margen de Preferencia Arancelario y sus Efectos en el Comercio Intra-ALALC", 1980, p. 16).

<sup>2</sup> Balassa (1978) stressed the high degree of intra-industry trade between Argentina, Brazil and Mexico. Silber [1983, p. 90] also suggests that multinational corporations in Brazil export more manufactures to the ALADI market than domestic firms.

## VI. Latest Developments in the ALADI Market

Since the early 1980s, and partly because of the acute economic crisis in some ALADI members, talks of restructuring and expanding the framework of ALADI have been intensified. Political changes in Brazil and Argentina have given a new prospect to further advancements towards a "Latin American Common Market". Both countries have signed recently some agreements towards speeding-up trade in the area, covering also manufactured goods. Three new features, of potential concrete importance for the trade performance of Brazil in the area, have emerged clearly:

First, there is a new approach towards economic integration in the area, based essentially on a broad political and regional framework. Greater integration of markets will centre on those neighbouring countries that not only share some basic political values, but which are also well-endowed with communications and cost-efficient transport systems.

Second, on the side of Brazil, there is the belief that the country is prepared to play the undisputed hegemonic role in the region, having pursued a more outward-oriented trade policy than its neighbours, and having gained consequently international competitiveness in many fields of the manufacturing industry. Whether inside or outside the institutional framework of ALADI, a clear strategy has emerged in both public and private sectors in Brazil: the area should be regarded as a Brazil hinterland, and Brazilian presence in those markets be maintained and expanded.

Third, on the side of Brazil neighbours, and particularly Argentina, there is also the belief that only an effective commercial coupling with Brazil will enable them to regain economic dynamics and share some of the benefits obtained by the biggest economy of the region in other regions of the world. This should mean a greater access to home markets for Brazilian manufactured products. Studies for Argentina indicate that most Brazilian products

in the steel and auto industry are between 40-50 per cent cheaper than the Argentine counterparts<sup>1</sup>.

Considerable attention has been given to the set of agreements signed between Argentina and Brazil at the beginning of August 1986<sup>2</sup>. The four specific agreements aim at intensifying the programme of economic integration and cooperation between the two countries. Besides two deals covering Brazil imports of wheat and projects in the area of the food industry, the third document arranges the renegotiation of the Partial Trade Agreement signed within ALADI, excluding the list of items classified as "capital goods" which constitutes the core of the most important understanding achieved between the two countries. This latter agreement - whose list of items is still to be agreed upon - eliminates all tariff and non-tariff restrictions on the common list of both countries. It proposes an overall level of bilateral trade in capital goods of US\$ 2.0 billion for the next four years<sup>3</sup>.

The agreement further stipulates that by 1990 the common list will cover at least 50 per cent of the total sample of capital goods agreed; in all purchases of the public sector, and in imports directly or indirectly originated from the public sector goods of Argentine or Brazilian origin will be treated as domestic ones. In public tenders, Argentine and Brazilian goods which are not registered in the common list, will enjoy a reduction of 50 per cent of the level of protection granted in the price of local products. At the same time, it is agreed that both countries will effect a similar tariff treatment for third countries, of a level sufficient to direct the imports towards each one. Third country import component in the common list is set at a maximum of 20 per cent. Preliminary figures suggest that a sub-

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<sup>1</sup> La Nación, Buenos Aires, 14.7.1986, pp. 6-7.

<sup>2</sup> The complete text of the agreements has been taken from La Nación, 4.8.1986, p. 5.

<sup>3</sup> The targets for the years 1987 to 1990 are: 1987: US\$ 300 million; 1988: US\$ 400 million; 1989: US\$ 550 million; 1990: US\$ 750 million (La Nación, 4.8.1986, p. 5).

stantial increase in bilateral trade from an average of US\$ 1.4 billion in 1986 has taken place (La Nación, Buenos Aires, 20.7. 87). New agreements have been signed recently, extending the initial period of validity of the preferential trade arrangements until 1999, and creating at the same time a common monetary unit for the bilateral exchange, the gaucho<sup>1</sup>.

The experience has shown that many of these commercial and economic integration plans have been very difficult to implement, notwithstanding the fact that bilateralism is a typical second-best phenomenon with rather high costs in terms of resource misallocation. However, greater economic urgency on the part of its neighbours might mean that Brazilian access to ALADI markets could be expanded in the field of manufactured goods, both because of some advantages in competitiveness and because of preferential treatment with regard to third countries.

#### VII. Prospects for the ALADI Market

The ALADI market represented the most important outlet for Brazil exports of manufactured goods, at the beginning of its formidable expansion. This dominance began to weaken as from the mid-1970s, and suffered a considerable drop between 1982-84. Though it undoubtedly meant the vital field of first trial for the Brazilian export industry, it is no longer even its most important market within the developing world.

Two questions are of relevance for the immediate future. The first concerns the possibility that the recent relative decline in the importance of the ALADI market may be overcome, once some of those Latin American countries regain economic dynamism, a process which is intimately linked to a more outward-orientated profile. The second question concerns the eventual effects of the

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<sup>1</sup> For a discussion of the problems involved with the creation of an artificial currency unit for the explicit use among developing countries see Fischer (1984: pp. 321-322).

new regional tariff preference scheme in ALADI, and of the bilateral pacts, upon the eventual reactivation of intra-regional trade.

It seems plausible that ALADI demand for Brazilian manufactures may reactivate in the near future, though it is unlikely to regain its dominant position within the developing world. The new multilateral tariff preference scheme seems unlikely to determine much of these flows, unless a substantial upgrading of the preferential rates is put into effect. As has been seen in the case of the latest agreements with Argentina, Brazil continues its policy of specific bilateral trade agreements on a more selective basis with broader political perspectives as well as with a larger set of monetary and trade policy instruments. This set may include short-term reciprocity pacts between state-controlled companies, barter trade, border trade and exclusive payment units.

As experience has witnessed, such instruments of integration planning are subject to instability and very discretionary ad hoc measures. Hence, trade relations based on such measures are threatened by volatility and political vulnerability. In the medium run, they seem to be clearly inferior to a stable policy framework designed to balance the incentive system between domestic production and export production. There does not seem to exist an equivalent substitute in bilateral trade relations which could maintain the competitive status of Brazilian products on ALADI markets as it developed beyond a preferential status over the two last decades.

Appendix A1: Partial and Multilateral Trade Agreements in ALADI

AAP. C*	Industrial sector	Signatory countries	Signing data of agreement	Signing data of amending protocols
1	Data processing equipment	Argentina Brazil Chile Mexico Uruguay	11/20/82	
2	Electronic tubes	Argentina Brazil Mexico	11/29/82	
5	Chemicals	Argentina Brazil Chile Mexico Peru (D) Uruguay Venezuela	12/20/82	11/28/84 12/06/85 01/23/86
7A	Refrigeration and air conditioning equipment	Argentina Uruguay	12/24/82	
7B	Electric domestic appliances	Argentina Uruguay	12/24/82	12/30/83
8	Glass (**)	Argentina Mexico	12/29/82	11/08/83 12/27/84
9	Electric power equipment	Brazil Mexico	11/29/82	
10	Office equipment	Argentina Brazil Mexico	11/29/82	11/17/83 11/28/84 02/28/86
12	Electronic and elec- trical communications	Brazil Mexico	11/29/82	11/17/83
13	Phonography	Argentina Brazil Mexico Uruguay Venezuela	12/02/82	
14	Electric domestic appliances	Brazil Mexico	11/29/82	

Appendix A1 continued

AAP. C*	Industrial sector	Signatory countries	Signing data of agreement	Signing data of amending protocols
15	Pharmaceuticals	Argentina Brazil Mexico	12/10/81	11/29/82 11/15/83 11/28/84 12/06/85
16	Petrochemicals	Argentina Brazil Chile Mexico Uruguay Venezuela	12/06/82	11/22/83 06/30/84 08/24/84 11/28/84 12/31/84 02/25/85 04/26/85 10/18/85 12/06/85 12/06/85
17A	Refrigeration and air conditioning equipment	Argentina Brazil	11/15/82	
17B	Electric domestic appliances	Argentina Brazil	11/15/82	
18	Photography	Argentina Brazil Mexico Uruguay Venezuela	12/24/82	11/25/83 01/04/84 12/30/83 09/14/84 12/28/84 12/06/85
19	Electronic and electrical communications	Argentina Brazil Mexico Uruguay	11/29/82	11/17/83 11/28/84
20	Dyes and pigments	Argentina Brazil Chile Mexico	12/10/81	11/29/82 11/07/83 11/24/84 12/06/85
21	Chemicals (surpluses and deficits)	Argentina Brazil Chile Mexico Uruguay	12/10/81	12/10/82 11/25/83 11/28/84 04/26/85 12/06/85



Appendix A1 continued

AAP. C*	Industrial sector	Signatory countries	Signing data of agreement	Signing data of amending protocols
22	Essential oils, chemical aromatic products, fragrances and flavours	Argentina Brazil <sup>C</sup> Mexico	11/29/82	12/25/83 11/28/84 12/06/85
23	Electric power equipment	Argentina Mexico	11/29/82	12/30/83
24	Electronic and electrical communications	Argentina Mexico	11/29/82	11/08/83 11/28/84 11/06/85
25	Lamps and illumination units	Argentina Mexico	11/29/82	11/08/83 11/28/84 12/06/85
26	Paramedical equipment	Argentina Brazil Mexico	11/28/84	12/06/85
27	Glass	Brazil Mexico Venezuela	11/28/84	

\* Identification symbol in Spanish. Abbreviation stands for "Partial Scope Agreement/Trade". - \*\* Trade Agreement No. 8 expired on 03/31/85.

Source: ALADI-Newsletter, No. 198 , p. 5.

Appendix A2 - Non-Tariff Barriers Towards All Countries in ALADI Member Countries, 1984

Non-tariff barriers	ARG	BOL	BRA	COL	CHI	ECU	MEX	PAR	PER	URU	VEN
Quantitative Restrictions											
Previous Licences of Equivalents	Significant	Significant	Significant	Significant	Non-existent	Significant	Significant	Insignificant	Insignificant	Insignificant	Significant
Prohibitions	Significant	Significant	Significant	Significant	Insignificant	Significant	Insignificant	Significant	Insignificant	Insignificant	Insignificant
Exchange Rate and Financial Restrictions	Significant	Significant	Significant	Significant	Significant	Significant	Non-existent	Significant	Non-existent	Non-existent	Non-existent
Previous Import Deposits	Significant	Non-existent	Non-existent	Non-existent	Non-existent	Non-existent	Non-existent	Non-existent	Non-existent	Non-existent	Non-existent

Source: Sintesis ALADI, 1984, No. 4, p. 22-23.

Appendix A3

Examples for non-tariff barriers in some ALADI member countries  
1984

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Argentina. Import prohibitions represent 23 per cent of the custom list. A Further 29 per cent is subjected to previous licensing.

Brazil. Import prohibitions represent 42 per cent of the custom list; this category represents 87 per cent in the agricultural sector, 93 per cent in textiles and clothing, 80 per cent in timber, paper. Free sectors are considered to be chemical, metallurgy, and capital goods.

Colombia. 60 per cent of the custom list is subjected to previous licensing.

Ecuador. Import prohibitions represent 30 per cent of the custom list.

Mexico. 82 per cent of the custom list is subjected to previous licensing. In sectors like chemicals and minerals the range is lower, about 67 per cent.

Venezuela. Only 27 per cent of the custom list is under some type of non-tariff restriction. Of this fraction, 32 per cent of the items are prohibited and 62 per cent are authorised by the central government.

Statistical Appendix

Table A1 - Import Unit Values of Selected Argentine Imports from the World and from Brazil, 1974-1983

SITC	Product Category	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Unit Value of Total Argentine Imports (US-\$/ton)											
561 <sup>1</sup>	Fertilizers (manufactured)	178.2	338.3	153.1	68.4	167.5	184.7	257.0	241.4	211.3	193.5
673	Iron and Steel Shapes	510.0	622.7	732.5	529.8	831.0	886.4	785.2	755.9	683.1	537.6
678	Iron and Steel Tube, Pipes, etc.	761.2	1413.2	1254.8	1284.5	749.1	1364.5	905.7	1000.6	1562.6	1622.8
721	Agricultural Machinery	3268.4	4354.6	5222.9	n.a.	4552.4	4024.6	4334.8	5326.6	5234.0	3659.7
725 <sup>2</sup>	Domestic Electric Equipment	6846.4	7340.4	9634.8	4395.1	9242.5	6202.4	6292.6	6449.4	7803.3	7364.9
732	Road Motor Vehicles	2422.8	2846.4	3544.1	n.a.	4358.6	5399.8	5751.3	6161.8	6020.1	5439.0
821	Furniture	2731.7	n.a.	5800.0	3148.2	4445.8	5166.0	4914.3	4728.6	5495.7	3955.3
862	Photo, Cinema Supplies	8890.9	8583.6	10732.8	11770.4	12605.7	12979.3	16209.5	15983.8	14787.1	13086.9

Table A1 continued

SITC	Product Category	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Unit Value of Argentine Imports from Brazil (US-\$/ton)											
561 <sup>1</sup>	Fertilizers, Manufactured	n.a.	n.a.	n.a.	n.a.	164.6	234.3	287.0	264.8	217.4	192.4
673	Iron and Steel Shapes	474.2	1025.2	1207.8	1609.2	800.7	896.7	1271.5	1000.6	755.8	723.6
678	Iron and Steel Tube, Pipes, etc.	1739.0	1341.8	1604.7	n.a.	1630.6	958.6	801.9	1695.0	890.5	1017.1
721	Agricultural Machinery	1638.1	1828.3	4294.9	n.a.	2708.8	2215.1	2758.8	3388.0	3155.9	1296.4
725 <sup>2</sup>	Domestic Electric Equipment	4628.4	4859.5	6065.8	5480.8	8326.4	4985.7	4578.9	5632.9	6923.7	7378.4
732	Road Motor Vehicles	1810.1	1923.9	2475.8	n.d.	2772.7	3620.7	4165.7	4440.5	4860.5	4218.5
821	Furniture	n.a.	n.a.	n.a.	n.a.	n.a.	3131.9	2811.3	3514.6	2596.2	n.a.
862	Photo, Cinema Supplies	1980.1	2884.4	9121.1	10278.9	8060.1	10960.8	14186.8	13205.7	11462.7	12777.0
<sup>1</sup> Revision since 1982: SITC 362. - <sup>2</sup> Revision since 1982: SITC 775 = SITC 725 (-775.12-799.3, - 775.85).											

Sources: UN Commodity Trade Statistics, various issues; own calculations.

Table A2 - Argentina's Imports from Brazil, Percentage Shares for Selected Product Categories, 1974-1983

SITC	Product Category	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
541	Medicinal and Pharmaceutical Products	0.2	0.1	0.4	4.6	1.1	1.1	2.5	3.5	8.7	4.7
561 <sup>1</sup>	Fertilizers (manufactured)	n.a.	n.a.	n.a.	n.a.	7.3	6.7	4.0	3.7	12.7	28.0
673	Iron and Steel Shapes	16.1	9.5	8.6	1.2	11.6	12.2	5.1	8.8	13.9	15.9
678	Iron and Steel Tube, Pipes, etc.	5.9	8.0	3.2	n.a.	1.6	18.3	4.1	1.8	7.3	10.4
721	Agricultural Machinery	6.4	4.7	2.9	0.4	8.5	15.0	20.5	11.9	4.9	5.5
725 <sup>2</sup>	Domestic Electric Equipment	48.1	34.0	26.8	5.6	26.0	24.1	16.6	15.7	9.1	57.7
732	Road Motor Vehicles	7.4	7.6	10.0	2.5	10.4	7.0	7.9	8.4	14.8	16.1
821	Furniture	n.a.	n.a.	n.a.	n.a.	n.a.	7.6	11.1	9.2	4.2	n.a.
862	Photo, Cinema Supplies	1.8	3.0	23.4	30.2	9.9	12.8	17.4	15.4	24.5	29.4

<sup>1</sup>Revision since 1982: SITC 362. - <sup>2</sup>Revision since 1982: SITC 775 = SITC 725 (-775.12-799.3, - 775.85).

Sources: UN Commodity Trade Statistics, various issues; own calculation.

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