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ScienceDirect
EconomiA 16 (2015) 128–144
ECONOMIA
www.elsevier.com/locate/econ

The Brazilian exports of labor-intensive goods in the 2000s: An analysis using the Constant Market Share Method

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Available online 28 March 2015

Abstract

This paper aims at analyzing international trade in labor-intensive sectors in the 2000s, with a special reference to the Brazilian case. Therefore, we use the constant market share analysis to compare several countries' export performance. It was observed that Asian countries emerged strengthened from this period. Brazil had a mediocre performance, losing market-share in global markets. Moreover, competition from Asian economies and even from the small Central American countries, such as Guatemala and El Salvador, has undermined the penetration of Brazilian exports in its major trade partners, which are North America and South America.

JEL classification: F140; L600

Keywords: Industry; Export; Labor-intensive; Constant Market Share; Competitiveness

Resumo

O objetivo deste artigo é investigar a evolução do comércio internacional de produtos intensivos em trabalho na década de 2000 e qual foi o desempenho do Brasil neste mercado. Para tanto, comparam-se as performances das exportações de vários países e utiliza-se o método do *Constant Market Share* para decompor a variação do valor das suas exportações. Observou-se que quem saiu fortalecido desse período foram os países asiáticos. O Brasil apresentou uma performance medíocre e perdeu muito espaço no mercado internacional. Em dois dos seus principais mercados, América do Norte e América do Sul, há uma presença crescente e ameaçadora dos competidores da Ásia e até mesmo de pequenos países da América Central, como Guatemala e El Salvador.

Palavras chave: Indústria; Exportação; Intensivo em trabalho; Constant Market Share; Competitividade

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Peer review under responsibility of National Association of Postgraduate Centers in Economics, ANPEC.

http://dx.doi.org/10.1016/j.econ.2015.03.005
1517-7580

1. Introduction

The first decade of the 21st century has witnessed structural transformations in the world economy, among them, changes in trade patterns deserve special attention. Asian countries, and specially China, have consolidated their position as major producers and exporters of manufactured goods and, also, as importers of raw materials, intermediate products and machinery. Its high competitiveness, led in great part by its low labor force costs, has been displacing many traditional producers, often jeopardizing the survival of industrial sectors and companies in third countries. Brazil has not been an exception in this scenario. For different reasons firms and governments have not adequately adapted to this new competitive environment,[1] particularly the producers and exporters of labor-intensive goods. As a consequence, competitors from Asia and Central America have displaced the Brazilian firms in markets previously dominated by Brazilian exporters.

In this context, this paper aims at analyzing international trade in labor-intensive sectors in the 2000s, with special attention to measuring the market share losses of Brazilian exporters. We use the constant market share analysis to compare several countries' export performance. This methodology allows us to decompose the variation of their exports' values, in order to identify which countries have emerged as the main competitors in labor-intensive products' international markets. As a consequence, we offer a broader picture of winners and losers as well as possible explanations for the divergence in trade patterns. In doing so, the current paper seeks to contribute in two ways: (i) we have tried to improve previous methodological efforts to classify industrial products following Pavitt's (1984) seminal contribution, and (ii) we provide new evidence on the competitiveness of Brazilian exports of labor-intensive products.

The remainder of this paper is organized as follows. Section 2 explores industrial goods' classification, in order to identify the products to be appraised as labor-intensive goods. The section is based in the well known Pavitt (1984) taxonomy, with the further adaptations of Guerrieri (1991, 1998). Section 3 evaluates the structural changes in the international markets of labor-intensive products in the 2000s, while the Section 4 assesses the gains and losses of Brazilian products in those markets. Section 5 analyzes the competitiveness of Brazilian exports, while Section 6 compares the performance of selected countries, including Brazil. Arguments and evidence are summarized in Section 7.

2. The classification of industrial goods: fundamentals and methods

The well known Pavitt taxonomy has its origins in the famous article (Pavitt, 1984) which proposes a modification in relation to the previous patterns of industrial goods classification, especially on what concerns the empirical studies. The previous classifications were characterized by being based in non-dynamic market structures, unable to consider the endogenous changes that competition built on innovative strategies and in technical progress could generate (Possas, 2003). Therefore, the categorization was led by a classification such as the traditional neoclassical or by others that were critics to the neoclassical and, eventually, pointed to the technical progress matter, but did not contemplate it entirely. This was the case, for instance, of Sylos-Labini (1956), which as early as the 1950s shed light to the technical progress issue. Since the early 1970s, the emergence of a new technological paradigm – microelectronic, in substitution to the electromechanical – has generated structural changes, where technical progress and the innovation turned out to become essential elements in the dynamics of competition. The previous taxonomies lost functionality and explanation power as a result of the changes in the competitive environment, granting room to new ways of categorizing different industrial activities, hereinafter always considering the innovation and technical progress matter.

Pavitt (1984) initially classified industrial goods in three main groups: Supplier Dominated, Production Intensive, and Science Based. The second group was divided in two subgroups: Scale Intensive and Specialized Suppliers. In this first approach, he suggests an opening of the groups to two digits, hence with a restrict specification.

Guerrieri (1991) states to be based in Pavitt (1984) while enunciates four industrial goods groups, and also has the Production Intensive group divided in two (however, besides these four groups, he includes the food industry and three groups of non-industrial goods):

(1) Science Based;
(2) Specialized Suppliers;

[1] For a broader analysis see, among others, Canuto et al. (2013). See, also, Footnote 5.