

Effects of globalisation on brazil

[Economics](#), [Globalization](#)



Discuss the impact of globalisation on Brazil: Orientation: Globalisation refers to the integration between different countries and economies and the increased impact of international influences on all aspects of life and economic activity. Brazil is one of the fastest growing economies and superpower of South America. In the recent decade Globalisation has allowed Brazil's economy to sustain stable economic growth, this was proven when Brazil experienced a very mild recession during the Global Financial Crisis of 2008.

Due to the high levels of economic growth as well as increases in GNI per Capita Brazil's government has also been able to implement successful macroeconomic policies that have allowed for consistent economic development. Though Brazil has benefited greatly from Globalisation they also have experienced many problems including the currency crises in the 1980-90's which caused the country to undergo a complete economic restructure.

Brazil also faces problems with environmental deconstruction that due to globalisation that are yet to be solved. Globalisation impact on Brazil Economically: Brazil's failure to embrace Globalisation in the 1960's 1970's and 1980's caused Brazil to be unable to fund its foreign debt and ultimately experience a currency crisis in the early 1980's. Through the 1960's and 1970's successive governments sought to create a large industrial base and minimise Brazil's dependency on imported manufactured goods.

Brazil relied on foreign debt borrowing to fund this industrialisation movement but rather than increasing its economic integration the purpose of this industrialisation was for Brazil to become less heavily dependent on

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imports and more self sufficient; reducing reliance on the global economy and going against principals of globalisation in becoming more integrated. Due to large amount of foreign debt and Brazil's inability to service this debt due to small amounts of export revenue Brazil's debt servicing ratio reached 102% and, unable to service the debt Brazil's currency depleted.

For Brazil this outcome was among the most undesirable impacts of globalisation as it caused extreme volatility in Brazil's exchange rate. From 1980 due to Brazil's inability to repay debt, the Brazilian economy experience many exchange rate crises due to concerns that Brazil could not meet the debt repayments; this caused extreme inflation of over 1000%. Inflation was due to the rising cost of imports for Brazil as currency value fell sharply.

In order to prevent/reduce the occurrence of extreme currency fluctuation and extreme inflation Brazil adopted the ' Real Plan' strategy in which a new currency known as the ' real would be pegged 1 to 1 against the US dollar to control inflation. However this had to be abandoned as the currency had to once again be floated as investors pulled out of Brazil in the wake of the East Asian financial crisis which spread to other developing nations. Brazil now continues to floats the currency relies on strong values of exports, keeping foreign debt low and consistent economic growth in order to reduce fluctuating currency.

Brazil has also established a currency reserve to buy back currency and increase its price if financial speculation causes to fall to low. After embracing globalisation, Economically Brazil has greatly benefited from Globalisation as foreign direct investment (DFI) flows have allowed Brazil to

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become competitive in the world market. Brazil receives the highest level of FDI inflows in Latin American and the 5th highest in the world; this has led to sustained economic growth and greater economic stability.

Investment by transnational corporations has helped Brazil develop telecommunications, chemical, pharmaceutical, automotive and mechanical industries. After FDI inflows falling to only 345million in 1986 due to lack of confidence in Brazil's ability to repay foreign debt, Brazil's economic situation has been consistently improving as the government strategies for industrialisation were restructured with a movement more to funding industrialisation through FDI rather than borrowing from Foreign markets. In 1996 FDI inflows had increased to 11 Billion and in 2011 FDI inflows stood at their peak of 66 Billion US dollars.

Through FDI inflows employment was created as transnational corporations such as L'Oreal and FIAT group began expanding into the Brazilian market. Lowered unemployment combined with reductions in income inequality among the people of the Brazil provided sought after government revenue. This government revenue allowed for the Brazilian government to fund national activities in the areas of transportation, industry and trade as well as energy and mining which all helped in the growth of Brazils manufacturing industry.

Growth of the manufacturing industry is now the largest contributor to Brazil's exports comprising of 45%. The manufacturing industry and other large industries that contribute to Brazils exports have allowed for Brazil to increase GDP levels from 385Million in 1980 to 2. 4 Trillion in 2010. Due to

the efficiency of industries and economic growth, globalisation also allowed for sustained economic stability to also be achieved.

This was made evident during the 2008-09 Global Financial crises where due to the integration of financial markets across the world many markets entered large recessions and therefore loss of confidence for investment. Brazil only experienced a mild recession of -0.6% growth in 2009. From this recession however growth soared to 7% the following year as market confidence was immediately restored with FDI inflows bouncing back from the reduced amount of \$26 Billion to \$49 Billion the following year, almost doubling.

It is clear that in Brazil's ability to embrace FDI inflows and investment by transnational corporations have allowed Brazil to form and specialise in competitive industries such as the manufacturing industry. These industries then have the ability to sell the produced product to a world demand that has been created through improvements in technology and the breaking down of trade barriers, which are all effects of globalisation.

Globalisation effect on Brazil Socially: Globalisation has also significantly affected Brazil socially. Investment into the country as well as demand for Brazil's exported goods and services have allowed Brazil to substantially reduce income inequality and achieve economic development. As globalisation lifts economic growth rates in the Brazilian economy, it also raises the income levels of society and provides the government with greater amounts of revenue.

After the Brazilian government received higher revenue due to increases in the country's GDP, the government's aim was to increase the quality of life among the people of Brazil, reducing poverty, increasing education level and increasing health and life expectancy. Programs such as the Fome Zero (zero hunger) program was widely regarded as one of the most successful government funded programs. It provided 11.4 Million of Brazil's poorest family's sufficient income to be able to sustain basic needs in life.

The policy was one of many that aimed or the government to reduce inequality by margining income distribution payments. Brazil has also achieved a substantial degree of progress in the economic development due to economic growth of the country through principles of globalisation. Through improvements in the government's health care system as well as reduction in the cost of medicine as Brazilian companies begin producing pharmaceutical products of their own Brazil rank on the HDO increased from 0.68 in 1980 to 0.699 in 2010, mainly reflecting improvements in health care and income levels.

Conversely, Brazil is still neglecting the significant problems that globalisation has cause to the natural environment. As Brazil is still as a majority a low income country it is desperate to obtain as much foreign investment as possible in order to earn higher export revenue; because of this is engages in some economic behaviour that harms the environment. For Brazil this environment destruction occurs in the form of large scaled deforestation that Brazil undertakes mainly for paper and wood chips but as well as government income received through selling rainforest/forest land.

Not only does this practice allow for foreign investors to have rights to Brazils agricultural land but is also causes for many species of plants and animals to become extinct and many rainforest plants hold value due to undiscovered possible medicinal purposes. Due to the large scale deforestation that Brazil undertakes, Brazil is now the 4th largest emitter of carbon emissions in the world. The High carbon emissions add to the most serious environmental problem of the 21st century which is climate change.

In order to reduce this environmental destruction Brazil committed in 2009 to reduce deforestation by 80% by 2020. Conclusion: It can be concluded that Brazil has become a large beneficiary of globalisation. Brazil is attracting more foreign investment, expanding its own businesses offshore, enjoying strong sustained growth in exports, in particular in the resources sector, and government policies have been effective in making sure that the macroeconomic successes of recent years are resulting in improvements in living standards for the people of Brazil.