

THE IMPORTANCE OF MERCOSUR TO CEARÁ AND TO THE OTHER STATES OF THE NORTHEAST

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Introduction

Recently, the rate at which the world economy has changed has intensified. This has made it necessary for countries to open their economies, and at the same time led to increasing regional integration. Countries need to be more efficiency, especially in international trade.

In this context, the major goals are quality-standard and the optimizing means of production. Nowadays, the international trade agreements consider the comparative advantage of each country. Thus, for a country to succeed in the globalization context should integrate into an economic bloc.

Thus, the direct relations between individual countries are turning into multilateral relations between blocs, i.e., European Economic Community (EEC); the North American Free Trade Agreement - NAFTA and the "Asian Tigers" including Japan.

Another factor contributing to the formation of trade blocs is the union among non-industrialized countries and one or more countries with a higher level of development. This is case of the EEC, which gathered several countries around core economies, i.e., Germany, France and the United Kingdom. This also happened in North America (NAFTA - USA, Canada and Mexico) and in the East Asia (Japan, South Korea, Taiwan, Singapore and Hong Kong).

Countries in the Southeast Asia also formed a group 25 years ago: the ASEAN (Malaysia, Singapore, Thailand, Philippines, Indonesia and Brunei). In this case, regional political reasons have also contributed to the formation of the bloc, which today, basically targets the expansion of regional trade. In Central America, Panama, El Salvador, Guatemala and Honduras are trying to form the CAEC (Central American Economic Community) in response to this worldwide movement. Since 1990, the leaders of the Andean Group countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) have been discussing trade liberalization and economic integration.

The Common Market of the South is a consequence of this regional integration process within South America. Also in this case, the individual protectionism policies shall be transformed into a (more difficult) relationship among economies this time based on efficiency and competitiveness. The integration should be centered on Brazil - largest economy of the four.

Thus, the present study aims at determining the implications of the formation of Mercosur for its four member countries, for the two associated countries and specifically for the Northeast region of Brazil with an emphasis on Ceara State.

Furthermore, the tendencies towards regionalization and globalization of the world economy will be analyzed together with the objectives, characteristics, temporary organs and recent guidelines of Mercosur. The study will also present an overview of the four member countries and the two associated counties with some economic, social, export and import indices.

Chapter I - General Aspects of Mercosur

1.1 Background

The Common Market of the South - Mercosur- is a South answer to the new world reality which points towards regionalization, in terms of consolidated economic blocks, and globalization, expressed through an increasing internationalization of national economies.

The very first antecedents of a Latin American integration are from the sixties when the Latin American Association of Free Trade – ALALC – was created; this was later transformed into the Latin American Association of Development and Integration – ALADI- in 1980. Both were inspired by the precepts established by the Latin American Economy Commission – ECLA- that recommended expanding the regional market and elaborating a common industrialization strategy. This study was based on the model of import substitution, closed markets and the active role of the government in productive activities, and even though it met with many difficulties in terms of Latin American Integration it did advance the mutual cooperation to some extent.

According to Espiell (1991, p.111), some of the major factors hindering the integration process were the strong movements related to nationalist ideologies. The authoritarianism prevailing on most of the continent, national development strategies with no room for integration, the great diversity of national realities as far as social, economical and political institutions are concerned, and the foreign debt of practically all the Latin American countries in the eighties.

The integration managed to provide a growth in interregional trade in the sixties and seventies, but in the eighties the foreign debt and the world crisis slowed this down. The industrialization and export of manufactured products, especially by the larger countries of Latin America, may largely be considered a result produced by the import substitution policy inspired by CEPAL and backed up by ALALC/ALALDI.

In 1986, an agreement called Integration and Economic Cooperation Program – PICE- was signed by Brazil and Argentina, following the recent tendencies within ALADI of signing bilateral and minilateral agreements and considering the need for strengthening their new democratic governments and economic development.

This new agreement became a reality after certain controversies between the two countries were solved in the late seventies: such as; the rights to use the Parana river hydro-electric resources, the demilitarization of mutual relations, the cooperation in the strategic energy sector and the change in both countries towards a democratic government.

The PICE agreement produced a development proposal which was not based solely on Trade, but which would also allow for cooperation, collaboration and complementation in the economy of the two countries. It was based on principles of progression, flexibility, balance and symmetry, thus allowing the productive sectors to adopt gradually to the new situation of a partial and selective opening of the market stimulating the partakers' interest and implementing projects compatible with the economic situation of each country.

According to Espiell, the main proposals of PICE aimed at:

- Forming a development alternative based on an ample cooperation and economic integration program;
- Favoring an inter-industrial integration through an exchange of partly processed raw material, exceeding the limits which the recession had imposed, upon each economy;
- Strengthening the commercial relationships between the two economies;
- Creating protocols for scientific, technological and cultural collaboration.

In spite of the increase in the trade between Brazil and Argentina, the program became less dynamic from 1988 on, as a result of the macroeconomic instability of both countries suffering from inflation, recession and strong oscillations in their respective currencies. Thus, in the same year an important step was taken in order to proceed with the bilateral integration: the signing of the integration treaty through which Mercosur would be formed within the following ten years.

The new governments (Menem in Argentina) and (Collor in Brazil) introduced a significant change in the treaty in 1990, signing the Buenos Aires Agreement which determines that Mercosur should be established by December 31, 1994. It also introduced a mechanism, which progressively reduces tax so as to liberalize the bilateral trade.

While on one hand the anticipated integration time had been drastically reduced, the governments of the two countries allowed trade to take control of the process so that the commercial aspects became priority and the common development alternatives became secondary concerns.

Praguay and Uruguay finally decided to join Brazil and Argentina and signed the Assuncion Treaty on March 26, 1991, which contained the same precepts as the Buenos Aires agreement.

The Treaty defined a " transition period" lying between the moment it was signed and December 31, 1994, during which the members would implement an intra-Mercosur tax reduction program and negotiate a common external rate together with all the usual instruments of common trade policy to be applied from January 1, 1995 (the tax reduction program reduced the rates within Mercosur to zero and was an annex to the Treaty itself; the reduction occurred in bi-annual quotas which were respected by all members without exception).

As established in the treaty of Asuncion, the four member countries agreed to create an institutional structure for Mercosur by signing a protocol modifying/complementing the treaty. This protocol was signed at the end of the transition period, on December 17, 1994, in the Brazilian City of Ouro Preto, state of Minas Gerais.

The importance of this protocol is due primarily to the following aspects (Pereira, 1995):

- establishment of the legal character of Mercosur, providing it with external representation as also the ability to negotiate with third countries or other group of countries;
- creation of a framework for the institutional structure of Mercosur, defining its main executive and decision-making boards. The definitive structure will be gradually defined only in the medium term.

By approving the Common External Tariff, the Common Market Council has given a new political dimension to the integration process, permitting the end of the transition process and changing the status of the integration process to a Customs Union.

1.2 Objectives, characteristics and temporary organs of Mercosur.

The creation of Mercosur in the terms of the Assuncion Treaty aims at the following:

- Accelerate the economic development with social justice;
- Introduce the member countries properly into the international market;
- Works towards an ampler integration of Latin America;
- Help regions and States develop scientifically and technologically and modernize their economies so as to produce a larger variety of goods and services by which the living standard of their populations may improve;
- Strengthen the basis for a close union of the Mercosur member countries;

In the Assuncion Treaty we read that the main instrument for the constitution of a common market is a trade liberalization program consisting of progressive, linear and automatic tax reductions together with the elimination of non-tax related restrictions or measures of equivalent effect or interstate trade restrictions, so that the member countries may arrive at December 31, 1994, free of non-tax restrictions upon the whole of the tax universe.

On the Global scene, Mercosur is now undergoing a consolidation of customs union. As the common market becomes consolidated, South American integration begins to seem possible. With the admission of Chile and Bolivia the adoption of a free trade system, one may also anticipate a partnership between the Americas.

In the interim of the transitional period, the intergovernmental decisions are being channeled through two provisory bodies: The Conselho do Mercado Comum (CMC) and the Grupo Mercado Comum (GMC). The former is the political branch and the highest level within the hierarchy of Mercosur governing bodies. It is comprised of the presidents of the four member countries, as well as the ministers of economics and foreign relations. The latter is the executive branch, which oversees implementation of the Assuncion Treaty, enforcing negotiation deadlines and decisions of the CMC and also adopting the necessary measures to comply with the terms of the treaty.

An advisory committee with representatives of the respective Ministries of Foreign Relations, Ministries of Economics (or equivalent) and the Central Banks, forms the national section of the GMC. The technical apparatus of the GMC is composed of eleven working groups covering a broad spectrum of issues. During the transition period, all decisions of the governing bodies of the CMC and GMC are made by consensus of the four contracting parties.

Chapter 2 - THE MERCOSUR MEMBER COUNTRIES

2.1 Argentina

The Republic of Argentina is the second largest country of Latin America. It covers an area of 2,776,889 km² and has 34,665,000 inhabitants (1996) most of whom are of European descent (Spanish and Italian). In 1996 the Argentina GDP was US\$ 214.617 billion (in 1990 US\$).

In spite of a certain deterioration of the economy since the mid seventies, Argentina still produces huge quantities of grain, so the country is nearly self-sufficient in terms of food; the Argentine population also consumes more calories on the average than does any other Latin America country.

The main agricultural products of Argentina are sugar cane, corn, soybeans and wheat, while cattle and sheep are favorites of animal husbandry. The industry sector is most active in foods, cars, leather, metallurgy, oil and gas, chemicals and textiles. The main mineral resources are coal, lead, iron, gas, oil, silver, zinc and uranium.

Argentina's main trading partners are the USA, Brazil, Germany, Holland and Japan. Exports were US\$ 20.962.6 billion in 1995, of which 49.8% were food, 30.4% were manufactured goods, 10.8% machinery and transport equipment, 10.4% fuels, 6.3% chemicals, 5.1% ores and metals and 4.3% agricultural and raw materials (IDB-1997,p.6)

The Argentine farming sector developed in close association with the international market. The most productive region is that which lies within 300 miles from Buenos Aires – 52 million hectares in all. This region, sometimes called the rainy pampas, is accountable for over 50% of the produce of the country. The main products of the agro-industry are fat or oil derivatives, meat, hides and leather.

The rainy pampas have specialized in producing soybeans, corn, wheat and beef, the main export products of the country. The soy bean complex accounts for as much as one quarter of Argentina exports. The rainy pampas are also the main source of food on the home market producing over 85% of the grain and oils consumed and about 90% of the meat.

In other agricultural regions the crops consist largely of vegetables and temperate fruits; these supply over 50% of the agro-industrial production in this sector and are consumed mostly on the home market.

The economic decline of Argentina is due to a poor policy-making in both the exchanges of primary products and the macroeconomic policies, bringing about a lower employment rate, lower salaries, inflated bank rates and a concentration of income. The situation has become so serious that 50% of the population is now living below the official poverty level.

2.2 Brazil

The Federal Republic of Brazil is the biggest country of South America. It covers an area of 8,456,508 km² and has 163.976 million inhabitants, which represents almost half of the South America population. In 1996 Brazil GDP was US\$ 493.038 billion (in 1990 US\$).

Brazil's main trading partners are USA, Argentina, Japan, Holland, Germany, Iraq and Italy. Exports were US\$ 46145.8 millions in 1995, of which 29% food, 19.9% ores and metals, 19.3% machinery and transport equipment, 18.6% other manufactured goods, 6.8% chemicals, 5.3% agricultural raw materials 0.9% fuels.

The central-south region is the richest part of the country, which is responsible for most of the GDP, besides the better social indicators. The intra-regional disparities are well accentuated in social economic data.

2.3 Paraguay

The Republic of Paraguay has an area of 406,752 km² and has 5.025 million inhabitants. In 1996 Paraguay GDP was US\$ 7.392 billion (in 1990 US\$).

It has two natural regions, separated by the Paraguay River. The better lands are located in the east region, which concentrates the majority of population and cultivated lands. The west region, known as Chaco, has little cultivated lands and scarce population; the major activity is the cattle raising. The main products are soy and cotton.

The major partners are Brazil, Argentina, United States, Japan and Holland. Exports were US\$ 819.6 million in 1995 of which 51.8% were all food, 34% agricultural raw materials, 13.3% manufactured goods, 0.9% ores and metals and 0.1% fuels.

2.4 Uruguay

The East Republic of Uruguay is the smaller country of Mercosur. It covers an area of 177,508 km² and has 3.203 million inhabitants. In 1996 the GDP was US\$10.437 billion (in 1990 US\$).

The major agriculture products are sugar, rice, potato, barley wheat, soy and corn. The most important industries are food, textile, chemical, transport equipment, leather and tourism. The country has also iron mineral reserves

The major partners are Brazil, Argentina and the United States. Exports were US\$ 2.101 billion in 1996 of which 44.6% were all food, 38.4% manufactured goods, 14.9% agricultural raw materials, 1.2% ores and minerals and 0.9% fuels.

2.5 Association Agreements

Mercosur has signed association Agreements with Chile and Bolivia to form a Free Trade Zone between these countries and the block, through Progressive Liberalization of Trade Programs. The agreement of association with Chile entered into force on October 1st. 1996; and with Bolivia which was signed during the summit in Fortaleza entered into force on January 1st. 1997.

These countries can not be considered full Mercosur members because they did not show intention to continue in the integration process, adhering to the Customs Union, which would implicate adoption of Common External Tariff, and furthermore constitute also a Common Market.

2.5.1 Bolivia

The Republic of Bolivia covers an area of 1,098,581 km² and has 7.594 million inhabitants. In 1996 the GDP was US\$ 6.956 billion (in 1990 US\$).

The main products are: minerals (tin, zinc, natural gas, gold), agricultural (sugar cane, soy, potato), cattle raising.

Bolivia's main trade partners are United States, Brazil, Japan and Argentina. Exports were US\$ 1.050 billion in 1995, of which 35.5% were ores and metals, 21.5% were food, 18.6% were manufactured goods, 14.6% fuels and 9.8% agricultural and raw materials.

2.5.2 Chile

The Republic of Chile covers an area of 756,626 km² and has 14.462 million inhabitants. In 1996 the GDP was US\$ 49.745 billion (in 1990 US\$).

The main products are minerals (copper, natural gas and iron), agricultural (cereals and fruits), fishing.

Chile's main trade partners are United States, Brazil, Japan and Argentina. Exports were US\$ 15530.1 million in 1995, of which 49.6% were ores and metals, 24.6% were all food, 13.0% were manufactured goods, 12.6% agricultural and raw materials and 0.3% fuels.

Chapter 3 - THE ECONOMIC CONSEQUENCES OF MERCOSUR

3.1 Member countries

One of the main concerns of the member countries is what individual group, sectors, regions and countries will benefit from the community and which ones will suffer losses.

Thus, the two smallest countries of Mercosur, Paraguay and Uruguay should gain great benefits from such a project. They will be able to open their external economy considerably; in fact, they are quite dependent on the external market, including Brazil and Argentina. There is, however, a new opportunity for these countries to initiate an industrialization process, according to Arocena (1995, p.11) at the expense of Brazil and also of Argentina.

The population of Uruguay is only 1.95% that of Brazil while its GNP amounts to 2.12%. The figures for Paraguay are 3.6% and 1.5%, respectively (IDB, 1997, p.1).

The farming products of these two countries may therefore grow enormously on the market. It should be noted that Paraguay has a comparative advantage in cotton, corn and soybeans, whereas the strength of Uruguay lies in meats, dairy products, cereal and temperate fruits.

The future of the industrial sector seems promising although presently limited. These two small countries never became industrialized for lack of a larger market. Integration through Mercosur will provide the growth for these countries or relocation of both old and new industries, and will allow the trade to benefit from already existing policies concerning remittance of profits, labor legislation, trade restrictions, etc.

Argentina is of course much larger than the preceding countries but its population and GNP are not more than 21.14% and 43.53%, respectively, of those in Brazil. Its farming sector will benefit from a much larger market; the country itself is already extremely rich in natural resources and presents low production costs.

Argentina is more competitive in meat, dairy products, and cereals and temperate fruit than Brazil. The regions most likely to benefit from the Mercosur agreement are the rainy pampas and the wine and fruits producing districts. On the other hand, the northeast regions which have specialized in supplying subtropical products to the large cities of the rainy pampas is made up of small-scale producers and will suffer considerable losses. The integration process might create certain tensions between the regions of the country.

Only few of Argentina's industrial sectors show a competitive advantage over Brazil and future alternatives are unclear. The country is opening its trade, liberalizing its borders and allowing for privatization, so great parts of the local industry is in danger for restriction.

The privatization process in Argentina deprived the government of important powers and attributions and transferred public enterprises to foreign business groups for a symbolic price. Strangely enough, some of these foreign groups are public enterprises in their home countries.

In face of a predictable bankruptcy of the Argentinean industry, the foreign groups, which now control the secondary sector of the country are likely to try to gain influence over Brazil- the only Mercosur member country with a large government participation in foreign productive sectors.

The Brazilian farming sector will pay the initial price for the integration process. Thus Brazil exports from 6 to 7% of its total agro-industrial production to the three other members of Mercosur, but from 60 to 70% of its imports from these countries consist of agro-industrial or farming products. The Mercosur agreement will be very favorable in view of the superiority of Brazilian industries over those of its neighbors.

Argentina, Paraguay and Uruguay are unable to supply all the foods and agroindustrial products consumed in Brazil, but the increase in Brazilian imports in this area will do much harm to the domestic agriculture, especially to small-scale producers who will have to migrate or look for different occupations. This will ultimately imply in very high social costs.

Argentina and Chile have a comparative advantage in temperate fruits while Brazil has comparative advantage in tropical fruits.

However, if the liberal orientation towards countries outside Mercosur becomes prevalent, the integration will seriously threaten many local industries, both private and government owned, which were developed in consequence of the import substitution policy.

3.2 Investment Promotion System

The promotion of exports and the attraction of investments are the priority aims of all governments in the Mercosur region and there is plenty of will to maintain and strengthen the mechanisms needed to achieve this.

There are various Investment Promotion Systems in the region:

- In Brazil credit is adopted as a fundamental tool.
- In Argentina the government issues Treasury Bonds and grants these to projects it wishes to promote.
- In Uruguay tax exemptions and the removal of tariffs on the import of equipment and materials for the promoted projects are the most common measures.
- In Paraguay there is a whole promotion system already established under a single law, which sets out the aims of the system, the instruments to be used and the institution operating the scheme. The benefits granted – basically total tax exemptions for five years – are simple and powerful. There is also a maximum deadline (60 days)

for the authorization or rejection of investment bids. It is also important to stress the total lack of discrimination between local and foreign investment, the demand that the environmental impact of the projects be considered and the inclusion of the assets provided in the "leasing" of the available benefits.

- Chile exclusively promotes exports, as here it is understood the perks offered on investments are a consequence of the export orientation of the projects.

3.3 The Northeast of Brazil

The farming sector in Northeastern Brazil is, as it were, complementary to that of the other Mercosur member countries where its tropical products (fruits, vegetables, and flowers) are just as demanded as in Europe, USA, Asia and in the internal market of Brazil.

"The Northeastern region has advantages in this sector, mainly due to available farmland, favorable climate and inexpensive labor. The region also has adequate infrastructure (including irrigation projects) and specialized companies located in four agro-industrial centers", (SUDENE, 1995, p.9).

"The expansion and consolidation of this sector depends on an adequate agro-industrial policy for the region, including research and technical support (some of which private), bank loans, insurance, training, marketing and promotion of Northeastern tropical products", (SUDENE, 1995, p.9).

However, the sector would require a better sales structure in order to enter the international market, and that will include physical infrastructure (local roads, main roads, railroads, harbors and storage facilities so as to take advantage of the periods between harvests in the imports countries.

"The world fruit market attains some US\$ 150 billion, 10% of which come from fresh fruit. The temperate fruits make up the largest part of the market; the exports of Brazilian fruits in nature reached about US\$ 100 million in 1992", SUDENE, (1995, p.10).

The incorporation and development of an increasing number of Northeastern farmers capable of supplying the international market will depend on the proportion of the investments in this sector and on the organization and professionalization of individual producers.

When producers get together in associations and cooperatives they may share their costs, produce more, and bargain on the market of both raw materials and products for consumption. Such conditions are *sine qua non* for a successful participation in the international market,(Freire, 1990, p.104)

It is therefore important that representatives from this sector participate in the present Mercosur negotiations defending their interests, mainly concerning the chapter of sectorial agreements which include the determination of a common phytosanitary legislation, a technical standardization, a quality standard system and the elimination of tropical products from the list of restricted products.

The Northeastern tourist sector will also benefit greatly from the Mercosur agreement. This is due to its natural resources, such as a two thousand-mile coastline (from Bahia to Maranhao), characterized by a tropical climate, a high level of insolation, warm waters and attractive natural scenery.

The Northeast has a rich cultural, artistic, gastronomic and historical heritage and the cheerful, hospitable people of this region seem to have a perfect vocation for tourism. In order to transform this potential into effective income, regional authorities, government agencies and the private sector must become aware of the importance of tourism as a feasible alternative for the regional development and generation of profits.

Tourism does produce a large number of direct and indirect jobs, distribute income more equitably and stimulates agricultural, industrial and service-related activities, so it would be advisable to adopt an adequate development policy for the sector, including improvements in basic infrastructure, training and advertising inside and outside Brazil (but mainly in the Mercosur countries) and the involvement of private entrepreneurs.

Brazil has a 0.6% share in the world tourist market, a rate at which declined some 50% from the mid-eighties to the early nineties. The World Tourist Organization estimates the world market in US\$ 3 trillion and it is responsible for one out of every 15 jobs in the world.

Apart from the two sectors described above, the benefits of Mercosur to the Northeast are very limited. The productive restructuring within Mercosur is favorable to the trade so one may expect a tendency towards capital concentration and the formation of trusts, making life more expensive for consumers.

The Mercosur agreement will definitely not solve the development problem of the Northeast, but will present new and different challenges. The local economies, when integrated in the world market, will gradually lose their autonomy becoming more and more influenced by external political and economical forces.

The opening of new markets or liberalization of trade and the access to new sources of private investment will stimulate the development of regional agriculture. But such integration also implies new risks and high costs, mainly related to the increased influence of foreign capital, the dependence upon the world market and the need to participate in very competitive markets. If the government does not intervene efficiently, many groups (e.g. small producers, home farmers and those without land) will have to face hard times.

Over the past years, many government enterprises and agencies have been privatized or closed down, making many worry about the future of Brazil (and especially the Northeast) in the context of commercial liberalization and highly competitive international markets.

There are five tendencies in the world "agro-food" system of the nineties. These tendencies have invariably led to a weakening of the food production systems of developing countries under the political and economical influence of the rich industrialized nations and of transnational companies working in this sector.

The five tendencies may be summed up as follows:

- Tendency towards the polarization of food processing systems;
- Tendency towards subordination of the world system to the economical interests of advanced industrial nations;
- Tendency towards a consolidation and integration of agro-alimentary systems of developing countries to the world system as producers of raw material and non-alimentary agro-products;
- Tendency towards the disarticulation of the production potential of alimentary systems in third world countries;
- Tendency towards an increasing participation and influence of foreign capital transforming and internationalizing the food processing systems of third world countries

Therefore, the promotion of exports of tropical and ornamental products from the Northeast to Mercosur should not be harmful to the agricultural policies, which assure self-supply and food security in the region.

CEPAL, quoted by Espiell (1991, p.93), states that despite the contributions of agriculture and agro-industry to the solution of payment balance matters and fiscal deficit, and although they stimulate other sectors of the economy, they are unable to make up for the lack of development of most of the rural population.

Furthermore, it would be arbitrary to make an agricultural development strategy based on natural resources and climate differentiation (temperate versus tropical agriculture) in view of all the advances in biotechnology. The application of biotechnology to agriculture will give the developed nations comparative advantages formally held by the developing countries.

Also of concern to the Northeast is the sharp difference between the nominal Mercosur and the actual Mercosur. The former comprises the four member countries that signed the Assuncion Treaty, while the latter is made up of the regions of these countries which are effectively engaged in trade and other forms of exchange.

The Northeast, which is far from the zone of attraction called "The Southern Cone", will experience a loss and deviation of the capital and investment flows together with an increasing emigration of its labor force, even the specialized one. The socio-economic disparities between the Northeast and the Central/Southern areas will become more intense this way.

The integration process will bring a relative loss of autonomy in terms of decision-making within the Mercosur member countries. This fact and the increasing participation of the Mercosur economies in the international sphere, exposing them to new partners of competition, will make the fiscal incentive policy susceptible to questioning or even renewal as the agreement becomes consolidated.

Other possible losses to the Northeast caused by the Mercosur integration process are:

- Economic and social costs for non-competitive sectors;
- The cessation of economic activities with great subsequent social impacts
- Losses suffered by small companies and rural producers because of their lack of modern technology and organization.

The action of the BNB (Bank of Northeast Brazil), considering the perspective of a more open economy in Brazil, should confer privileges to the primary sector of the region, since this is the most feasible way of becoming self sustaining, as one may observe in several rich countries.

The support to the primary sector is consolidated according to the following guidelines:

- Increase food production to become self-sustaining;
- Stimulate rural associations to make producers stronger;
- Support tropical products (fruits, vegetables and flowers) from the irrigated plantation of Northeast of Minas Gerais, Petrolina, Juazeiro, Acu and Baixo Medio Jaguaribe to gain access to the market of Central/Southern Brazil and abroad (specially Mercosur);
- Adopt modern production technologies, including the dissemination of irrigated agriculture as a means of reducing risks and uncertainties.

BNB should also support the tourist sector as a means of generating employment and income (as known from other countries), following guidelines such as these:

- Create a specific program for the sector offering lines of credit with local funds or funds administered by the bank;
- Train the Labor force of the sector;
- Create tourist establishment in the main cities and along the beaches;
- Support external tourist activities.

Ceara's Government is developing a program of coastal tourism- PRODETUR. Its objective is to plan, coordinate actions, and control the future of Ceara's coastal tourism, providing self-sustaining development, with emphasis on an assessment of environmental resources and long term organization of space.

3.4- Trade of the Northeast of Brazil with Mercosur

The Northeast Region trade with Mercosur increased 112.6% during the period from 1992-1995, jumping from US\$ 197.8 million to US\$ 420.7 million.

In this period, the classification of the Northeast Region to Mercosur was modified. Thus, the State of Ceara which was classified in fourth rank on the regional trade to Mercosur in 1992, with a participation of 5% (11.6 millions) went up to 10.3% (43.2 millions), showing an increase of 272.41%.

At the same time (1992-1995), the State of Bahia remained unaltered in the first place. Pernambuco lost the second position to Ceara and becomes the fourth. Maranhao remained unaltered in the third place, while Sergipe took Paraiba's place, in other words, went up to the fifth place. (Table 1)

It is important emphasize that along the nine states of the Northeast Region, Sergipe was the only one to show evolution of 14.2% of its exports to Mercosur, when compared to 1992. The States of Alagoas, Rio Grande do Norte and Piaui showed in the same period increase of 28.7%, 2.5% and 178%, respectively. (Table 1)

TABLE 01									
NORTHEAST AND BRAZIL'S EXPORTS TO MERCOSUL									
1992-95									
DISCRIMINATION	1992		1993		1994		1995		VARIAÇÃO (%)
	US\$ FOB	PART.(%)	US\$ FOB	PART.(%)	US\$ FOB	PART.(%)	US\$ FOB	PART. (%)	1995/92
Brazil	4,097,469,000		5,395,242,000		5,921,475,000		6,153,768,000		50.37
Northeast	197,844,826	100.00	234,502,154	100.00	321,256,072	100.00	420,711,489	100.00	112.64
Alagoas	479.344	0.24	998.202	0.43	12,001,540	3.74	617.149	0.15	28.75
Bahia	137,135,429	69.31	141,817,158	60.48	189,959,620	59.13	287,147,616	68.25	109.39
Ceará	11,697,534	5.91	27,066,946	11.54	30,737,156	9.57	43,219,390	10.27	269.47
Maranhão	18,726,427	9.47	27,466,767	11.71	34,530,168	10.75	38,370,745	9.12	104.9
Paraíba	844.507	0.43	2,774,810	1.18	3,135,782	0.98	7,090,830	1.69	739.64

Pernambuco	21,657,888	10.95	25,482,921	10.87	48,592,445	15.13	36,664,169	8.71	69.29
Piauí	485.870	0.25	598.379	0.26	410.996	0.13	1,351,617	0.32	178.18
Rio G. do Norte	2,388,652	1.21	3,432,291	1.46	2,134,668	0.65	2,450,017	0.58	2.57
Sergipe	4,429,175	2.24	4,864,680	2.07	3,793,697	1.18	3,799,956	0.9	-14.21
Source: IPLANCE									

TABLE 2					
BRAZIL AND NORTHEAST'S EXPORTS BY STATES					
1994-95					
DISCRIMINATION	1994		1995		Variation(%)
	US\$ 1,000 FOB	PART.(%)	US\$ 1,000 FOB	PART. (%)	1994/95
BRAZIL(*)	43,545,162	100.00	46,506,282	100.00	006.8
NORDESTE	3,502,854	8.21	4,239,999	9.28	21
Alagoas	240.949	0.56	488.144	1.02	94.30
Bahia	1,720,587	4.03	1,919,192	4.20	11.5
Ceará	334.861	0.78	352.131	0.77	5.1
Maranhão	575.719	1.35	671.361	1.47	16.6
Paraíba	83.646	0.20	86.065	0.19	2.90
Pernambuco	372.737	0.87	574.321	1.26	54.1
Piauí	53.669	0.13	67.097	0.15	25
Rio G. do Norte	86.729	0.20	79.228	0.17	-8.1
Sergipe	33.957	0.08	22.460	0.05	-33.8
NORTH	2,078,586	4.87	2,433,139	5.32	1.17
SOUTH	10,938,551	25.63	11,401,026	24.95	1.04
SOUTHEAST	25,035,755	58.67	26,634,656	58.29	1.06
CENTRAL-WEST	1,119,235	2.62	986.516	2.16	0.88
Source: IPLANCE					

Chapter IV - ANALYSIS OF THE FOREIGN TRADE OF CEARA

4.1 Characteristics of the State of Ceara

In 1995, the Northeast region contributed with US\$ 4.2 billion in the exchange income of the country, in a total of US\$ 46.5 billion. The Ceara State participated with 0.77% of the total exports – US\$ 352 million (Table 2). In relation to the Northeast, the state represented 8.3% in the external business, positioning in fifth of the regional classification.

In 1995, Ceara's exports showed a positive variation of 5.1% in relation to the year before, which were US\$ 334.9 millions. It is important to emphasize that 63.9% of this value were obtained by the standard product sales, while the industrialized products contributed with 36.1%

In relation to the volume of goods negotiated, there was a decrease of 12.0% when compared to 1994. In 1995, the volume of goods negotiated was 136,981 t. against 154,988 t. in 1994. This reduction on the quantities shows that the increase in exports was related to the prices of goods sold in the international market.

The Cearense Trade balance, in 1995, presented a deficit of US\$ 197.8 million. This result is basically due to increase in imports of machines and industrial equipment, cars, wheat, corn and cotton.

The export guideline is still concentrated in a small quantity of goods. Thus, in 1994 only five are responsible for 61% of the external sales of the State, going up to 80% in 1995.

The products with bigger participation were: cashew nuts (36.9%), lobster (14.4%), carnauba wax (10.9%), tissues (12.9%) and cotton fiber (4.5%).

The major export product (cashew nut), showed an increase of 44.8% in the export quantum, which went up from 19,538t., in 1994 to 28,295t., in 1995. In relation to the worth, the increase was 40.4%, US\$ 92.5 million in 1994 to US\$129.9 million in 1995.

TABLE 3
STATE OF CEARÁ
EVOLUTION OF THE MAIN EXPORTED GOODS – 1994-1995

DISCRIMINATION	1994		1995		Variation 1995/94	WEIGHT			MEDIUM PRICE		VAR. (%)	
	US\$ FOB	Share	US\$ FOB	Share		1994	1995	1994	1995			
	(*)	96	(*)	96		Kg	Kg	US\$	US\$			
Cashew nuts	92,503,335	27.7	129,926,894	36.9	40.4	19,538,541	12.6	28,295,191	20.6	4.73	-2.96	-2.96
Lobster	45,772,876	13.7	50,505,719	14.4	10.3	2,130,600	1.4	2,187,586	1.6	21.48	7.49	7.49
Textile	32,691,213	9.8	45,472,991	12.9	39.1	9,704,234	6.3	11,872,653	8.7	3.37	13.65	13.65
Wax of carnauba	19,562,388	5.9	38,561,219	10.9	97.1	7,058,285	4.5	6,124,345	-4.5	2.77	127.44	127.44
Cotton fiber	13,276,651	3.9	15,881,395	4.5	19.6	4,165,220	2.7	4,016,305	2.9	3.18	24.21	24.21

Polyester fiber	11,155,974	3.3	8,173,035	2.3	73.3	3,769,195	2.4	2,411,86	1.8	2.96	14.53	14.53
Clothes	9,101,723	2.7	2,649,545	0.8	70.9	851,601	0.5	126,474	0.1	10.69	95.98	95.98
Leather	8,988,193	2.7	10,300,020	2.9	14.6	3,047,415	2	4,474,512	3.3	2.95	-22.03	-22.03
Shrimp	6,113,683	1.8	4,687,911	1.3	23.3	690,672	0.4	501,012	0.4	8.85	5.76	5.76
Electric measurer	5,320,490	1.6	4,222,310	1.2	20.6	392,943	0.2	321,170	0.2	13.54	-2.88	-2.88
Stove	4,802,455	1.4	3,786,317	1.1	21.1	1,818,290	1.2	1,338,025	1.0	2.64	7.20	7.2
Shoes	4,264,638	1.3	1,971,057	0.6	53.8	1,281,647	0.8	671,409	0.5	3.33	-11.71	-11.71
Iron cylinders	3,127,257	0.9	3,851,406	1.1	23.1	2,593,481	1.7	3,557,590	2.6	1.20	-10.00	-10.00
Iron cylinder	2,756,815	0.8	1,925,601	0.6	30.1	9,384,565	6.1	5,985,022	4.4	0.29	10.34	10.34
Mica	2,364,790	0.7	2,226,916	0.6	5.8	772,626	0.5	564,062	0.4	3.06	29.08	29.08
LCC(**)	2,347,154	0.7	2,983,765	0.8	27.1	16,719,809	10.8	19,556,846	14.3	0.14	7.14	7.14
Iron strips	2,176,604	0.6	2,632,788	0.7	20.9	5,078,000	3.3	4,170,000	3.0	0.42	50.00	50.00
Granite	1,609,819	0.5	628,739	0.2	60.9	4,957,375	3.2	3,064,237	2.2	0.32	-34.37	-34.37
Melon	657,814	0.2	223,764	0.1	65.9	1,639,425	1	521,988	0.4	0.40	7.50	7.50
Fish	406,142	0.1	1,222,647	0.3	201.0	90,429	0.1	129,533	0.1	4.49	110.24	110.24
Board consumption	45,433,800	13.6	3,450,346	1.0		47,771,204	30.8	26,408,763	7.8			
Others	20,427,169	6.1	16,846,850	4.8	17.5	11,532,371	7.5	10,683,427	19.2			
Total	334,860,983	100.0	352,131,273	100.0	5.16	154,987,928	100.5	136,981,256	100.0			

Source:IPLANCE

TABLE 4
STATE OF CEARÁ
EVOLUTION OF THE MAIN EXPORTED GOODS 1995-1996

DISCRIMINATION	WORTH		VAR. (%)		WEIGHT			MEDIUM PRICE		VAR.		
	1995	1996	1995	1996	1995	1996	1995	1996	(%)			
	US\$ FOB	PART.	US\$ FOB	PART.	1996-95	Kg	PART.	Kg	PART.	US\$	US\$	1996-1995
Cashew nuts	129,926,894	36.90	150,430,067	39.54	15.78	28,295,191	20.66	32,769,428	20.32	4.59	4.59	-0.03
Lobster	50,505,719	14.34	42,068,730	11.06	-16.71	2,187,586	1.60	2,123,641	1.32	23.09	19.81	-14.20
Tissue	45,472,991	12.91	43,889,179	11.54	-3.48	11,872,653	8.67	11,337,103	7.03	3.83	3.87	1.08
Wax of carnauba	38,561,219	10.95	37,755,516	9.92	-2.09	6,124,345	4.47	6,770,475	4.20	6.30	5.58	-11.43
Cotton fiber	15,881,395	4.51	17,729,646	4.66	11.64	4,016,305	2.93	4,607,388	2.86	3.95	3.85	-2.68
Polyester fiber	8,173,035	2.32	6,779,231	1.78	-17.05	2,411,086	1.76	2,196,459	1.36	3.39	3.09	-8.95
Clothes	2,649,545	0.75	7,055,478	1.85	166.29	126,474	0.09	3,425,170	2.12	20.95	2.06	-90.17
Leather	10,300,020	2.93	9,228,447	2.43	-10.40	4,474,512	3.27	3,058,124	1.90	2.30	3.02	31.09
Shrimp	4,687,911	1.33	1,773,979	0.47	-62.16	501,012	0.37	214,021	0.13	9.36	8.29	-11.41
Electric measurer	4,222,310	1.20	2,994,534	0.79	-29.08	321,170	0.23	181,163	0.11	13.15	16.53	25.73
Stove	3,786,317	1.08	3,999,486	1.05	5.63	1,338,025	0.98	1,313,168	0.81	2.83	3.05	7.63
Shoes	1,971,057	0.56	10,056,629	2.64	410.22	671,409	0.49	3,762,192	2.33	2.94	2.67	-8.95
Iron cylinders	3,851,406	1.09	826,495	0.22	-78.54	3,557,590	2.60	500,962	0.31	1.08	1.65	52.40
Iron strips	1,925,601	0.55	32,903	0.01	-98.29	5,985,022	4.37	12,552	0.01	0.32	2.62	714.75
Mica	2,226,916	0.63	2,762,534	0.73	24.05	564,062	0.41	1,668,784	1.03	3.95	1.66	-58.07
NCFS(**)	2,983,765	0.85	3,600,809	0.95	20.68	19,556,846	14.28	22,425,010	13.90	0.15	0.16	5.25
Iron	2,632,788	0.75	6,328,897	1.66	140.39	4,170,000	3.04	7,984,000	4.95	0.63	0.79	25.55
Granite	628,739	0.18	140,045	0.04	-77.73	3,064,237	2.24	163,286	0.10	0.21	0.86	317.99
Melon	223,764	0.06	2,930,308	0.77	1209.55	521,988	0.38	2,658,366	1.65	0.43	1.10	157.14
Fish	1,222,647	0.35	666,848	0.18	-45.46	129,533	0.09	164,083	0.10	9.44	4.06	-56.94
Board consumption	3,450,346	0.98	6,488,224	1.71	88.05	26,408,763	19.28	46,535,315	28.85	0.13	0.14	6.72
Others	16,846,850	4.78	22,895,730	6.02	35.91	10,683,447	7.80	7,417,341	4.60	1.58	3.09	95.75
Total	352,131,235	100.00	380,433,715	100.00	8.04	136,981,256	100.00	161,288,031	100.00	2.57	2.36	-8.24

Source:
MICT/SECEX/DECEX
Preparation: IPLANCE/DEP/DEAC

(*) Net cashew fruit shell

TABLE 05				
CEARÁ STATE				
IMPORTS OF THE MAIN GOODS				
1994-95				
DISCRIMINATION	1994	1995(*)	PARTICIPATION (%)	
			1994	1995
Wheat grains	68,256,778	100,958,315	12.5	19.3
Cotton	131,228,114	72,309,264	25.0	13.9
Fuel	51,271,948	48,230,038	9.8	9.2
Corn grains	26,409,035	21,775,063	5.1	4.2
Polyester fiber	13,041,936	18,425,144	2.5	3.5
Gasoline		13,760,887	0.0	2.6
Crude fuel of petroleum	18,839,405	11,997,136	3.6	2.3
Motor vehicles	3,920,103	9,820,481	0.7	1.9
Alcohol etilic carburante	252.533	7,870,916	0.1	1.5

Airplane Kerosene	8,254,028	7,695,693	1.6	1.5
Fresh coconut	4,898,646	6,343,367	0.9	1.2
Newspaper paper	3,593,565	6,099,578	0.7	1.2
Others	194,761,962	197,192,490	37.3	37.7
TOTAL	522,728,053	522,478,372	100.0	100.0
Source: IPLANCE				
TABLE 06				
STATE OF CEARÁ				
ORIGIN OF IMPORTS FROM THE MAIN COUNTRIES				
1995				
DISCRIMINATION	PARTICIPATION OF THE TOTAL IMPORTED			
			(%)	
United States			20.3	
Argentina			18.8	
Venezuela			8.2	
Canada			8.0	
Germany			6.1	
Pakistan			3.8	
South Korea			3.3	
Italy			3.0	
Source: IPLANCE				

4.2 Trade Exchange of Ceara with Mercosur member countries

The trade between Ceara and Mercosur member countries, in the early nineties were already more than US\$ 30.2 million. With the constitution of the new block on November 29, 1991, entering into force immediately with the signature of the Brasilia Protocol, the implementation of the first stage initiated with the change in Customs Union. From that time on, the trade between these countries and the State of Ceara improved significantly, evolving from US\$ 31.9 million in 1991 (Table 22) to US\$ 235.3 million in 1996 (Table 8), showing an increase of 653.5 % in total trade.

It is important to emphasize that although trade between Ceara and Mercosur has increased it represented only 19.71% of the total achieved with the rest of the world and in terms of trade balance it represented deficit for the State mainly because of the imports from Argentina.

The exports between the State of Ceara and Mercosur improved 446,20% from 1991 to 1996, this result is also related to the exchange policy adopted after the Real Plan. During the same period the imports improved 715,92%.

TABLE 07										
STATE OF CEARÁ										
TRADE BETWEEN CEARA AND MERCOSUR'S COUNTRIES										
1990-95										
	MERCOSUR				TOTAL				SHARE %	
YEAR	EXP.	IMP.	EXP. - IMP.	EXP. + IMP	EXP.	IMP.	EXP. - IMP.	EXP. + IMP.	EXP.	IMP.
	(A)	(B)			(C)	(D)			A/C	B/D
1991	9,407,996	22,543,729	(13,135,733)	31,965,1725	27,418,734	164,618,357	(105,800,377)	435,037,091	3.48	13.69
1992	11,697,534	25,597,387	(13,899,853)	37,294,921	303,691,509	176,542,180	127,149,329	480,233,689	3.85	14.5
1993	27,066,946	61,129,443	(34,062,497)	88,196,389	295,578,794	396,134,807	(100,556,013)	691,713,601	9.16	15.43
1994	30,737,156	87,702,204	(56,965,048)	118,439,360	334,860,983	523,837,781	(188,976,798)	858,698,764	9.18	16.74
1995	43,219,390	124,021,526	(80,802,136)	167,240,916	352,131,235	582,636,060	(230,504,825)	934,767,295	12.27	21.29
1996	51,386,695	183,939,006	(132,552,311)	235,325,701	380,433,715	813,408,989	(432,975,274)	1,193,842,704	1.35	2.26

Source: IPLANCE

TABLE 8
BALANCE OF TRADE: CEARÁ(*), NORTHEAST AND BRAZIL - 1995-1997

Discrimination	Exports		Imports		Balance		Trade flow	
	(a)	Var.(%)	(b)	Var.(%)	(c)=(a)-(b)	Var.(%)	(d)=(a)+(b)	Var.(%)
Ceará/World								
1995	352,131,235	-	646,953,862	-	(294,822,627)	-	999,085,097	-
1996	380,433,715	8.0	813,408,989	25.7	(432,975,274)	46.9	1,193,842,704	19.5
1996/ 1°Sem.	180,808,018		359,999,991		(179,191,973)	-	540,808,009	-
1997/ 1°Sem.	172,241,938	(4.7)	276,380,734	(23.2)	(104,138,796)	(41.9)	448,622,672	(17.0)
Jan-97	31,336,829		33,804,502		(2,467,673)	-	65,141,331	-

Feb-97	24,307,238	(22.4)	51,957,478	53.7	(27,650,240)	1,020.5	76,264,716	17.1
Mar-97	23,224,685	(4.5)	38,604,125	(25.7)	(15,379,440)	(44.4)	61,828,810	(18.9)
Apr-97	28,933,114	24.6	61,258,130	58.7	(32,325,016)	110.2	90,191,244	45.9
May-97	30,773,137	6.4	45,259,025	(26.1)	(14,485,888)	(55.2)	76,032,162	(15.7)
Jun-97	33,666,935	9.4	45,497,474	0.5	(11,830,539)	(18.3)	79,164,409	4.1
Ceara/Mercosur								
1995	43,219,390		124,021,526		(80,802,136)		167,240,916	
1996	51,386,695	18.9	183,939,006	48.3	(132,552,311)	64.0	235,325,701	40.7
1996/1 ^o Sem	24,061,048		90,209,566		(66,148,518)		114,270,614	
1997/1 ^o Sem	25,398,503	5.6	69,962,450	(22.4)	(44,563,947)	(32.6)	95,360,953	(16.5)
Jan-97	3,357,489		11,851,364		(8,493,875)		15,208,853	
Feb-97	2,755,891	(17.9)	12,677,436	7.0	(9,921,545)	16.8	15,433,327	1.5
Mar-97	4,404,175	59.8	9,309,811	(26.6)	(4,905,636)	(50.6)	13,713,986	(11.1)
Apr-97	5,102,136	15.8	14,416,041	54.8	(9,313,905)	89.9	19,518,177	42.3
May-97	4,757,138	(6.8)	14,663,285	1.7	(9,906,147)	6.4	19,420,423	(0.5)
Jun-97	5,021,674	5.6	7,044,513	(52.0)	(2,022,839)	(79.6)	12,066,187	(37.9)
Northeast								
1995	4,239,999,326		3,603,783,197		636,216,129	-	7,843,782,523	-
1996	3,854,865,022	(9.1)	4,111,481,176	14.1	(256,616,154)	(140.3)	7,966,346,198	1.6
1996/1 ^o Sem	1,963,941,226		1,815,472,184		148,469,042	-	3,779,413,410	-
1997/1 ^o Sem	1,753,781,177	(10.7)	1,874,512,036	3.3	(120,730,859)	(181.3)	3,628,293,213	(4.0)
Jan-97	353,278,322		227,119,198		126,159,124	-	580,397,520	
Feb-97	220,999,284	(37.4)	451,631,324	98.9	(230,632,040)	(282.8)	672,630,608	15.9
Mar-97	272,441,674	23.3	274,527,711	(39.2)	(2,086,037)	(99.1)	546,969,385	(18.7)
Apr-97	293,905,599	7.9	383,445,788	39.7	(89,540,189)	4,192.4	677,351,387	23.8
May-97	323,933,209	10.2	296,507,653	(22.7)	27,425,556	(130.6)	620,440,862	(8.4)
Jun-97	289,223,089	(10.7)	241,280,362	(18.6)	47,942,727	74.8	530,503,451	(14.5)
Brazil								
1995	46,506,282,414		49,858,000,000		(3,351,717,586)	-	96,364,282,414	-
1996	47,746,728,444	2.7	53,286,000,000	6.9	(5,539,271,556)	65.3	101,032,728,444	(895.2)
1996/1 ^o Sem	22,902,804,153		23,215,000,000		(312,195,847)	-	46,117,804,153	-
1997/1 ^o Sem	24,786,592,210	8.2	28,420,000,000	22.4	(3,633,407,790)	1,063.8	53,206,592,210	(884.6)

Source: IPLANCE/DEP/DEAC

(*) Ceara with Mercosur and the rest of the world.

4.2.1 - Trade between Ceara and Argentina

Trade between Ceara and Argentina has increased since the signing of Brasilia Protocol. During the period 1990-1991, trade was US\$ 25 million and it was substantially modified since 1993 to reach US\$ 128.5 million in 1995. After the agreement exports growth are bigger than imports, although it represents deficit to the State.

It can be verified that during the previous year of the Agreement, the carnauba wax represented 51.4% (the most exported product) followed by cashew and textiles. Since 1991 until the end of the period textiles become the most exported product, followed by cashew and carnauba wax, which represented together 75.7%.

In relation to Argentina's imports wheat flower was the most imported product in 1991, followed by wheat, which represented 94.8% of the total imported by the State. This total fell to 70.9% in 1995 because of the growth in cotton and meat imports.

During this year, wheat is the most imported product, followed by corn and diesel oil, while textile is the most exported product followed by textile and cashew nuts.

TABLE 9						
STATE OF CEARA						
CEARA'S EXPORTS TO ARGENTINA BY PRODUCT						
1990-95						
PRODUCTS	WORTH					
	1990	1991	1992	1993	1994	1995
Cashew nuts	389.614	1,120,133	1,308,422	1,221,677	1,650,960	1,403,485
Carnauba wax	654.222	887.028	1,205,786	1,086,664	833.171	1,381,935
Textile fiber	155.303	3,383,197	5,165,269	12,297,835	6,705,147	15,279,928
Clothing			124.356	229.878	85.329	409.085
Mica		179.352	123.057	214.84	171.708	238.924
Stove	6.171		24.357	259.021	289.359	3,532,071
Mac. To clean grain	36.527	35.780	153.935	11.400	321.983	481.705
Electric transformer					423.922	29.568
Electric meter		8.28	235.000	749.344	31,180,000	
sub-total	1,241,837	5,613,770	8,340,182	16,070,659	41,661,579	22,756,701
Others	29.881	147.857	749.292	1,471,616	2,135,984	1,104,074
TOTAL	1,271,718	5,761,627	9,089,474	17,542,275	43,797,563	23,860,775
Source: IPLANCE						

TABLE 10						
STATE OF CEARÁ						
IMPORTS FROM ARGENTINA TO CEARA BY PRODUCT						
1990-95						
PRODUCTS	WORTH					
	1990	1991	1992	1993	1994	1995*
Meat		254.25	217.218	764.813	2,327,719	3,623,117
Fish			155.200	165.088	223.603	527.863
Corn		5,458,250	12,646,111	25,811,108	23,041,024	22,156,719
Wheat flower		13,598,864	7,816,148	25,741,383	26,732,003	52,046,025
Oil from soup				1,438,299	1,830,959	
Cotton bran				771.750		525.000
Cotton			238.860	140.857	24,669,609	9,453,515
Sub-total		19,311,364	21,073,337	54,834,298	78,674,917	88,332,239
Others		778.487	339.660	958.289	4,777,278	16,311,583
TOTAL	24,259,134	20,089,851	21,412,997	55,792,587	83,452,195	104,643,822
Source: IPLANCE						

TABLE 11														
STATE OF CEARÁ														
MAIN EXPORT PRODUCTS TO ARGENTINA														
1997														
DISCRIMINATION	January		February		March		April		May		June		Total	
	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)
Cashew almond	157,576	8.44	54,268	3.29	0	-	51,240	1.74	77,906	2.10	120,620	3.35	461,610	2.75
Vegetal wax	55,942	3.00	17,100	1.04	10,530	0.35	50,411	1.72	0	-	0	-	133,983	0.80
Textile	650,132	34.83	740,250	44.82	1,782,424	59.02	1,674,583	57.01	2,155,030	58.22	1,849,423	51.32	8,851,842	52.75
Textile fiber	973,111	52.13	650,509	39.38	1,158,673	38.37	893,801	30.43	1,092,656	29.52	1,058,210	29.36	5,826,960	34.72
Clothing	2,290	0.12	85,219	5.16	19,771	0.65	0	-	32,901	0.89	213,056	5.91	353,237	2.11
Shoes	0	-	56,700	3.43	0	-	64,005	2.18	0	-	59,114	1.64	179,819	1.07
Subtotal	1,839,051	98.52	1,604,046	97.11	2,971,398	98.39	2,734,040	93.08	3,358,493	90.74	3,300,423	91.59	15,807,451	94.20
Others	27,695	1.48	47,695	2.89	48,481	1.61	203,417	6.92	342,814	9.26	303,230	8.41	973,332	5.80
Total	1,866,746	100.00	1,651,741	100.00	3,019,879	100.00	2,937,457	100.00	3,701,307	100.00	3,603,653	100.00	16,780,783	100.00
Source: Industry, Commerce and Tourism Ministry, Foreign Relations Secretary's Office														
Preparation: IPLANCE/DEP/DEAC														
Preliminary dates.														

TABLE 12														
STATE OF CEARA														
MAIN PRODUCTS IMPORTED FROM ARGENTINA														
1997														
DISCRIMINATION	January		February		March		April		May		June		Total	
	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)
Meat	104,722	1.1	84,324	0.7	190,830	2.1	167,319	1.4	146,647	1.0	26,496	0.5	720,338	1.1
Fish	90,180	1.0	194,596	1.6	171,138	1.9	0	-	113,191	0.8	67,509	1.2	636,614	1.0
Wheat	8,548,910	90.8	8,997,784	71.7	7,462,732	81.7	9,731,419	81.3	10,258,195	71.9	445,163	7.8	45,444,203	72.1
Corn	0	-	1,726,564	13.8	0	-	0	-	1,979,201	13.9	189,995	3.3	3,895,760	6.2
Rice	301,725	3.2	138,975	1.1	0	-	572,462	4.8	28,841	0.2	67,704	1.2	1,109,707	1.8
Malt	0	-	0	-	602,000	6.6	344,000	2.9	0	-	189,435	3.3	1,135,435	1.8
Textile	0	-	338,494	2.7	93,000	1.0	0	-	28,665	0.2	68,358	1.2	528,517	0.8
Textile fiber	103,963	1.1	217,129	1.7	153,791	1.7	384,139	3.2	166,926	1.2	253,188	4.5	1,279,136	2.0
Diesel oil	0	-	0	-	0	-	0	-	0	-	3,892,352	68.6	3,892,352	6.2
Subtotal	9,149,500	97.2	11,697,866	93.3	8,673,491	94.9	11,199,339	93.6	12,721,666	89.2	5,200,200	91.7	58,642,062	93.1
Others	264,896	2.8	843,448	6.7	461,417	5.1	765,261	6.4	1,544,454	10.8	473,095	8.3	4,352,571	6.9
Total	9,414,396	100.0	12,541,314	100.0	9,134,908	100.0	11,964,600	100.0	14,266,120	100.0	5,673,295	100.0	62,994,633	100.0

Source: Industry , Commerce and Tourism Ministry, Foreign Relations Secretary's Office													
Preparation: IPLANCE/DEP/DEAC													
Preliminary dates.													

4.2.2 - Trade between Ceara and Paraguay

Trade between Ceara and Paraguay during the period 1990-1995, shows a surplus to the State. In relation to the exports it was US\$ 2.963 million growing to US\$ 17.836 million, representing a growth of 501,8%. In relation to imports it was verified a growth of 410,0% in the same period.

The most exported goods were shoes – 37.9%, textiles 28.0%, stove 18.3%, representing a total of 84.2% of the total exported. In 1995 textiles, which had a relevant position, consolidated their position with a share of 68,8%. Nowadays the most exported product is textile, followed by shoes and electric meters.

In relation to Ceara's imports in 1995 the main goods were cotton and vegetal oil. Nowadays Ceara is importing only textiles from Paraguay.

TABLE 13						
STATE OF CEARA						
CEARA'S EXPORTS TO PARAGUAY BY PPRODUCT						
1990-95						
PRODUCTS	WORTH					
	1990	1991	1992	1993	1994	1995
Fibers textile	828.160	887.414	584.182	4,568,780	9,248,277	12,269,532
Clothing	240.593	114.082	99.900	119.633	123.773	263.502
Bedclothes	100.762	215.082	223.921	364.202	158.469	118.611
Shoes	1,120,707	1,416,575	589.091	1,780,446	1,464,712	1,468,951
Stove	543.844	33.493	138.216	423.476		416.838
Freezer	120.380	303.097	157.292	242.684	123.863	1,086,559
Electric meters				605.5	647.6	1,480,000
Sub-total	2,954,446	2,969,743	1,792,602	8,104,721	11,766,694	17,103,993
Others	1.252	266.011	250.777	349.94	756.314	732.079
TOTAL	2,955,698	3,235,754	2,043,379	8,454,661	12,523,008	17,836,072
Source: IPLANCE						

TABELA 14						
STATE OF CEARA						
CEARA'S IMPORTS TO PARAGUAY BY PRODUCT						
1990-95						
PRODUTOS	VALOR					
	1990	1991	1992	1993	1994	1995
Vegetal oil					336.9	523.000
Cotton		2,441,202	4,161,976	2,390,594	1,394,209	6,102,521
Sub-total		2,441,202	4,161,976	2,390,594	1,731,109	6,625,521
Others		2.8				6.950
TOTAL	1,239,840	2,444,002	4,161,978	2,390,594	1,731,109	6,632,471
Source: IPLANCE						

TABLE 15														
STATE OF CEARÁ														
MAIN EXPORT PRODUCTS TO PARAGUAY - 1997														
DISCRIMINATION	January		February		March		April		May		June		Total	
	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)	US\$ FOB	(%)
Textile	350,750	24.8	522,420	62.0	716,750	56.6	918,870	47.6	594,750	69.6	711,950	67.6	3,815,490	51.9

YEAR	ARGENTINA	PARAGUAY	URUGUAY	TOTAL	SHARE (%)		
	(A)	(B)	(C)	(D)	A/D	B/D	C/D
1990	24,259,134	1,239,840	235.739	25,734,713	94.27	4.82	0.92
1991	20,089,851	2,444,002	8.976	22,543,729	89.12	10.84	0.04
1992	21,412,997	4,161,976	22.414	25,597,387	83.65	16.26	0.09
1993	55,792,587	2,390,594	2,946,262	61,129,443	91.27	3.91	4.82
1995	104,643,822	6,632,471	12,745,233	124,021,526	84.38	5.36	10.28
Source:							
IPLANCE							

TABLE 22

STATE OF CEARA

TRADE, CEARÁ X MERCOSUR

1990-95

YEAR	ARGENTINA				PARAGUAY				URUGUAY			
	EXP.	IMP.	EXP-IMP	EXP+IMP	EXP.	IMP.	EXP-IMP	EXP+IMP	EXP.	IMP.	EXP-IMP	EXP+IMP
1990	1,271,718	24,259,134	22,987,416	25,530,852	2,963,698	1,239,840	1,723,858	4,203,538	251,963	235,739	16,224	487,702
1991	5,761,627	20,089,851	14,328,224	25,851,478	3,350,358	2,444,002	906,356	5,794,360	296,011	9,876	286,135	305,887
1992	9,089,474	21,412,997	12,323,523	30,502,471	2,105,501	4,161,976	2,056,475	6,267,477	502,559	22,414	480,145	524,973
1993	17,542,275	55,792,587	38,250,312	73,334,862	8,656,010	2,390,594	6,265,416	11,046,604	868,661	2,946,262	2,077,601	3,814,923
1994	15,735,763	83,452,195	67,716,432	99,187,958	13,491,425	1,731,109	11,760,316	15,222,534	1,509,968	2,518,900	1,008,932	4,028,868
1995	23,860,775	104,643,822	80,783,047	128,504,597	17,836,072	6,632,471	11,203,601	24,468,543	1,522,543	12,745,233	11,222,690	14,267,776
Source: IPLANCE												

Final Considerations

The main conclusion which may be arrived at concerning the "South Cone" Integration is that the commercial aspects of the process are being highly emphasized while the issues of economic development, technical cooperation, social and cultural are being taken at a secondary level.

Considering the present tendencies, Brazil will most benefit from the integration because of the size of its market and the high level of industrialization.

In relation to the State of Ceara, the trade between Mercosur member countries has improved significantly, though nowadays it represents deficit to the State. In 1996, trade it represented only 19,71% of the total achieved with the rest of the world. However, with the association of Chile and Bolivia, trade has conditions to improve even more.

The fact of having complementary products between the Northeast and the Mercosur members and associated countries is one of the main reasons to increase trade and to continue improving.

The State of Ceara is attracting a lot of investments and is one of the States which are growing faster ; and therefore trade through blocs is an important step to growth.

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