

YEAR 11 UNIT 4: Changing Economic World (b)

Case Study: Economic Development in Brazil

Location and Background

Brazil is a NEE (Newly Emerging Economy) in South America; is the biggest country by both area and population in Latin America and is the largest country in the world with Portuguese as an official language. Brasilia is the capital city while Sao Paulo is the most populated. Its physical geography is complex; with the equator and the Tropic of Capricorn running through it Brazil experiences a wide ranging climate from semi-arid deserts to equatorial rainforests.

Influences upon Brazil's development

- Brazil fought a war of independence and officially won in 1822. As with many ex-Colonial states, Brazil suffered much political instability for over a hundred years and suffered largely under a series of dictatorships and military control
- Until the 1980s, Brazil continued to suffer under repression but since the late 80s / early 90s stability and democracy has dominated and both social and economic development has been rapid
- Mercosur, a South American trade bloc, was established in 1991 and opened up trading stimulating economic growth
- Agriculture was initially the most important sector in Brazil's development with values of exports quadrupling between 1996 and 2004. Today, it is one of the world's biggest users of GMOs
- Currency crisis in 2002 resulted in a rescue package of \$30bn being offered by the International Monetary Fund (IMF)

Social effects of economic development

- While extreme poverty has fallen in Brazil (23% in 1991 to 8% in 2016), social inequality has grown. It is one of the few growing economies to have seen inequality increase
- HDI is 0.75, ranking Brazil at 79th in the world
- Life expectancy has increased by more than 10 years since 1980; it is currently 75 years.
- GNI per capita in 2016 was \$8,800, an increase from \$2,000 in 1980. This is however higher than average income again highlighting social and economic inequalities
- Brazil has one of the highest rates of urbanisation in the world with 87% of the total population living in urban areas



Global and Regional Importance

- Brazil is the world's 8th largest economy and is still experiencing growth (despite recession 2014-16).
- Brazil is ranked sixth in the world by size of population.
- Brazil has the largest manufacturing output of all of Latin America, producing tens of millions of tonnes of steel, 26m tonnes of cement, 3m cars as well as petrochemicals and computers
- Car manufacturing has boomed since 1990 with revenues totalling more than \$100bn. It employs 1.5m people

Aid and Debt Relief

- The government has invested in an anti-poverty programme which has seen school enrolment increase (91% of over 15s are literate) and greater rates of formal employment
- ActionAid has worked in Brazil since 1999 to combat rising inequalities: a third of the population in Rio and Sao Paulo live in favelas while 10% of the country's population earn 45% of the income. They work to eradicate child poverty and work with women of abuse
- The UK contributes approximately £80m in aid a year, global contributions top \$1.1bn annually

Petrobras (TNC) in Brazil



Background

Transnational Corporations (TNCs) have played an important role in Brazil's economic growth. In 2006, the value of investments abroad by Brazilian TNCs (\$152bn) outweighed the value of foreign direct investments in Brazil (\$97bn). TNCs are most heavily involved in tertiary industries. Petrobras is the largest TNC by revenue in Brazil (\$81bn in 2016) and it employs approximately 70,000 people. It is the 6th largest oil and gas company in the world and operates in 16 countries across 5 continents.



Advantages of TNCs in Brazil

- ✓ Initially, the investment from foreign TNCs created employment opportunities and raised incomes contributing hugely to the economy.
- ✓ Foreign Direct Investment has allowed Brazil's economy to benefit from taxes that are spent on improving infrastructure and in turn benefitting its own companies (such as Petrobras)
- ✓ The government benefits from export taxes, providing money that can be spent on improving education, healthcare and services.
- ✓ TNCs such as Petrobras have many international business links. This can help industry to thrive even further.
- ✓ Petrobras has sponsored studies into humpback whales which has seen their population more than triple
- ✓ Petrobras subscribes to the United Nations Global Compact, a voluntary agreement which encompasses a set of principles regarding human rights, working conditions, corruption, and the environment

Disadvantages of TNCs in Brazil

- × TNCs can and did exploit the low wage economy and initially avoided paying local or even full taxes
- × Huge swathes of the Amazon have been cleared in the continued exploration for oil and gas
- × Since 1975, Petrobras has been responsible for 16 major oil spills and has even been found guilty of deliberately dumping waste materials in the oceans.
- × Oil flares and toxic fumes have increased air pollution.
- × Petrobras has announced its intention to cut 12,000 jobs by 2020 in a cost saving exercise

