

Who Gains from Free Trade?

Export-led growth, inequality and poverty
in Latin America

Edited by

Rob Vos

Enrique Ganuza

Samuel Morley

Sherman Robinson

Routledge

Taylor & Francis Group

LONDON AND NEW YORK

Contents

<i>List of tables and figures</i>	xii
<i>About the authors</i>	xviii
<i>Preface</i>	xx
1 Introduction	1
Rising exports, slower growth and greater inequality: is trade liberalization to blame?	
ROB VOS, ENRIQUE GANUZA AND SAMUEL MORLEY	
<i>1.1 Reforms and dismal growth</i>	<i>1</i>
<i>1.2 The analytical approach of this study</i>	<i>2</i>
<i>1.3 Overview of the main findings</i>	<i>4</i>
<i>Notes</i>	<i>6</i>
<i>References</i>	<i>6</i>
2 Bad luck or wrong policies?	8
External shocks, domestic adjustment and growth slowdown in Latin America and the Caribbean	
SAMUEL MORLEY AND ROB VOS	
<i>2.1 Introduction</i>	<i>8</i>
<i>2.2 Bad luck? External shocks during the 1990s</i>	<i>13</i>
<i>2.3 Failed adjustment or policies? The nature of domestic adjustment</i>	<i>23</i>
<i>2.4 Conclusions</i>	<i>28</i>
<i>Appendix A2:</i>	
<i>A2.1 A methodology for estimating external shocks and domestic response</i>	<i>29</i>
<i>A2.2 Decomposition of changes in current account deficit</i>	<i>33</i>
<i>A2.3 Average current account balance</i>	<i>45</i>

A2.4 Macroeconomic decomposition of economic growth 46

A2.5 Sectoral growth decomposition 51

Notes 51

References 54

3 Are export promotion and trade liberalization good for Latin America's poor?

55

A comparative macro-micro CGE analysis

ENRIQUE GANUZA, SAMUEL MORLEY, SHERMAN ROBINSON,

VALERIA PINEIRO AND ROB VOS

3.1 Macro-micro modelling of trade reforms 55

3.2 CGE model strategy 56

3.3 Macro CGE simulations: counterfactual analysis of effects of trade reforms and external shocks 66

3.4 The impact of policy simulations on poverty and inequality 91

3.5 Conclusions 96

Appendix A3 98

Notes 121

References 122

4 Argentina - the convertibility plan, trade openness, poverty and inequality

125

CAROLINA DIAZ-BONILLA, EUGENIO DIAZ-BONILLA,

VALERIA PINEIRO AND SHERMAN ROBINSON

Abstract 125

4.1 Introduction 126

4.2 General policy framework and economic performance 127

4.3 Current account and trade performances 130

4.4 Structure of the CGE model and simulation results 132

4.5 Microsimulations: methodology and results 139

4.6 Conclusions and issues for further research 146

Notes 147

References 148

5 Bolivia - export promotion and its effects on growth, employment and poverty

150

WILSON JIMENEZ

Abstract 150

5.1 Introduction 151

5.2 Macroeconomic policies and export promotion 152

5.3	<i>The labour market and income inequality</i>	162
5.4	<i>Effect of exports on employment and wages</i>	164
5.5	<i>Conclusions and policy implications</i>	175
	<i>Appendix A5</i>	178
	<i>Notes</i>	180
	<i>References</i>	182
6	Brazil - the impact of trade openness on employment, poverty and inequality	184
	FRANCISCO GALRAO CARNEIRO AND JORGE SABA ARBACHE	
	<i>Abstract</i>	184
6.1	<i>Introduction</i>	184
6.2	<i>Macroeconomic background and structural reforms</i>	185
6.3	<i>Sector and export growth</i>	188
6.4	<i>Counterfactual CGE model simulations</i>	192
6.5	<i>Microsimulations of the impact of trade on poverty and inequality</i>	199
6.6	<i>Conclusions</i>	201
	<i>Notes</i>	202
	<i>References</i>	203
7	Costa Rica - export orientation and its effect on growth, inequality and poverty	204
	MARCO V. SANCHEZ C. AND PABLO SAUMA	
	<i>Abstract</i>	204
7.1	<i>Introduction</i>	205
7.2	<i>Reforms and macroeconomic performance</i>	205
7.3	<i>Trends in employment, inequality and poverty</i>	211
7.4	<i>Exports, employment, inequality and poverty: a counterfactual analysis</i>	214
7.5	<i>Conclusions</i>	223
	<i>Appendix A7</i>	225
	<i>Notes</i>	228
	<i>References</i>	229
8	Cuba - export promotion, poverty, inequality and growth in the 1990s	231
	ANGELA FERRIOL, XUAN HOANG, ALFREDO GONZALEZ AND ALINA HERNANDEZ	
	<i>Abstract</i>	231
8.1	<i>Introduction</i>	232

8.2 *Economic reforms: peculiarities of the Cuban case* 232
8.3 *Macroeconomic performance* 235
8.4 *Exports* 237
8.5 *Productivity and employment* 238
8.6 *Inequality and poverty* 241
8.7 *Counterfactual analysis* 242
8.8 *Impacts of simulated policies on inequality and poverty* 251
8.9 *Conclusions* 253
Appendix A8 255
Notes 268
References 268

9 Ecuador - dollarization, trade liberalization and poverty 270

ROB VOS AND MAURICIO LEÓN

Abstract 270
9.1 *Introduction* 271
9.2 *Macroeconomic performance and external shocks* 272
9.3 *Trade liberalization, macroeconomic policies and export promotion* 276
9.4 *Labour market adjustment and poverty during the 1990s* 281
9.5 *A SAM and CGE model for Ecuador* 284
9.6 *Microsimulation methodology* 286
9.7 *CGE macro-microsimulations: effects of trade liberalization and external shocks on employment and factor incomes* 287
9.8 *Concluding remarks* 297
Appendix A9 298
Notes 299
References 300

10 Mexico - do the poor benefit from increased openness? 302

SAMUEL A. MORLEY AND CAROLINA DIAZ-BONILLA

Abstract 302
10.1 *Introduction* 303
10.2 *Macroeconomic overview: 1980-99* 303
10.3 *Opening the Mexican economy* 307
10.4 *A decomposition analysis of the sources of growth since 1980* 308
10.5 *A CGE model for Mexico* 313
10.6 *Policy experiments and simulation results* 315
10.7 *The impact of export-led growth on poverty and distribution: the microsimulations* 321
10.8 *Conclusion* 326

Notes 327
References 327

11 Peru - impact analysis of trade liberalization on poverty and inequality 329

ALONSO SEGURA VASI AND JUAN GARCÍA CARPIO

Abstract 329
11.1 Introduction 330
11.2 Evolution of the economy in the 1990s 330
11.3 CGE analysis of the impact of trade liberalization and shocks 337
11.4 Impact of external shocks and trade reform on poverty and inequality 349
11.5 Concluding remarks 356
Notes 358
References 360

12 Uruguay - export growth, poverty and income distribution 361

SILVIA LAENS AND MARCELO PERERA

Abstract 361
12.1 Introduction 362
12.2 Macroeconomic performance and economic reforms 362
12.3 Sector and export growth 367
12.4 Counterfactual CGE model simulations 372
12.5 Impact on poverty and inequality at the household level 383
12.6 Conclusions 387
Appendix A12 390
Notes 391
References 391

Index 393