

## *Preface*

This book is an outcome of a research project “Economic Liberalization under the Cardoso Administration and Structural Changes in the Brazilian Industry” conducted in Rio de Janeiro during the period from June 2002 to February 2003. The research was funded by the Institute of Developing Economies – Japan External Trade Organization and hosted by Instituto de Economia – Universidade Federal do Rio de Janeiro (IE-UFRJ), where I am a visiting researcher during June 2000 – May 2003. I thank for valuable participation of João Carlos Ferraz and Carlos Frederico Leão Rocha from IE-UFRJ. I am indebted to David Kupfer and Mariana Iooty who co-authored Chapter 2. I am also grateful for the support generously granted by the entire organization of IE-UFRJ.

This study intends an evaluation of the economic liberalization in Brazil in the past decade in multi-dimensional way dealing with macroeconomy, sectors, firms, and regions. It did not pretend a subjective judgment whether liberalization is good or bad, but instead we tried to identify in which aspects the liberalization had effect to change the structure of the Brazilian economy and how robust those changes were.

We find today’s Brazil in a unique situation where a “global standard Brazil”, apt for a globalization, coexists with disordered “third world Brazil”. It is one of the most richly endowed countries with natural resource, but there are quite a few people suffering from indigence and epidemics. Brazil exports substantial amount of high-technology goods and is a showcase of multinational firms but it is still far from accomplishing universal provision of formal primary education for basic reading and calculation. People are paying almost one-third of the national income for a tax but public attend patients school continue to be precarious and doctors in public hospitals are having hard time to attend patients making a long queue. The country continues sound macroeconomic management for almost a decade holding inflation under control and avoiding explicit balance of payment crisis. Still, the rating companies alert that Brazil is one of the highest financial risk countries. The Brazilians showed that a democracy is at work here by choosing the government representing the people’s votes. Yet, the urban life is more and more seriously threatened by aggressions of violence and terror attempted by the organized crime related to drug dealers.

While this project was in progress, we witnessed a political transition in Brazil from President Fernando Henrique Cardoso’s administration (1995-2002) to the new government of the Partido dos Trabalhadores (Workers’ Party) and its center-left allies headed by President Luis Inacio Lula da Silva who won the October 2002 election with highly popular votes. The new government is backed by enthusiasm and high hope for changing the contradicting social situation. Yet, the reform should be conducted without referable models and will be constrained by the recent trajectory of economic policies and international economic scenario. This is quite a challenge and requires careful analysis on where do we stand. We hope this study can contribute to such debate.

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