

International and Intra-national Trade of Brazilian States: Determinants, Structure and Interdependencies

Abstract:

With the ambition of transposing trade analysis to an intra-national level, we work on the determinants and the structure of trade among Brazilian states, as well as their trade with international markets. In an introductory chapter, we present the stylized facts concerning the Brazilian trade while focusing mainly on the states' characteristics. In chapter 1, we estimate the states' domestic and foreign market export capacities by a gravity model of trade. Results show that the states with better foreign export capacities are not necessarily the same as those more oriented to the domestic market. Then in the second chapter, we use a gravity model to shed light on MERCOSUR's creation and diversion effects as well as its "preference erosion" effect on trade among Brazilian states. We show that MERCOSUR increased Brazilian states' trade with member countries, but had no significant effect on either interstate trade or Brazilian states' trade with third countries. International organizations suggest the trade in value-added would be a "better" measure to understand the impact of trade on economy when import content in exports is important. Hence in a last chapter, we calculate the value-added exported by Brazilian states from an inter-state Input-Output table (2008) that we use to analyze and measure the vertical specialization between states. We also estimate a gravity model of trade in exported value-added that we extend to a trilateral frame: origin state, re-exporter state and importer country.

Keywords: Gravity model, Intra-national trade, Brazil, Input-Output tables, Vertical specialization