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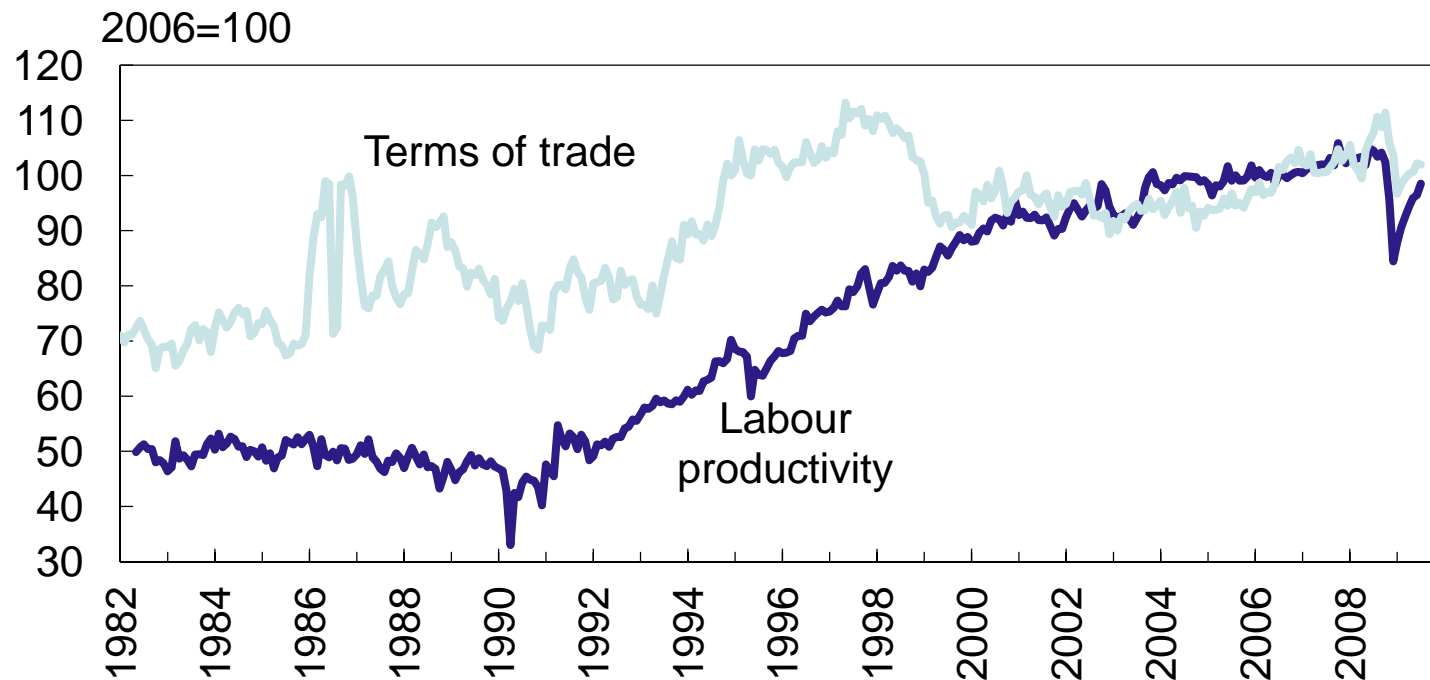
A Brief History of Brazil's Growth

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The paper's main point

- There is a strong association between changes in the terms of trade and output growth/variability.

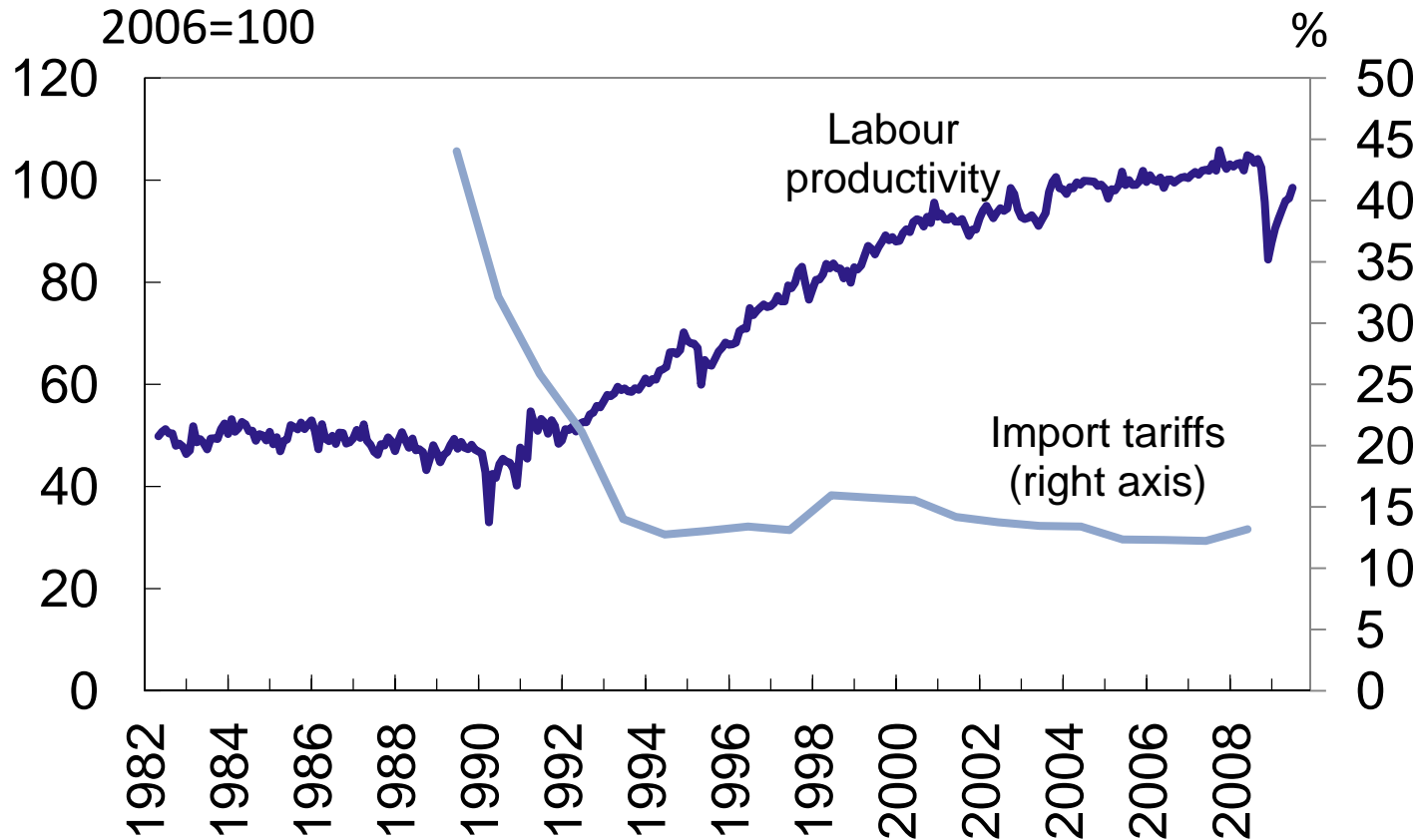


But this association may be weakening, especially since 1999.

Why?

1. A less pro-cyclical policy regime (underpinned by fiscal adjustment)?
2. Payoff from the structural reforms of the 1990s (trade liberalisation, pro-market deregulation in product markets, etc.)?
3. Productivity gains from the take-off in human capital accumulation since the 1990s?

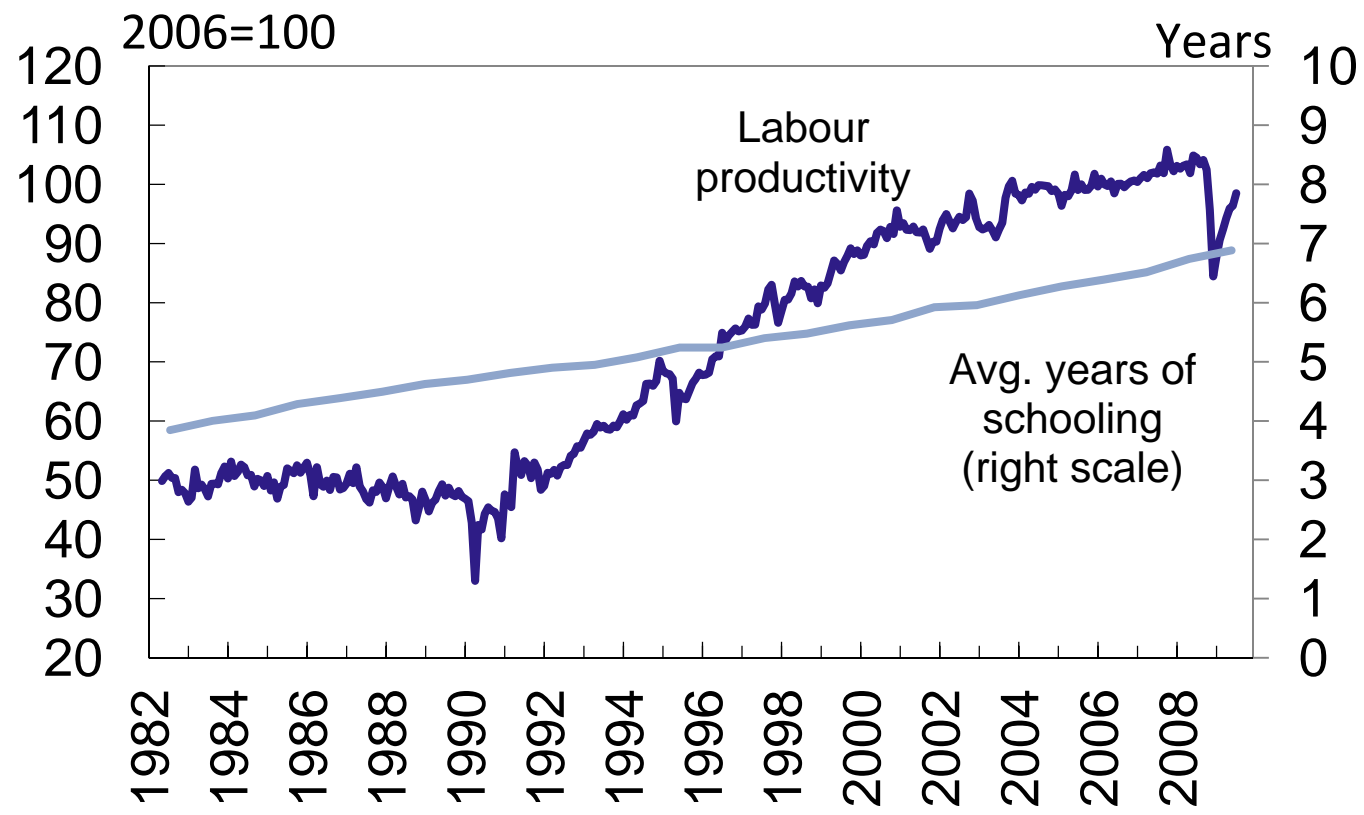
Labour productivity surged following trade liberalisation



Considerable empirical evidence on the effects of pro-competition reform

- **Divestiture, liberalisation of entry, including in public utilities and network industries**
 - Some evidence: Pinheiro *et al.* (2001), Schmitz and Teixeira (2004)
- **Trade liberalisation: elimination of non-tariff barriers and gradual reduction in the level and dispersion of import tariffs, especially during 1988-1995**
 - Some evidence: Hay (2001), Rossi and Ferreira (1999), Schor (2004)

Continued human capital accumulation has also contributed



Implications for growth sustainability

- **Consolidate the policy framework**
 - Especially through continued fiscal adjustment; oil discoveries and terms-of-trade volatility
- **Deepen structural reform**
 - Vast array of policy areas (*Doing Business*: ease of opening and closing businesses; administrative burdens to pay taxes and to fulfil foreign trade procedures)
- **Pursue human capital accumulation**
 - Considerable gains yet to be made; area where Brazil lags the most in comparison with OECD countries