

Foreign Trade in Brazil

Aisha Omowabi

Department of Economics , College of Liberal Arts and Sciences , University of Illinois at Urbana-Champaign

INTRODUCTION

Brazil is ranked no.8 as the country with the largest economy interact in international market, while still maintaining the position as the 21st largest export in the world. After its independence in 1822, Brazil opened its ports and expanded its trade with other nations in the world, particularly Britain. Brazil, which is known for being dependent upon agricultural exports and its successful cycle of exports did not begin using trading policy to promote industrialization until the early 1950s.

FUN FACTS ABOUT BRAZIL'S TRADE

- ❖ Brazil's port sector is responsible for more than 90% of the country's export
- ❖ The largest port in Brazil is Porto de Santos
- ❖ Porto de Santos is responsible for 28% of Brazilian foreign trade

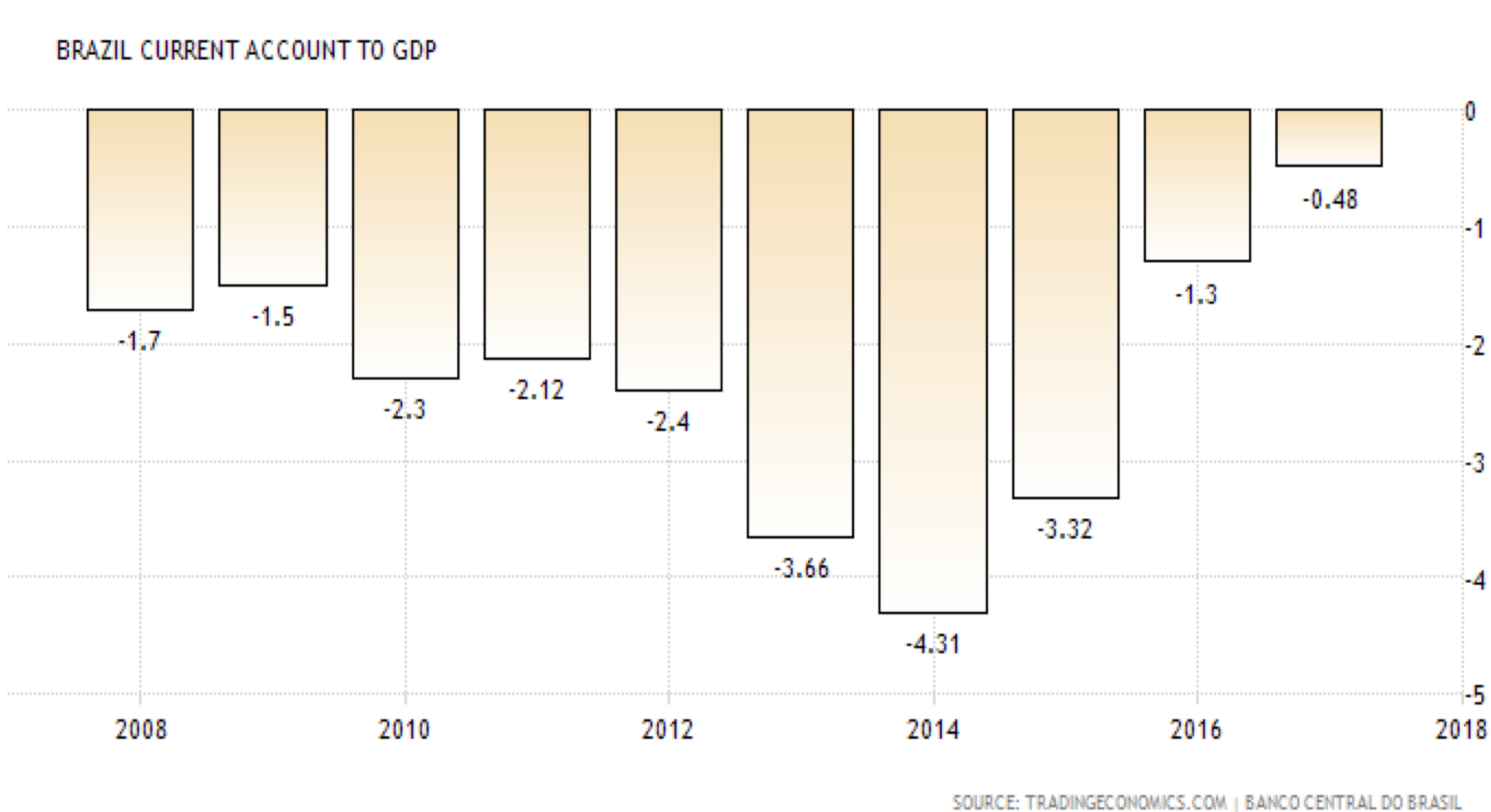
Source: XENETA BLOG

WHY FOREIGN TRADE?

I chose foreign trade for my topic because I was particularly interested in how Brazil interacts with the international market. My exposure to Brazil's history motivated me to research how the beginning of the decade of 1990 facilitated an increased demand for imports and a tremendous shift in the reduction of import tariffs. Based on this, I became more interested in knowing how Brazil trades their surplus resources with their scarce resources to satisfy their needs and wants. Thus, I chose this topic because I think it will be great to look at things in a different perspective while applying the concepts I have gained from my Economics and Business classes.

WHY IS FOREIGN TRADE IMPORTANT?

- ❖ Foreign Trade increases competition which ultimately increases the quality of goods and services.
- ❖ Foreign Trade exploits a country's comparative advantage
- ❖ foreign Trade encourages a country to trade and specialize in goods and services they can produce effectively and efficiently



Brazil's Current Account to GDP

Source: Trading Economy

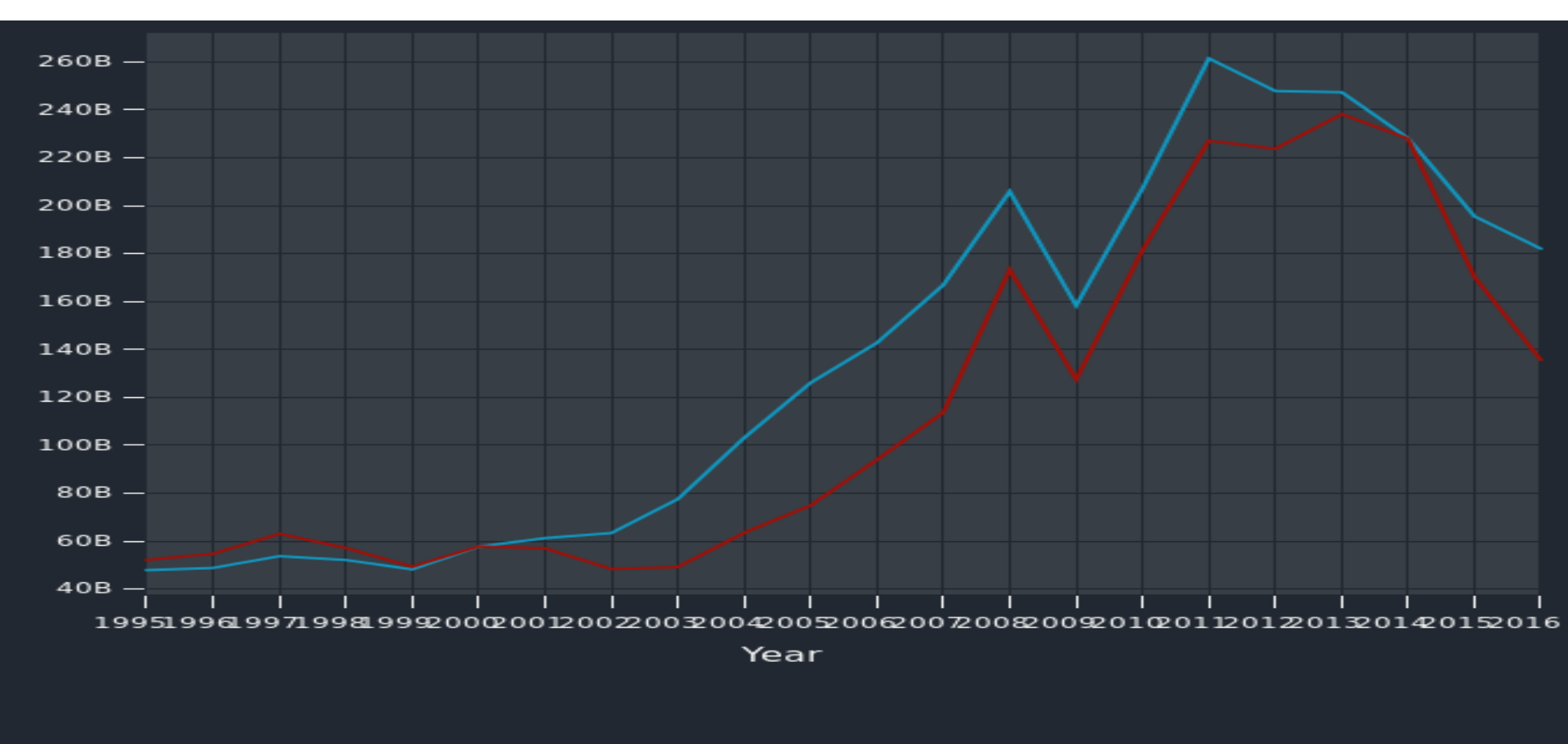
EXISTING RESEARCH

Source: Observation of Economics Complexity

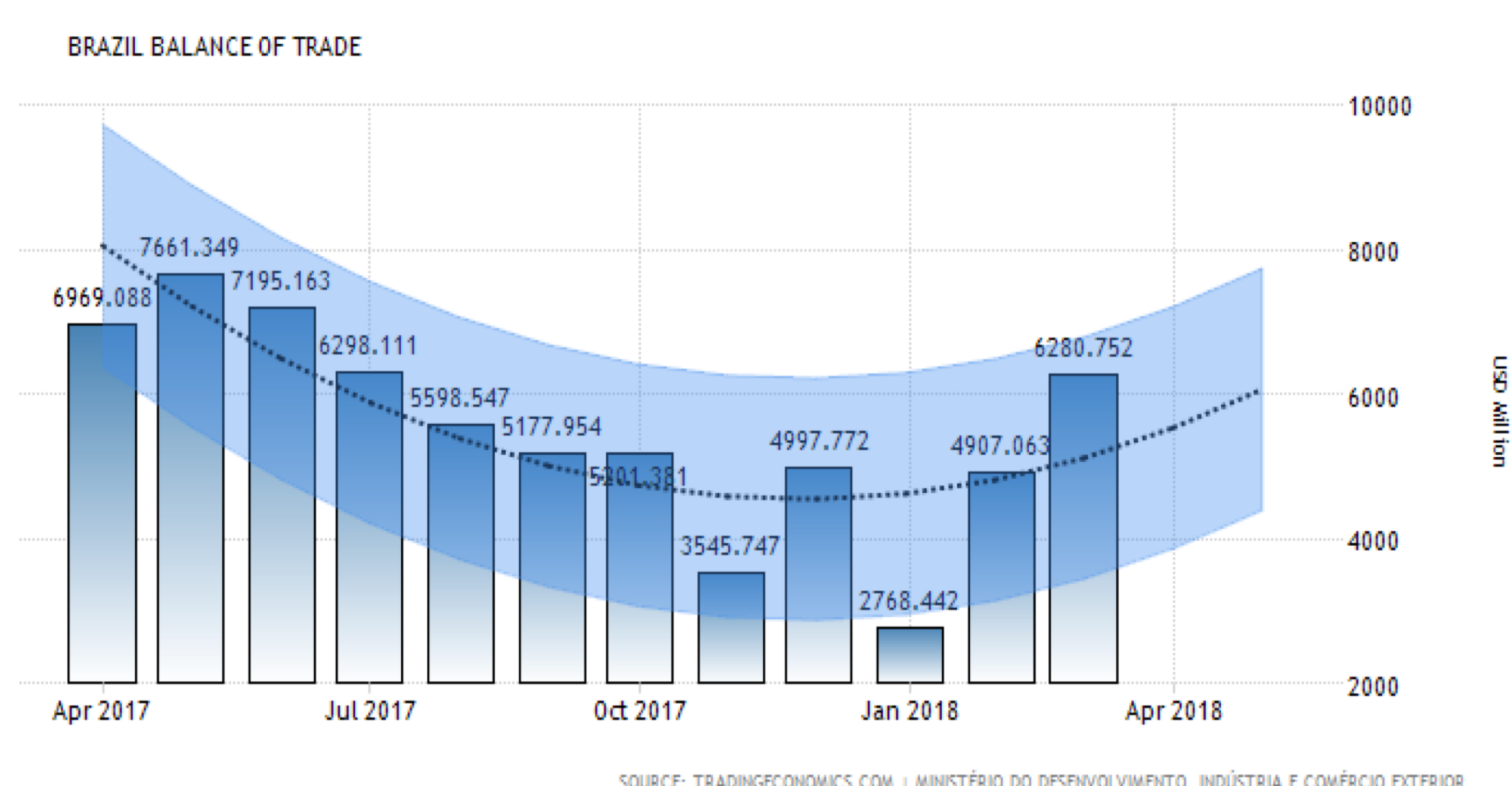
Exports: Brazil's top exported products are soybeans, iron ore, sugar, crude oil and poultry meats.

Imports: Brazil's top imports are refined petroleum, Vehicle Parts, Packaged Medications, phones, and crude petroleum.

Trade: Balance of Trade in Brazil averaged \$818.11M from 1959 until 2018, reaching an all time high of \$7661.35M in May of 2017.



Trade Balance for Brazil, Exports in Green, Imports in Red
Source: Observation of Economics Complexity



Brazil's Forecasted Balance of Trade
Source: Trading Economy

BRAZIL'S TRADE WITH THE US

- ❖ In 2011, the US and Brazil signed the agreement on trade and Economic cooperation.
- ❖ Brazil was the U.S. 12th largest goods export market in 2016.
- ❖ Brazil was the U.S. 17th largest supplier of goods imports in 2016.

Source: Office of the U.S. Trade Representative

WHAT I LEARNED BY VISITING BRAZIL

In my prior research, I found out that agriculture is an important industry in Brazil's economy. This was evident in all the restaurants that we visited as they always had rice or rice garnished with beans. It was also obvious that beef is a big product in Brazil as we visited so many buffet style restaurants with all types of steaks/meats included. Unlike the United States where beef is expensive, beef is common in Brazil and affordable at every restaurant.

I also learned more about Brazilian currency, Reals which is symbolized by R\$ and pronounced as "Reais". We had to exchange money a lot, and I noticed how the exchange rate for \$1 fluctuated around R\$ 3.08-3.20 throughout our stay. Brazil operates on a floating scale where the market determines the value of the currency. This is a correlation between low exchange rate from dollar to reals as it is influenced by whether Brazil exports more than import. Thus, higher export leads to high demand for Brazil's goods and currency.



Brazil's Currency Reais

The opportunity to work on a case study that discussed whether or not foreign Fin Tech companies should invest in Brazil was very useful. Gaining the perspective of Brazilian students that have extensive knowledge about the country and also bringing my unbiased perspective from an international standpoint was vital in tackling the case. My main takeaway from the case is that Brazil is fast growing because of its close and interactive connection with other countries, and its desire for simple products and services with high potential for consumption.



Picture of Me and my group members in PUC-SP after our case presentation .

PROFESSIONAL DEVELOPMENT

As a person passionate about personal and professional development, this trip to Brazil was a great opportunity for me to experience and immerse myself in another culture. I was able to build my confidence and experience things from a different perspective which I believe is a great opportunity to grow. As an aspiring international business analyst, I was able to increase my network by interacting with company representatives and Brazilian students. Most importantly, I was able to transfer the knowledge I have gained from my economics and business classes to analyze and present a case study with a group of three students.

TRANSFERABLE SKILLS FROM THE TRIP

This trip helped me identify my ability to easily transition to change. I was also able to build on my self-confidence and public speaking skill as I had to self-learn Portuguese and use that to interact with people. My knowledge of Brazil's economy based on my research on their foreign trade will be an advantage to help me interact with employers or clients from diverse backgrounds.

ACKNOWLEDGMENTS

I would like to thank Professor Petry for making this trip to Brazil a success, and providing me with various resources to further understand my topic. I would also like to thank Melissa for her support throughout the visit to Brazil.

A special thanks to Campus Brazil representatives for making it possible to visit all the company and the school included in our itinerary as their knowledge of Sao Paulo and Rio made it possible to easily navigate both cities.

Lastly, I will like to acknowledge Professor Christina from PUC-SP for taking time to answer all my questions and providing me enough information to complete my project.

REFERENCES

1. <https://atlas.media.mit.edu/en/profile/country/bra/>
2. <https://tradingeconomics.com/brazil/balance-of-trade>
3. <http://countrystudies.us/brazil/80.htm>
4. <https://ustr.gov/countries-regions/americas/brazil>
5. http://country.eiu.com/FileHandler.ashx?issue_id=1836590967&mode=pdf
6. <https://www.xeneta.com/blog/brazil-trade-and-shipping-guide>
7. <https://marketrealist.com/2014/06/must-know-2014-fifa-world-cup-costing-brazil>
8. Economic Crisis of 2008 and the Aggregate Consumption in Brazil" by Cristina Helena Pinto de Mello, Professor of Economics at PUC-SP, 2018.