EFFECTIVE RATES OF PROTECTION IN BRAZIL: 2000 TO 2015

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This paper calculates effective tariffs by economic sector for Brazil from 2000 to 2015. The effective tariff differs from the nominal tariff in that it takes into consideration the protection given to inputs along the production chain. A tariff applied upon the import of a given class of product will give its domestic producers an advantage since it will shield them from import competition. Tariffs levied upon that product´s inputs, on the other hand, will result in a higher cost for the producers since they will pay more for these inputs.

The effective tariff rate considers both of these effects. The effective protection of product j can be calculated using the following formula:

So effective protection is equal to the nominal tariff of the product being protected minus the tariffs of all the inputs weighted by their relative importance in the product's production chain.

The technical coefficient matrix is calculated using of the Input Output Matrix of the National Accounts provided by the Brazilian Institute for Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística* – IBGE). The WITS platform, provided by the World Bank, supplies tariffs applied by sector. There are three main results.

First, there is a large variation in effective protection across economic sectors. In the fifteen years between 2000 and 2015, the highest effective tariff we calculated was 212% and the lowest -9%. In general, the least protected sectors are those linked to commodities (usually also export sectors). The most highly protected sectors are all in industry.

Second, there appears to be a trend towards greater homogeneity in effective tariffs. While the standard deviation of the effective tariff across economic sectors was close to 24 percentage points during the first half of the first decade of the century, between 2010 and 2015 the same number was under 20 percentage points.

Finally, there have been large swings in effective protection rates for some sectors. For example, up to 2003, car production was protected by effective barriers above 200%. By 2015, however, the sector´s effective tariff had fallen to 90%. The effective tariff on metallurgy of non-ferrous metals likewise varied from -0.8% to 19% during the period under study. This means that although the Brazilian tariff policy remained roughly constant during the last 15 years, some sectors saw strong variations in their tariffs over this period.

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