BRAZILIAN CONGRESS AND FOREIGN TRADE POLICY

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1. Introduction

Brazil's system of government is presidential: both the president and members of its congress are elected by popular vote. The two basic lawmaking entities — the executive and legislative branches of government — thus issue from distinct electoral processes. In parliamentary systems legislative elections at one stroke define the head of government. In presidential systems, however, elections do not assure congressional support for the president's program. This support must be constructed after officeholders in one branch and the other are known. In our system, the executive and legislature must seek out reciprocal support with the aim of promoting programs of action held to be necessary to address conflicts grounded in social life.

Brazilian history is fraught with examples in which president and congress have cooperated in favor of the government program. Consider the case of post-war industrialization. For many years the model of economic growth Brazil adopted was faithful to the values implicit in the balance of powers characteristic of presidential government. Industrialization and economic nationalism were ideals cultivated not only by presidents but also by congressmen throughout the 1946 republic. The import-substitution model, one might recall, eventually was enshrined through congressional approval of the tariff law during the Kubitchek presidency. It is therefore reasonable to state that during this period the congressional majority coalition supported the development program advanced by the president, with trade policy as its cornerstone, a policy based on the protection of local manufacturers from foreign competition.

Since the end of the 1980s, however, tariff policy and Brazil's reluctance to open its economy to imports have failed to perform their primary purpose, which was to serve as a tool for industrialization. During the Sarney presidency, tariff policy was used to overcome balance-of-payment crises and to produce trade surpluses necessary for foreign debt service. Distance between legislative and executive branches increased with the advent of hyperinflation. Tariff policy came to be used to contain rising internal prices. Tariff reduction, trade opening, and the return to protectionist policies alternated at the executive's whim, while congressmen had little to do but passively look on or directly pressure executive agencies in a desperate attempt to maintain sectoral or regional privileges.

The most important implication of these changes over the years is that the old delegation of power by congress to the executive — which dictated that the latter might promote import-substitution industrialization — ceased to define the goals of government action regarding trade policy. On the other hand, the centralization of decision-making within the executive branch had its most visible impact in the lack of democratic control over government's decisions on foreign trade.

In the early 1990s another phenomenon emerges which would wholly alter the meaning of the old model for growth based on import-substitution, a change which, once again, would affect the nature of the political give-and-take between congress and president. This consisted of globalization and it effects in terms of the autonomy lost by the governments of modern nations, an autonomy presumed to determine the nature of economic policies internally pursued. The

threat to democratic political institutions represented by the globalization of national economies has been stressed by analysts of varied theoretical and methodological persuasions.
The international order increasingly is being structured by decisions made by international economic organizations over which national citizens have no control, much less any possibility of opposing. Likewise, national politicians make decisions whose effects often exceed their own territorial boundaries and which thus affect an undetermined number of other countries. For example, comparative studies of political institutions have shown that the principal cause of mandate unresponsiveness in recent Latin American politics is mainly the result of conflict between the voters and the market over economic policy, rather than the consequence of characteristics of electoral and party systems of those countries (Stokes, 1997.) In agreement with such arguments, evaluations of the results of the Uruguay Round, under the auspices of GATT/WTO point to a tendency which appears to be gaining ground in the international trade regime: the rise of multilateral injunctions to harmonize national policies not only in economic terms, such as those concerning services and intellectual property, but also issues such as environmental protection and adherence to social clauses (Pereira, 1998).

Our premise is that economic globalization can be seen as a multifaceted phenomenon and that therefore its effects are not necessarily linear nor univocal. Two arguments can be posed to support this position: the characteristics of institutional evolution in which moments of change are defined precisely by the existence of multiple equilibria, and the role of national institutions that filter the impact of exogenous change. Global changes do not necessarily lead to the decay of democratic political institutions, just as they do not assure convergence in the direction of market economies and representative democracy. In other words, in this paper we shall demonstrate the theoretical validity of thinking about the relationship between globalization, changes in foreign trade and democratic institutions with the aim of enhancing the accountability of governments with respect to foreign trade policy. Thus, our argument by nature is eminently normative.

More specifically, we contend that changes in Brazil's standing in the global economy, as a result of economic policy choices and especially trade liberalization begun in the 1990s, also increase the opportunities for broadened democratic practices. For this very reason, the paper goes against the grain of literature on globalization and economic reform. First, because we suggest that change in Brazil's international standing represents a unique opportunity for modernizing the decision-making process for foreign trade policy. Second, because the sense of institutional reform grasped in this study disagrees with most analyses of structural reforms in developing countries.

In the literature on economic reform there is a readily observable division of labor between economists and political scientists. The former seek to answer why inefficient public policies were adopted in the past, and suggest reforms that might ensure improved economic results in the present. Political specialists are concerned with the sources of opposition to economic reform and with identifying the political requirements for the successful implementation of these reforms. With regard to the latter, there is a prevailing tendency to suggest institutional designs that will assure strong executive authority. Two positive consequences for the formation of public policy are adduced from non-constrained executive institutions. First, such configurations would diminish veto points characteristic of fragmented decision-making systems, thus increasing the probability of implementing reforms which, owing to their very nature, generate resistance among adversely affected sectors. Second, they assure a greater degree of coherence for adopted policies, since the concentration of authority would contribute to solving problems of co-ordination internal to government.[1]

The kind of political reform advocated in our paper leads in the opposite direction. We propose to review the decision-making process with respect to foreign trade policy in the sense of broadening congressional participation and reducing the executive's degree of freedom. In other words, we argue that the current institutional framework for such policy making — precisely on account of globalization — is less than acceptable (in terms of the constitutionally prescribed delegation of powers) and can be exceedingly harmful not only to those sectors affected over the short-run but also, we believe, to Brazilian society as a whole. We shall use a simple "agent/principal" model to demonstrate the circumstances under which delegation becomes abdication in the case of trade policy while pointing out why congress's role as a mere ratifier ceases to be effective in a globalized economy.

In the following section we shall propose an analytical model for drawing out the political implications of the current decision-making process for that policy. Next, to illustrate the argument, we present a brief historical overview of changes in trade policy since the adoption of the import-substitution model. In conclusion, we suggest some of the benefits, for a liberalizing trade policy, of alterations in the current constitutional design.

2. Political Consequences of the Ratifying Power

Article 49, item II, of Brazil's 1988 constitution establishes that the legislative branch is invested with the power "definitively to decide upon treaties, agreements or international acts that entail obligations or commitments grievous to the national patrimony" (Brasil, 1988, p.47). Echoing the tenor of this article, article 84, item VIII, states that it is the prerogative of the president to sign treaties, agreements or international acts "subject to the approval of congress" (Brasil 1988, p.67). What is the political significance of these constitutional provisions? More to the point, what kind of outcomes can one expect from this arrangement? It is important to note that if, on the one hand, foreign policy is the prerogative of the executive, on the other nothing can be done that is not in agreement with the will of the majority of legislators. One can demonstrate, however, that the decision-making process related to foreign trade may suit exclusively the interests of the president and thus impose significant losses on the median legislator.

As we shall see in the forthcoming section, this constitutional design was not harmful as long as foreign trade policy did not change. More precisely, the issue of delegation is not relevant to the legislator as long as the status quo is the equilibrium solution. It so happens however that the political and economic contexts for such policy changes, which occasioned constant deviations from the protectionist policies defended by successive governments since the 1950s. We shall first discuss the reasons why the issue of delegation of powers at stake in foreign trade policy is

[1] On the differences between the concerns of economists and political scientists, see Bates e Krueger (1993). A critical overview of the literature of institutional reforms is provided in Pereira (1997). In a perspective which we share, see Stark e Bruszt (1998).

particularly relevant. We shall then show why the constitutional design that organizes this delegation is not efficient from the standpoint of the delegating actor. We begin with the logic of delegation.

2.a. The Logic of Delegation

Delegation means that decision-making authority is transferred by an actor (collective or otherwise) hereafter referred to as the principal, to another actor (collective or not) whom we shall call the agent. Two questions are crucial: 1) why does the principal delegate authority?; 2) what are the implications of delegation? As to the first we will statement: the principal chooses an agent because he perceives that this is the best way to achieve his objectives. The second matter is more delicate, for if we admit that the preferences of principal and agent may possibly fail to coincide or even oppose one another, then the effects of delegation may turn against the principal's interests. The agent, taking advantage of his privileged position as the decision-maker, may promote policies that satisfy his own interests while ceasing, in the process, to exercise his primary role, which is to carry out the principal's preferences. In such cases what matters is not only the act of delegation itself but the manner in which it is performed. The question thus becomes: to what extent do the chosen mechanisms that shape delegation allow the principal to control the actions of the agent?

Delegation in the legislative process is fairly apparent for a simple reason. Legislatures, the world over, are collective bodies and so its members confront dilemmas that are widely recognized in contemporary literature.[2] We shall cite three such dilemmas: the local versus the global, the individual versus the party, and the information dilemma.

The first deals with the possible contradiction between defense of interests of a specific constituency and support for policies in the general interest, which can contribute to the solution of problems affecting society as a whole, but which contradict the preferences of the legislator's electorate.[3] The second involves a situation of potential conflict between maximizing the preferences of a legislator's constituency and the program of his party, when it is known that parties play an important role in representative democracy, furnishing low-cost intelligence on the past performance of its members and on realistic expectations for the future behavior of elected legislators.[4] Third, the information dilemma refers to the high opportunity costs incurred by legislator who may invest resources in acquiring the necessary information for weighing issues of great complexity, an exercise that subtracts time that might otherwise be expended in work with his constituency.[5]

One can argue that the rules governing the legislative process help overcome these three dilemmas. The creation of specialized standing committees for examining the impact of any given economic proposal, for example, serves to delegate to that entity the power to verify macro-

[2] We refer to the classic study by Olson (1965) and the literature dedicated to the problem of collective action.
[3] The classic work addressing this issue in connection with U.S. Congress is that of Mayhew (1974).
[4] Important references on the problem of parties are Kiewiet and McCubbins (1991) and Cox and McCubbins (1993).
[5] See Krehbiel (1991).

economic effects arising from that particular piece of legislation. The committee thus becomes a guardian of the national economy and of the image of congress itself by protecting the latter from the distributive tendencies of the floor.

Difficulties occasioned by the individual/party dilemma are mitigated by transfer of power to party leaders. Their incentives rest in expectations about political careers advancement, linked as they are to their party's performance as a whole. Party leaders, in other words, are agents who hitch their own interests to the general interest of the party and who possess the means to establish a positive party image before the electorate. Thus the centripetal tendencies of rank-and-file party legislators are curtailed in favor of more cohesive and disciplined behavior.

Finally, the information problem. One instance of delegation that leads to the reduction of uncertainty about the quality of proposed legislation consists of the transfer of the power to issue bills to specialized agents. There are at least two ways of accomplishing this: a) to transfer decision-making powers to specialized congressional committees; b) to transfer these powers to the executive.[6] In this way legislators acquire greater confidence in the quality of those proposals forwarded to them to settle highly complex issues. The agent's incentive in this case rests precisely in his gatekeeping powers on bills that are of his interest.

Obviously, each of these styles of delegation can result in what the literature has dubbed "agency losses:" the damage inflicted on the principal by the opportunistic behavior of the agent. Thus, when an agent has a monopoly — or veto power — over financial legislation, he may manipulate the agenda so as to produce distributive decisions that maximize his own particular preferences, however removed they may be from the preferences of the median legislator. For this reason, the form of delegation and the information that the principal possesses over the agent's preferences becomes especially important.

In parliamentary systems, the efficiency of the legislature's delegation to the executive is assured through the mechanisms involved in the selection of leaders. In such systems, once the agent (the cabinet) has been appointed by the principal (the parliamentary majority) the former can do nothing that departs from the latter's indifference curve.[7] In presidential systems, the head of government is not chosen by the legislature and so he does not depend on the confidence of legislators to continue governing. In other words, the methods through which leaders are selected in presidential systems does not assure the minimization of agency losses. This problem is to be resolved through constitutional design, which is liable to vary from policy to policy.

Foreign policy and trade policy in particular are natural objects for delegation. Why? First, because it is an issue especially susceptible to distributive pressures. Economic sectors, manufacturers and labor unions all have an interest in erecting barriers before competing goods. It is easy to see that if their interests are met, to the neglect of the consumer's interest, the latter

[6] The argument that the executive is an agent of the legislative branch to resolve the information dilemma is in Huber (1996).

[7] Obviously, we are simplifying the parliamentary case, in which one can observe a wide variety of formats for the interaction between parliament and executive. For an analysis of various parliamentary cases which follows this approach, see Laver e Shepsle (1994).

will pay dearly for shoddy goods. The local-versus-global dilemma thus pertains directly to the object of our study.

Secondly, the issue of complexity. Trade policy involves specialized knowledge in addition to constant checks on actual performance. It is reasonable to expect that congressmen who lack expertise on the subject should incur on high opportunity costs in issuing opinions on issues such as rates of exchange, trade balances, balance of payments, prices of goods and services abroad, domestic and foreign interest rates. Better, therefore, to delegate decision-making authority over to agents who possess an information comparative advantage.

Finally, a third motive for delegation refers to the problem of decision stability. Trade policy involves the country's position before other countries with which deals are struck on the sale of goods and services. This means that changes in internal legislation affect national credibility before the international community. For this reason, the amendment, veto or rejection of agreements can be intensely damaging to society in general, since unilateral sanctions by countries affected by internal legislative processes will affect groups and individuals other than those who actually decide such matters. It so happens that congress is an entity whose members represent diverse interests. Consequently there is a high degree of likelihood that congressmen and senators should seek to modify, if not annul, foreign policy decisions that might damage their electoral bases. The delegation of tasks to the executive thus would appear to be the best way of assuring the stability of decisions on matters of foreign trade.

For these reasons, there are valuable arguments in favor of the constitutional delegation of decision-making power from the legislature to the executive for the purpose of formulating trade policy. Indeed, in Brazil the executive is responsible for formulating foreign policy, while the role of congress is to ratify it.

2.b. Delegation or Abdication?

We shall next investigate whether the manner in which delegation is structured assures the principal that agency losses are minimized. In other words, how does one interpret the constitutional choice adopted in 1988 in relation to foreign policy? Is it a case of delegation or abdication? In what follows we argue in favor of the latter.

Consider the following initial scenario: a president is elected by virtue of having been one of the principle architects of a successful economic stabilization program after decades of chronic inflation. He is elected, moreover, with the support of a party coalition ranging from the center to the right of the political spectrum. In light of this configuration, it is realistic to advance the following premises:

Premise 1: trade policy is vital for economic stabilization. Among other reasons, it is widely known that the constant rise in prices for goods and services is related to high levels of protection afforded to domestic producers and the subsequent restriction of imports. Trade opening thus becomes an important instrument for lowering or maintaining internal prices. We thus assert as well that the status quo represents an undesirable situation for the president. Some form of change is desired in order to promote the economy's increased exposure to the international market.

Premise 2: the president's preferences regarding trade policy diverge from average opinions both among his congressional supporters and the median congressman, after taking into account the opposition's preferences. This occurs for the following reasons: the president is elected by a national constituency and therefore feels responsible for the overall performance of the economy. Any rise in prices will be intensely resisted by a president elected under this particular set of circumstances. His preferences are affected by pressures originating from real or potential international partners. Lastly, one should bear in mind his own political convictions. Elected by a center-right coalition, the president is naturally more sensitive to rises in price levels than downturns in economic growth.

Premise 3: congressmen are more sensitive to the economic slowdown that occurs as a result of increased foreign competition. It is reasonable to suppose that increases in competitiveness lead, eventually to perfecting internal production processes through increases in productivity and improved input/product ratios. However, the positive effects of trade opening occur only when inputs for restructuring the local economy are highly mobile and abundant. If these conditions are absent — if the local economy suffers scarcity and low mobility of inputs — then trade opening can generate significant losses for the local economy over the short and middle run (Correa 1996). Only local representatives can provide feedback on local conditions of production and trade, and on the effects of liberalization on local welfare. We assume that the executive only commands a panoptic view of social reality, while the perception of local micro-conditions is a function of local representatives.

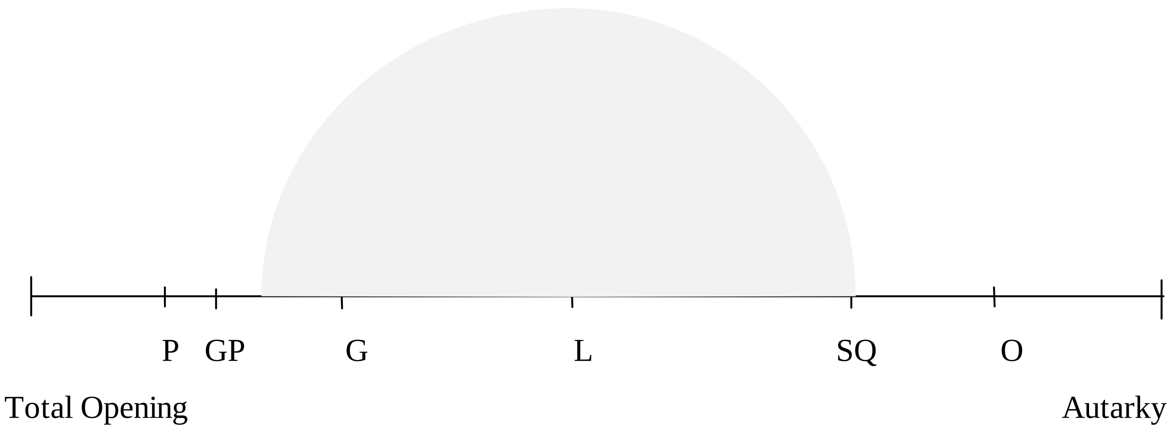
Premise 4: legislators, although more sensitive to local economic conditions than the president, differ among themselves as to the degree of protectionism they would like to see approved, whether in terms of tariffs on imports or non-tariff barriers. Congressmen from the government's base of support are more sensitive to inflation and thus are amenable to greater levels of trade opening. Opposition congressmen are more sensitive to unemployment and thus prefer higher levels of protection.

Premise 5: congressmen from government and opposition parties alike are sensitive to economic sanctions that major trade partners might impose as a means of pressuring the country to eliminate restrictions considered unfair or to modify policies that obstruct international trade. This is understandable to the extent that the immediate impact of sanctions affects producers of goods and services for export. If sanctions close off the export markets for such products, regions where such industries are based will be adversely affected. In short, international sanctions pose a significant cost for legislators regardless of their position along the political spectrum.

Premise 6: the president weighs the risks of having his prerogative as policy-initiator altered by congressmen. To the extent that the president exploits his position as agent, congressmen may eventually threaten to change the current rules of the game. Recall that 3/5 of congress can, at any moment, alter the constitution.

Having formulated these premises, note Figure 1 where the preferences of the president, government and opposition congressmen are arranged along a continuum. At the left we find the most radical position possible for trade opening. Assume that no relevant political actor defends the utter removal of protection from all dimensions of foreign policy. Admitting some forms of restrictions, but close to this extreme are the president and his cabinet (P.) Just to their right, we see the position of the median government congressmen (G.) As set forth in premises 3 and 4, this legislator is more sensitive than the president to local welfare losses, although he agrees with the policy of trade opening as an instrument for economic stabilization.

Figure 1



P = Presidents ideal point
GP = Government proposal
G = Median government congressmans' ideal point
L = Median legislators' ideal point
SQ = Status quo
O = Median opposition congressmans' ideal point

At the right-hand edge of this scale we have the position of total autarky. We acknowledge that an infinitely protectionist policy has no relevant advocates. Just to the left we find the position of the median opposition congressman (O.) In addition to his sensitivity to local demands for protection, this legislator is ideologically committed to the view that the economy ought to be reasonably well protected from foreign competition. To his left we find the position of the median legislator (L.) He symbolizes the median position of congress. Although sensitive to the interests of consumers, who demand cheap and efficient products, he is concerned with local conditions of input mobility and scarcity, a necessary condition for trade liberalization to produce positive effects on economic welfare. To the extent that decisions on trade policy diverge from this position, the delegation of authority becomes ever more inefficient, which in turn leads us ever closer to abdication.[8]

[8] The configuration of the preferences arrayed above represents, with reasonable accuracy, the situation in countries such as Brazil and throughout Latin America which have experienced periods of high inflation and are

Finally, we cannot ignore the position of the status quo. Suppose that the economy still contains countless protectionist mechanisms owing to its import-substitution legacy. Possibly, various such mechanisms — most notably tariffs — might already have been removed. Tariffs, however, are not the only kind of regulatory device for foreign trade. Non-tariff barriers such as subsidies, anti-dumping laws, regulation of labor markets also provide protection for national producers, and are thus susceptible to modification by a president pressured from abroad to liberalize trade. Thus, the status quo, or point-of-reversal, (SQ) stands to the right not only of the president but also of the median legislator. This means that some modification in policy is possible short of betraying the median legislator's own preferences. However, the figure indicates that from a certain point, he prefers the status quo to the policies proposed by the president. We know that in the case of a policy defined exclusively by congress, this policy will coincide with L.

The point is to grasp how foreign policy decisions can become removed from the preferences of the median legislator if the 1988 constitution stipulates that such decisions must duly be submitted to congressional approval. Given the legislature's power to ratify policy, is it not true that resulting decisions must necessarily fall within the median legislator's indifference curve? It is not difficult to see that this is not the case, if we recall premise 5, which holds that the costs of economic sanctions are significant for the median legislator. What does this mean?

Imagine that the president considers himself the one responsible for the nations' economic welfare, and thus believes that in matters pertaining to trade policy his opinion always coincides with the "national interest." In this case, any congressional preference that is not identical to his own will be considered nationalist ideology, whether located to his left or derived from rent-seeker behavior of representatives tied to inefficient domestic producers who demand protection. Thus one can naturally imagine that the president would try to exploit his role as policy initiator in order to shape the median legislator's position in line with his own preferences. What can one foresee in such circumstances?

The president will attempt to maximize his utility by presenting a proposal within the indifference curve of the median legislator of his own base of support and as close as possible to his own ideal point. This proposal corresponds to GP (government proposal) in our figure. It is important to note that the president does not present this proposal before congress so that the latter may deliberate upon it. He makes the decision in international forums by negotiating multilateral or bilateral agreements with trade partners, or by unilaterally reducing tariffs on imported goods. When this decision occurs, the country's position is already compromised. That is to say, in case congress rejects the agreement because its political implications lie outside the indifference curve of the median legislator, it is quite likely that the country will then suffer the costs of trade sanctions imposed by dominant trade partners. Some legislators will attempt by all means to avoid this outcome, in the end ratifying the agreement signed by the president at the start of the game.

currently modifying their position within the international economy. Generally speaking, executives are more concerned with maintaing macro-economic stability and with trade liberalization. The degree of resistence to economic opening is a function of the degree of success of the prior economic model.

Another way of grasping why it is difficult for congress to reject agreements signed in advance by the executive in international forums involves legislative dynamics themselves. Imagine a situation where any presidential proposal requires congressional approval before the government could undertake external negotiations. When the proponent becomes the principal party interested in securing congressional approval, he incurs the costs of organizing collective action within the legislature with the aim of approving a policy, whatever its content. However, if the proponent has the prerogative of deciding in advance, which happens to be the case in Brazilian foreign trade policy, the costs of organizing rejection fall upon those who oppose decisions initially reached in forums other than congress.[9]

This means that the president's positions, as policy initiator, and the position of congress, as a mere *ex post facto* ratifier, generate a scenario in which it is extremely costly for the median legislator to reject policies negotiated by the executive in international forums. Aware of this, the president exploits his condition as agent by maximizing his own utility at the expense of the preferences of the congressional majority. In this light, we believe that it is self-evident that in the current institutional framewok trade policy decisions more closely resemble a situation of abdication than one of delegation of authority.

We may now speculate upon an important side effect of abdication: decision instability. In the first place, it would be naïve to imagine that economic actors harmed by trade liberalization should passively accept their own economic losses. One can assume that such actors will seek to protect their business by exerting some form of pressure on decision-makers. As we have seen, decision-makers are located exclusively within the executive. Therefore, the demand and supply of protection will be pursued and satisfied solely behind the scenes of government agencies, far from the eyes of the public at large. The costs of protection for the bureaucrat are considerably smaller than those for the congressman. This is so because the legislature is a collective entity and its decisions can only be carried with the support of a majority of the floor.

As we shall see below, in the process of trade liberalization currently underway in Brazil, privileged access to the "backstage" of bureaucratic corridors and a plausible justification for the resumption of protection are the only ingredients necessary for obtaining protectionist measures. What is the expected outcome of such a process? Surely we can expect instability in decisions pertaining to foreign trade. Unilateral tariff reductions, and the adoption of more open trade measures alternate with protectionist legislation benefiting specific sectors and goods, according to the degree of pressure exerted by those economic groups who demand greater protection. In other words, a situation that one initially had sought to avoid by delegating decision-making authority to the executive — decision instability — comes back again through the "backdoor", thanks to the institutional design for delegation.

In short, decision-making in foreign policy is characterized by the abdication of authority from congress to the executive. Three important effects can be expected as policy outcomes: a) a policy distant from the ideal point of the median legislator; b) decision instability dictated by the

[9] This argument is in Figueiredo e Limongi (1995). The difference is that these authors use it to analyze the strategic effects of the provisional measure and not, as we do, trade policy.

play of intrabureacratic pressures; c) the favoring of specific groups and sectors outside of any framework of control by society at large.

3. The Institutional Matrix for Foreign Trade Policy

Brazil's post-war trade policy has been marked by a gradual and unintended transition from a system of delegation to one of congressional abdication. If at the outset of the process congress contributed significantly to the success of trade policy, it has with time become merely a yea-saying onlooker. The emphasis on the unexpectedness of this transition implies that abdication did not occur as an act of volition nor as the result of a contract between congress and the presidency. Rather changes in political and economic circumstances at different moments in time eventually led to a situation in which congress became wholly removed from the decision-making process for foreign trade policy. The normative implications of this configuration will be addressed in the final section.

3.a. Industrial development policy in the 1950s: the import-substitution model as congressional delegation

Under the strategy for economic growth based on the import-substitution model, trade policy served primarily to meet industrial policy goals. Export control through adjustments in exchange-rates and tariffs were aimed at protecting and stimulating Brazil's economic growth. It is important to recall that this model for economic growth was approved by congress in 1957, by means of a tariff law whereby the legislature delegated to the executive the authority to set industrial policy through the establishment of selective import controls. The bureaucratic agencies favored by this transferal of authority were Sumoc, on the normative plane and on the control of exchange-rate policy, Cacex, on the executive level, and the committee on customs policy (CPA.)

The approval of the tariff law by a congressional majority largely inclined to defend industrial development not only created the instruments for the protection of domestic industry from imports but also created incentives for and directed foreign investment toward industry. In this context of congressional delegation, the political conditions were generated for the harmonious co-existence between state, domestic and foreign capital, a model which would prevail over Brazilian industrialization practically until the 1990s.[10]

This development strategy, moreover, defined the guidelines adopted by Brazilian diplomacy, who sought to represent the interests of the congressional-industrialist coalition in international negotiations. In multilateral arenas, first within UNCTAD and later within GATT, Brazil's commercial diplomacy defended the reform of the international trade regime centered on the inclusion of a non-reciprocity norm as the standard of conduct for relations between economically unequal countries, and the establishment of preferential and compensatory treatment for developing countries. It is important to recall that the foreign agenda represented no threat whatsoever to the rules of congressional delegation, since the items under consideration did not

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[10] For an analysis of cooperation between congress and President Kubitchek in favor of industrialization policy, see Carvalho, 1977 and Santos, 1987.

entail relevant changes in the domestic sphere. The salient issue in the North-South agenda that arose in the early 1960s was the question of export barriers for primary and manufactured goods in Northern markets. This amounted to the demand for preferential tariffs for third world exports through a generalized system of preferences, as well as the defense of exemptions from the rules of the trade regime for developing countries, especially with regard to the latter's adoption of import restrictions policies (Abreu, 1992; and Lima, 1986.)

One can state, in light of the above, that Brazil's foreign policy agenda fully respected the boundaries established by the industrializing thrust of the 1950s, a movement which, as we have seen, was reflected in congressional approval of the 1957 tariff law. If it is true that Brazil's constitutional tradition has led to transferring the conduct of foreign relations to the executive, it is also true that, as long as the import-substitution model had been in effect, this amounted to a case of genuine delegation, since the negotiating posture of Brazilian diplomats expressed the trade policy approved by congress. The main characteristic of the institutional framework for import-substitution amounted to a consistency between constitutional prescription and legislative action. In this context, the president was indeed the representative of the national interest.

3.b. Trade policy under authoritarian rule: the road to abdication

After the military coup in 1964, a series of changes in political and economic circumstances modified the content of foreign trade policy, as well as the terms of congressional delegation as they had arisen in the 1950s. Internal and external factors converged to transform the prior system of delegation into one of legislative abdication before the executive. It should be noted that this transition occurred without the consent of any political actor.

With the end of representative democracy, congress' decision-making power was drastically curtailed. However, no immediate change in the import-substitution model occurred. Despite the elimination of political competition and legislative autonomy, the military —long-standing advocates of domestic industrialization — maintained the original tenor of delegation which favored the executive. Unlike Southeast Asia, where import-substitution was quickly dropped in favor of export-led growth, Brazil's authoritarian government asserted its inclination toward inward growth.

Not all, however, remained untouched. During the authoritarian period, military governments began to pursue economic growth by encouraging exports. Until the late 1970s export-stimulation remained subordinated to import-substitution strategy. Henceforth, aggressive credit and fiscal policy incentives targeted directly and indirectly at export sectors were added to the set of existing exchange-rate and tariff instruments, especially tariff protection for industry, non-tariff barriers, and tariff exemptions for those sectors targeted by industrial policy.[11]

The new goal of promoting exports altered the process of trade policy formation, and hence the significance of the previous congressional delegation. Under military rule, decision-making involved bureaucratic insulation and centralization with regard to regulatory and normative issues, but considerable state's permeability to the various business interests. Access to state agencies

[11] Between 1964 and 1971 there were no fewer than seventeen different modalities of fiscal and credit incentives, with six other types of export subsidies added in the following two years. See Lima Jr. and Lima (1987), p.107.

was eased by the existence of countless bureaucratic arenas for policy execution, especially with the erection of the system of exemptions, incentives and subsidies for export activities. The evolution of trade policy in this particular direction had not been reckoned into the implicit contract posed by the tariff law of the Kubitchek administration.

Trade diplomacy within the GATT framework, remained guided by third-world positions on non-reciprocity and differentiated treatment, where a sense of "benign mercantilism" was to guide export promotion. This consisted of opening of markets for Brazilian exports of goods and services, especially in Latin America and Africa, by means of special credit's lines for the purchase of Brazilian goods, and the establishment of cultural, technical and economic cooperation programs with third world countries. Thus, diplomatic efforts to increase exports did not entail significant changes in the domestic sphere. During the 1960s and 70s this was the framework for trade policy.

The financial crisis of the state, which reared its head in the early 1980s, brought on the final divorce between trade and industrial policies. This, combined with the diminishment of congressional powers, wholly undermined the system of delegation built during the developmentalist period. During the 1980s, trade policy was aimed primarily at balance of payments adjustments. Import restrictions increased with no particular connection either to priorities in industrialization goals or to demands for protection of domestically produced goods and services. The purpose of such restrictions, rather, was to promote massive trade surpluses (Motta Veiga, 1990 e Tavares de Araújo, Jr., 1990). The meaning of the prior delegation of congressional authority, which consisted of substituting imports in order to promote the growth of national industry, was lost in midst of political injunctions and economic crisis.

At the same time there occurred a certain disconnection between economic policy, shaped by the restrictions of external adjustment and the commercial diplomacy pursued by the foreign ministry. While the managers of economic policy in practice de-linked tariff and industrial policies, and thus undermined the legacy of congressional delegation, diplomats continued to formulate Brazil's negotiating positions in GATT on the basis of the historical model of industrialization. Thus, to defend improved conditions for access to exports, to avoid "graduation" measures against Brazil, to defend domestic options for industrial, scientific and technological development were goals reminiscent of the previous industrialization project based on the tariff law.

Nevertheless, the international context would also undergo substantial change. During the 1980s, the makers of the international trade regime (to wit, the United States and other industrialized countries) would emphasize a new trade agenda: reciprocity in exchanges and concessions among trade partners, attempts to introduce a conditional version of the MFN clause aimed at eliminating free-riders from the regime, restructuring of GATT's framework, in addition to introducing such new issues as services, intellectual property and foreign investment.

To aggravate the decline of the system of delegation, changes would also occur in bilateral relations. The imposition of unilateral sanctions by the United States on Brazilian exports, as a result of protectionist policies on information technology and intellectual property, generated a tacit alliance between Brazilian exporters and US "fair trade" policy. Although diplomats viewed this environment as one restrictive to the interests of the emerging nations, which induced a defensive posture of minimizing damage and pursuing obstructive negotiating strategies (Mello, 1992,) domestically, agricultural interests began to support the inclusion of the new issues in the negotiating agenda. In fact, according to an analysis of Brazil's position in the Uruguay round, "…two views of foreign policy confronted one another in the foreign ministry and, between 1986 and 1988, agricultural interests gradually supplanted delaying actions against new issues as the primary focus of Brazil's performance in the Uruguay round" (Abreu, 1994, p. 21.)

3.c. Critical overview of the import-substitution model

For nearly four decades Brazil's development strategy was based on state planning, the protection of the domestic market, and openness to foreign capital in practically all industrial sectors. It is fair to say that the continued option for the import-substitution model, complemented by export-stimulation policies accounted for the development of a complex and diversified industrial structure which would distinguish Brazil, among other Latin American economies, as the most successful case of a strategy for economic growth based on such a model. Why did this configuration decay?

Political authoritarianism. Strategies for industrial development via import-substitution tend to align the interests of capital and labor. The logic of this cross-class alliance is similar to that of protectionist coalitions opposed to economic opening. For this reason, legislative participation in the definition of trade policy is so very important. In congress, because of the visibility of its decisions and the political accountability to which its members are held, the preferences of the business class have to be negotiated in a manner attentive to the interests of society at large.

However, Brazil's experience with the import-substitution model took place in two distinct political contexts. After the 1964 coup, the convergence between capital and labor ultimately operated to capital's sole benefit, privileging more specifically its local and international sectors — where the latter had been attracted by the potential size of Brazil's domestic market and by the advantages and incentives provided by the state. Labor unions were left out of this coalition and Brazil's corporate model, in light of its long authoritarian legacy, produced basic affinities between business and the state (Boschi and Diniz.) Although the authoritarian state embraced import-substitution, the terms of congressional delegation set forth in the 1950s were substantially altered. Political negotiation became restricted to the executive, which combined bureaucratic insulation with the state's permeability before business interests, to the exclusion of others.

Economic Crisis. The implementation of economic policy and the crisis of the 1980s fully unlinked tariff policy from industrial policy. However, as we have previously seen, the basic thrust of the 1957 tariff law was to delegate to the president the execution of industrial policy through import controls. To link tariff levels to industrial performance was the essence of the import-substitution model. Thus, out of the wishes of any particular actor, once the economic conjuncture had brought about the divorce between these two spheres of policy, congressional delegation for economic growth became anachronistic.

Changes in the international context. External factors, owing to the characteristics of Brazil's development strategy, played a secondary role in the state structure of decision-making. Nevertheless, the state would continue to play a relevant role even if only a regulatory one. In trade negotiations, Brazil pursued with near single-mindedness the defense of certain normative principles — differentiated treatment and exemption from the norms of the international trade regime — and their acceptance by the leading players of the regime.

Furthermore, the exchange of tariff concessions under GATT, which was the basis for multilateral negotiations until the 1970s, only included major trade partners, while others benefited from the non-discriminatory MFN clause. As such, concessions would automatically be transferred to minor partners in the trade system. In light of the small size of its market, Brazil did not need to exchange concessions to benefit from possible liberalizing outcomes of these negotiations, extended as they were, automatically, by the MFN principle.

Brazil's economic agents had nothing to fear from diplomatic action. The government's negotiating position consisted of the defense of economic protection. And so Brazilian diplomacy enjoyed relative autonomy in face of business interests by the simple fact that it was rational for business *not* to participate in negotiations, otherwise they too would have to shoulder the costs of collective action. In a word, the principle behind MFN and the obligation to reciprocity applied only to major trade partners allowed Brazil to benefit from liberalized international trade without having to negotiate with their foreign partners, nor to reconcile, before domestic business interests, their negotiating posture.

To the extent that the pursuit of the multilateral agenda was guided by the defense of the entrepreneurial state and protected economy, possible gains obtained in multilateral negotiations had the characteristics of a collective good, in the sense that no business interests could be excluded or, at least, penalized by diplomatic action. In international negotiations, the president's position represented that we might call the "national interest" in industrial development. In this context, post facto congressional ratification of executive foreign commitments sufficed, for in fact the country was not negotiating its interests, but merely defending new principles of organization for international trade.

From the beginning of the 1980s the restrictive features of the foreign negotiating context had made it unfeasible to maintain negotiating postures based on regulatory principles. In a simultaneous and corollary fashion, congress's ratifying power in trade policy began to result in significant agency losses. With the beginning of the Uruguay round, it became clear that Brazil would have to formulate a positive agenda for negotiations and concessions. The implication of these changes, plus trade liberalization policy, was that the results from multilateral negotiations were no longer uniform for the economy as a whole. Distributive consequences followed from these negotiations, generating uneven expectations of gains and losses originating from possible international commitments. A new model for congressional delegation within the bounds of that policy was required.

3.d. Commercial liberalization and ratifying power: the paradox of redemocratization and congressional abdication

In a democratic context, one might expect that changes in the international economic environment would lead to a new pact between executive and legislature, one which would set new terms of delegation not only for foreign trade policy but also as an instrument for industrial policy. This, however, was not what happened.

Under the presidency of José Sarney, the government formulated a new industrial and trade policy that reflected the heterogeneous coalition that oversaw the transition from military rule. Industrial policy under the so-called New Republic resulted from the dispute between two different teams: active industrial policy was handed over to specialists identified with the developmentalist orientation, who favored sectoral policies and the continuation of the state's role, however modified, in this field; foreign trade was placed in charge of economists critical of Brazil's prior mode of insertion within the international economy, and who favored a revision of the system of protection, the restoration of tariffs as an instrument of industrial policy, and the elaboration of more modern and effective instruments of protection (Velasco e Cruz, 1997, pp. 77-113). The terms under which executive's workgroups were to act were at no point established by congress. In other words, the result of the conflict between distinct intra-government tendencies remained outside the legislative purview.

In fact, the decision-making process was not far removed from that which had obtained under the military regime. Trade policy was reviewed by the executive, more specifically by the committee for customs policy, a collegiate entity in which representatives of government agencies and the private sector took part. From this exercise there issued a new industrial policy for the first post-transition civilian government. Its execution was based on three executive decrees promulgated in 1988. (Under the new constitution, presidential decree — a device inherited from military rule — were redubbed as "provisional measures.") The role of congress was merely to ratify; that is, the legislature would continue without assurances of an efficient delegation in the realm of foreign trade policy.[12]

Curiously, the new constitution, which introduced a series of measures broadening social and citizenship rights, did not innovate in foreign policy matters. That is to say, the same powers and attributions awarded to the executive for international relations were maintained, without specifying the source of congressional control for presidential actions. Innovations consisted of article 49, which, in spite of broadening the powers exclusive to congress on the matter, reinforced *a posteriori* control by the legislature over government foreign acts (Almeida, 1990).

[12] Decree-law 2,433 established the goals for industrial policy and its financial instruments. Decree-law 2,434 addressed the reform of the tariff system and trade policy on imports; among the measures it determined were: rationalization of the system to make it more transparent (revoking exemptions and reductions generally for taxes on import tax and on domestically manufactured goods; extinction of taxes on imports) and the gradual reduction of nominal tariff rates and their amplitude. Finally, Decree-Law 2,435 sought to speed exports by eliminating controls on the issue of export permits. See Velasco e Cruz (1997) for a careful analysis of the new industrial policy under the Sarney government. See also Costa Filho (1995).

In short, instruments were not created that might have afforded congress the competence to define beforehand the general parameters for the executive's international negotiating postures.

Under the New Republic the revision of tariff structures was subordinated to the objectives of industrial restructuring and to Brazil's competitive re-insertion in the international economy. For this reason, the institutional matrix for the policy relied on a collegiate agency of political management — the council for industrial development (CDI) — attached to which were sectoral chambers, which institutionalized the participation of business sectors in policy formulation. Under the presidency of Fernando Collor, however, we witnessed an initial weakening of these entities, and the centralization of decision-making in such bodies as the recently created MEFP, which would unite under one single chair the ministries of treasury, economic planning, and industry and trade. With this reformulation, matters pertaining to industrial and trade policy were seconded to the national economic secretariat under the auspices of MEFP. CDI and CONCEX were extinguished. The powers of CPA and Cacex, after a considerable reduction in their structure, were transferred to the department for foreign trade, subordinated to the economic policy secretariat under MEFP.[13] Collor's industrial policy foresaw the creation of certain mechanisms for coordination and articulation with the business sector to promote an industrial "competitiveness policy." Afterwards, sectoral chambers were re-established, with the inclusion of labor, as a tripartite arena for negotiations in preparation for the price thaw foreseen in the Collor II stabilization plan (Costa Filho, 1995, pp.22-26).

From the standpoint of the decision-making process for foreign trade policy, the successive changes in the structure of bureaucratic agencies were not the most relevant event. As we have seen, during the Sarney administration a dispute between developmentalists and economists critical of the prior model of industrialization pre-empted major changes in the status quo. From the Collor administration onward, however, the decision in favor of trade liberalization, to be pursued through more or less radical measures, had become state policy. These measures were implemented mainly by executive decree and legislative devices held over from the authoritarian regime.

Among the most important trade liberalization measures were provisional measure 158, which revoked all import and value-added tax exemptions and reductions; MEFP provision 56, which revoked the list of suspended imports (or annex C from Cacex, which prohibited the import of 1300 products); and provisional measure 161, which eliminated special import arrangements and abolished fiscal and regional incentives. Moreover in June 1990, with the announcement of general guidelines for industrial and trade policy, (executive order no. 365) a new tariff structure was announced to be gradually implemented over the next five years, which foresaw a modal tariff

[13] The government of Itamar Franco reinstated the Ministry of Industry and Trade (MICT) adding to it the tourism bureau. The offices for coordination of Industry and Commerce and for Foreign Trade, transformed in secretariats, were again placed under MICT asupices. Decisions on fiscal matters remained the prerogative of the Treasury, as did the power to enact alterations on tariffs. MIC retained the role of formulating industrial and trade policy. It also served as an arena where pressures from economic sectors converged. But because it lacks effective intruments, de facto power remained with Treasury. For a detailed account of these organizational changes, see, Bonelli; Motta Veiga and Brito (1997), pp. 5-6 and Costa Filho (1995), pp. 18-23.

of 20% for 1994, with an average of 14% and a maximum tariff rate of 40%.[14] This means that the decisions promoting the liberalization of Brazil's economy were elaborated and executed without prior consultation of the will of the majority of congress. And, as we have seen in the model presented in the section above, presidential and median legislator's preferences tends to diverge substantially from one another. To state matters more precisely, it is perfectly reasonable to suppose that the degree of trade opening built into the presidential package lies outside of the indifference curve of the congressional majority. And if this is true, then, indeed we face a scenario for agency losses by the legislature/principal in favor of the executive/agent.

With the onset of the Real plan in June 1994, the management of import policy became subordinate to the general objective of price stabilization, with trade liberalization as one of its principal supports. From an organizational standpoint, one could readily observe the centralization of industrial and trade policy within the treasury ministry and the central bank. In February 1995 the chamber for foreign trade was created, tied directly to the presidency, and led by the latter's chief of staff. Primarily a consultative body, the role of the chamber is to coordinate government agencies, while providing no formal representation for interest groups. Decision-making authority in fiscal matters belongs to the treasury, responsible for the manipulation of the two main instruments of trade policy: the concession of incentives to and subsidies for sectoral policies, and the establishment of tariffs on imports (Costa Filho, 1995, pp. 26-30).

Once again we are to note the important agency losses that result from concentrating decision-making in the executive: the implementation of the timetable for tariff reduction becomes erratic, varying according to the discretion of economic managers. Tariff rates are changed at whim, rather than from a systematic and gradual program for liberalization. Changes in the timetable for liberalization resulted from such varied factors as international commitments; introduction of TEC — the Mercosur common external tariff; price stabilization program; trade deficits; and last but not least demands for protection by sectors supposedly harmed by economic opening.[15]

It is true that the Cardoso government has tried to modernize the system of trade defense, mindful of adjusting it to the new model for an open economy. However, specific anti-dumping laws, subsidies, compensatory rights, and safeguard measures are articulated within the foreign trade bureaucracy lacking, from the outset, in transparency or accountability. Thus the implementation of trade liberalization policy originated a reasonable degree of uncertainty upon economic agents, to the extent that bureaucratic insulation and privileged access by business to the decision-making

[14] The timetable for tariff reduction was set through MEFP Portaria 58 (1/31/91), and revised under Portaria 131 (2/18/92). In 1990 nearly all non-tariff barriers without legal support were eliminated (Bonelli; Motta Veiga and Brito, 1997, pp. 1- 3).

[15] In April 1995, through resolution 7/95 of the Grupo Mercado Comum, the government formulated a new list of products subject to tariff protection (in addition to the list already in existence of exceptions to the common external tariff for Mercosur,) the Dallari list, with two goals that, in principle, conflicted: to answer protectionist pressures and to address problems with shortages. In April 1996, nearly 60 products comprised this list, which is renegotiated at three month intervals, and is valid for one year. Furthermore, within Mercosur there has been constant alterations in tariff levels for products such as textiles, clothing, consumer appliances, automobiles, among others. See Bonelli, Motta Veiga e Brito (1995), pp.16-20.

agencies of the executive continue to characterize Brazil's integration within the international economy.

In the external front, Brazil's trade opening, instated unilaterally — that is to say, without prior negotiation under GATT — coincided with significant changes in the multilateral trade regime. The range of topics subject to international discipline now encompassed: services, investments, intellectual property, environmental protection, rules for competition and proposals for inclusion within the WTO social clause. It is worth recalling that the inclusion of such items in the world trade agenda reflects the domestic motivations of the dominant players in world trade. Sensitive to the pressures of their respective constituencies, governments of industrialized countries have come to defend greater intervention in the sovereign affairs of peripheral ones (Mello, 1996.)

In Brazil, the executive's prior monopoly over the conduct of international negotiations became susceptible to challenge, not only because of the new and more complex multilateral agenda, but also because of trade opening itself. With economic liberalization, it becames rational for domestic entrepreneurs and unions to participate in international negotiations. Because foreign policy can now alter the status quo it mobilizes organized interests within Brazilian society. Not only in GATT's Uruguay round but also in regional integration initiatives — namely, Mercosur — are businessmen and labor unions intent on intervening in the decision-making process. The desire of economic agents to participate in decisive international forums occurs, however, outside the auspices of any political party represented in congress. This is to say that the legislature's role has remained limited by the constitutional principle of its ratifying power.

In conclusion, we can assert that the bureaucracy charged with Brazil's foreign policy has adopted "corporative representation" practices, which, by the way, have been widely used by its domestic peers in the execution of foreign trade policy. As we have seen, in a globalized world marked by open economies and by a positive negotiation agenda, the defense of the "national interest" is upstaged by the exchange of specific trade concessions. We know as well that international bargaining produces relevant distributive effects for Brazilian society. Furthermore, the politicization of the international agenda transfers to multilateral arenas issues which hitherto had been the purview of national legislatures. It is therefore of questionable wisdom, to say the least, that congress should continue to exercise a merely rubber-stamp role with regard to trade policy. This role, as we have seen, amounts to its abdication before the executive, with all the implications in terms of agency losses that inefficient forms of delegation are liable to pose before the principal.

4. Conclusions

What can one conclude from this discussion? From a historical standpoint, the diagnosis points to the strengthening of the executive as the sole deciding agent for foreign trade policy. The diminishment of congressional powers begins with the 1964 coup. Curiously, the foreign policy conducted by Brazil's military rulers did not betray the spirit of the 1950s congressional delegation and built into the import-substitution model for Brazil's industrialization. The political pedagogy of the authoritarian regime nonetheless remained in place after redemocratization. Decisions regarding foreign trade began systematically to modify the status quo represented by the import-substitution model, and congress had not partaken in such outcome. Furthermore, the ratifying power of the legislature was consecrated in the 1988 constitution under circumstances entirely distinct from those which had given rise to the initial phase of planned industrialization.

From an analytical point of view, this study has demonstrated that the institutional design that regulates foreign trade policy is incompatible with the spirit of presidentialism, Brazil's system of government. This is so because it is the exclusive prerogative of the executive to enter into acts, agreements and international treaties, events which the legislature merely is to ratify, ex post facto. To the extent that the country might incur significant costs in case it rejects previously negotiated international agreements, the president in the end retains unilateral power to define the country's foreign agenda. This institutional matrix betrays the constitutional choice for presidential government. In such systems, decision-making presupposes a set of checks and balances which, as we have seen, are absent from Brazil's current institutional design.

In short, Brazil's position in a globalized world requires countless types of reforms. It is hard to define much less to agree upon which ones should be undertaken first, and where. We have shown, however, that reform of the trade policy decision-making system is of utmost relevance. Its significance is clear: to design a more efficient form of delegation from the legislature to the executive. It is important to point out, on the other hand, that the justification for reform does not restrict itself to a defense of congress per se, even though this is of fundamental importance for refining the operation of the democratic system. One can also argue for alternative institutional designs based on the idea of efficiency, through the analysis of three crucial notions: credibility, stability and bargaining power.

Credibility. Government decisions which are backed by the legislature have greater international credibility than those produced without consulting representative institutions. Congressional participation in defining the terms under which the president is authorized to negotiate in international forums means that pressures exercised by economic agents are revealed in public, their arguments weighed through differing and indeed adversarial viewpoints. Trade policy is more likely to be effective when decisions are reached in a plainly visible fashion. This is so because trade policy goals are to promote gains in efficiency for domestic industry and, at the same time, to benefit consumers through greater access to foreign goods. The results of such a policy do not materialize in the short run; nor do they depend on the effects of surprise. Rather, these results rely on the adherence of economic agents to the policy's "spirit." Agents become willing to compete with producers abroad on the basis of increased productivity and the search for new technologies, rather than lobbying for tariff increases. On the other hand, debate with congressmen contributes greater information about local work conditions, transport and infrastructure. Under certain circumstances, rather than promoting efficiency, liberalization may definitely compromise the autonomous capacity of the local economy. In short, prior negotiation with congress over the limits and timetable of trade liberalization provides support and raises the chances of a policy's effectiveness.

Stability. A policy that has been previously negotiated with congress, the modification of which presupposes congressional approval, is more resistant to pressures for its alteration once it is adopted than policies that depend solely on the will a very small number of agents. What does this mean? It means that trade partners can foresee greater stability for decisions reached the first route rather than the second. Measures aimed at liberalizing trade, such as unilateral tariff reductions, which may nevertheless suffer sudden changes as a result of localized pressures, compromise the country's standing as a reliable foreign partner. Therefore if it is true that congressional decision-making is necessarily slower, on the other hand its results will always be less unstable than bureaucratic output.

Bargaining power. This notion is inspired by pioneering work by Putnam (1993). The greater the limits imposed by the domestic institutional context on the terms of external negotiation, the higher the bargaining power of diplomatic agents in negotiation forums. The room for possible decisions is reduced not on account of the agent's desires, but rather because he is constrained by domestic legislation, democratically approved by his country's legislature. If the danger of the impasse exists, the government may at the outset define agreements considered unacceptable, which restricts the room for maneuver for representatives of other countries. It is important to note that the greater a country's adherence to the spirit of globalization, the greater the number of international treaties and agreements to be signed. For this reason, it is time to organize decision-making systems which confer upon the president greater bargaining power in external forums. To assure the prior participation of congress would appear to be the most suitable way of achieving this.

Finally, the notions of credibility, stability and bargaining power serve to demonstrate that the call to enhance congress's hand in trade policy is neither anachronistic nor conducive to inefficient policy outcomes. On the contrary, the creation of an efficient system for congressional delegation possesses the twin virtue of at once contributing to improving a system of checks and balances for Brazilian presidentialism and improving the outlook of trade policy effectiveness so crucial to the country's future in a globalized world.

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