# Brazilian Trade and the Amazon Rainforest

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## INTRODUCTION

### Background

International trade is the exchange of goods, services and capital amongst countries which include exports and imports. Trade directly affects the global economy and GDP of a country. Brazil is the 23rd largest export economy in the world, and their major trading partners include China, United States, and Argentina. Main exports include mineral products and animal/vegetable bi-products; their primarily import is machinery.

The Amazon rainforest covers almost 60% of Brazil so its resources and land is utilized for social and economic purposes. Since land is a necessary element of developing and collecting Brazilian exports such as soy, iron, and beef, the Amazon undergoes deforestation each year. International trade and deforestation of the Amazon rainforest are closely related, and this relationship affects the current economy in Brazil.
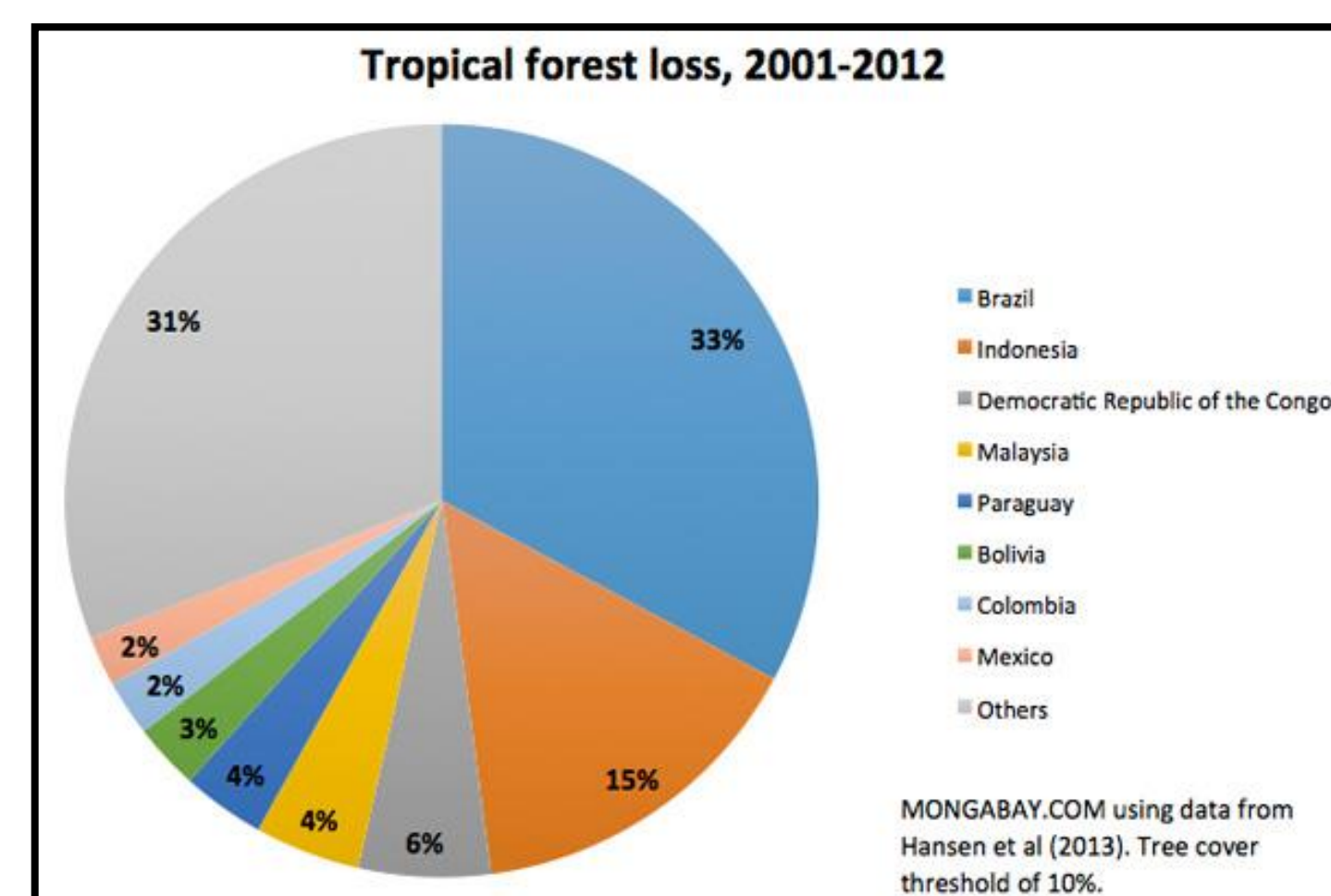


Brazil contributed to 33% of the total loss of the rainforest from 2001-2012.

### History

In the early years, the Brazilian economy depended on external demand to provide stimulus to higher productivity with three long-period cycles: sugar exports (1530-1650); gold mining (1700-1780); expansion of coffee market (1840-1930) (Ferreira). Brazil has also specialized in the production of coffee for centuries, and they maintained their high coffee price until the Great Depression in 1929 (Ferreira).

By 1973, Brazil imported 90% of the oil that the country used; oil corresponded by 70% of all importation (Ferreira). During this time, Brazil invested in power production such as nuclear plants, coal plants, and a mineral development process called Carajas, a major producer of bauxite and aluminum (Ferreira).

In 2003-2012, there was higher demand for products exported by Brazil, primarily by China. There was also a large increase in commodities price with a large flow of resources to underdeveloped countries (Ferreira).

## MAJOR FACTORS

### Trade: Exports, Imports, and GDP

- **23rd largest** export economy in the world
- **Positive** trade balance of **$108 billion**
- Current GDP is **$1.8 trillion**
- **Main Exports**: Iron Ore, Soybeans, Crude Petroleum, Raw Sugar, Coffee
- **Main Imports**: Telephones, Refined Petroleum, Vehicle Parts, Packaged Medicaments
- **Primary Trading Partners**: China, the United States, Argentina, the Netherlands, Germany, France ("Brazil Trade Statistics")
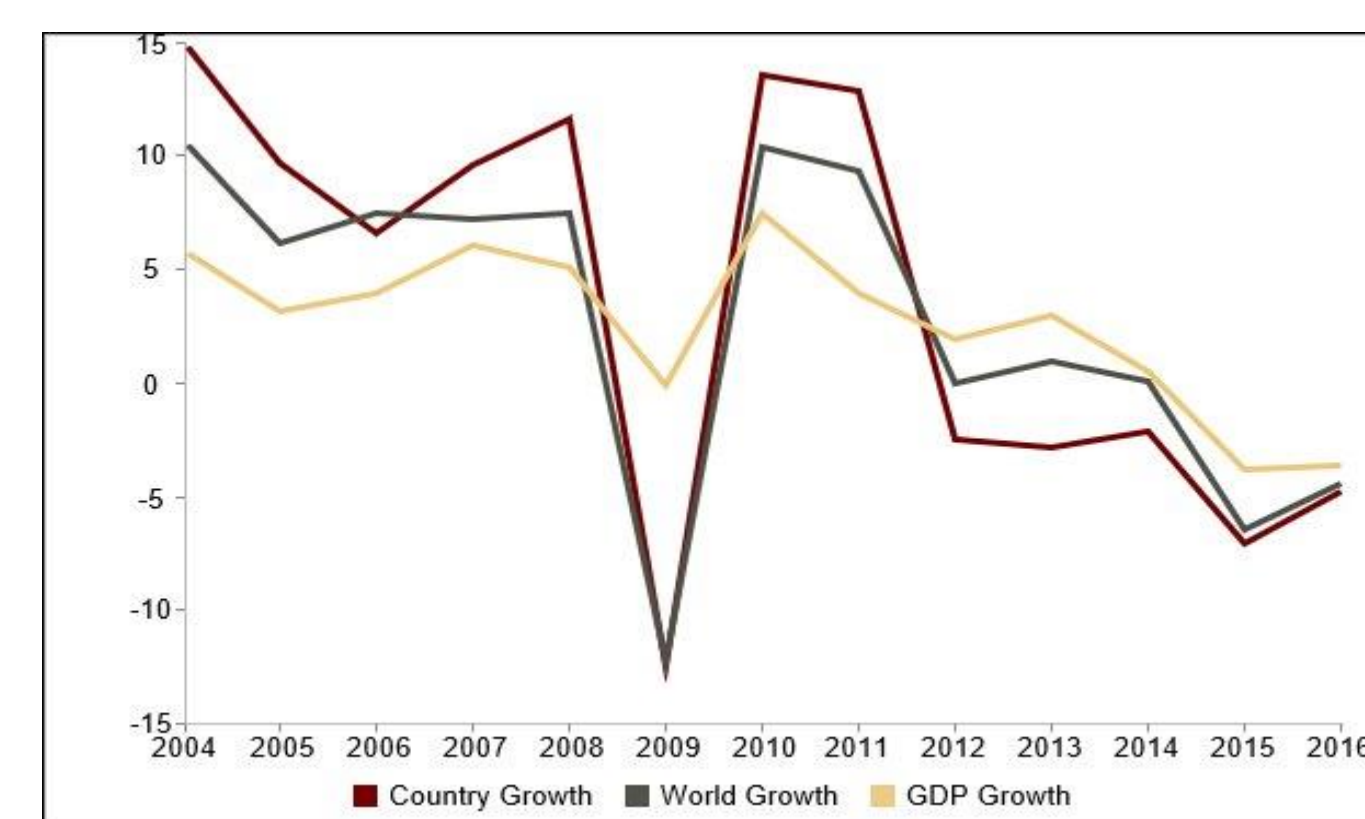


The graph represents the comparison of Brazil's growth with world growth and GDP growth (WITS 2016). Brazil seems to follow world trends; country growth has been below world growth during past 7 years (WITS).
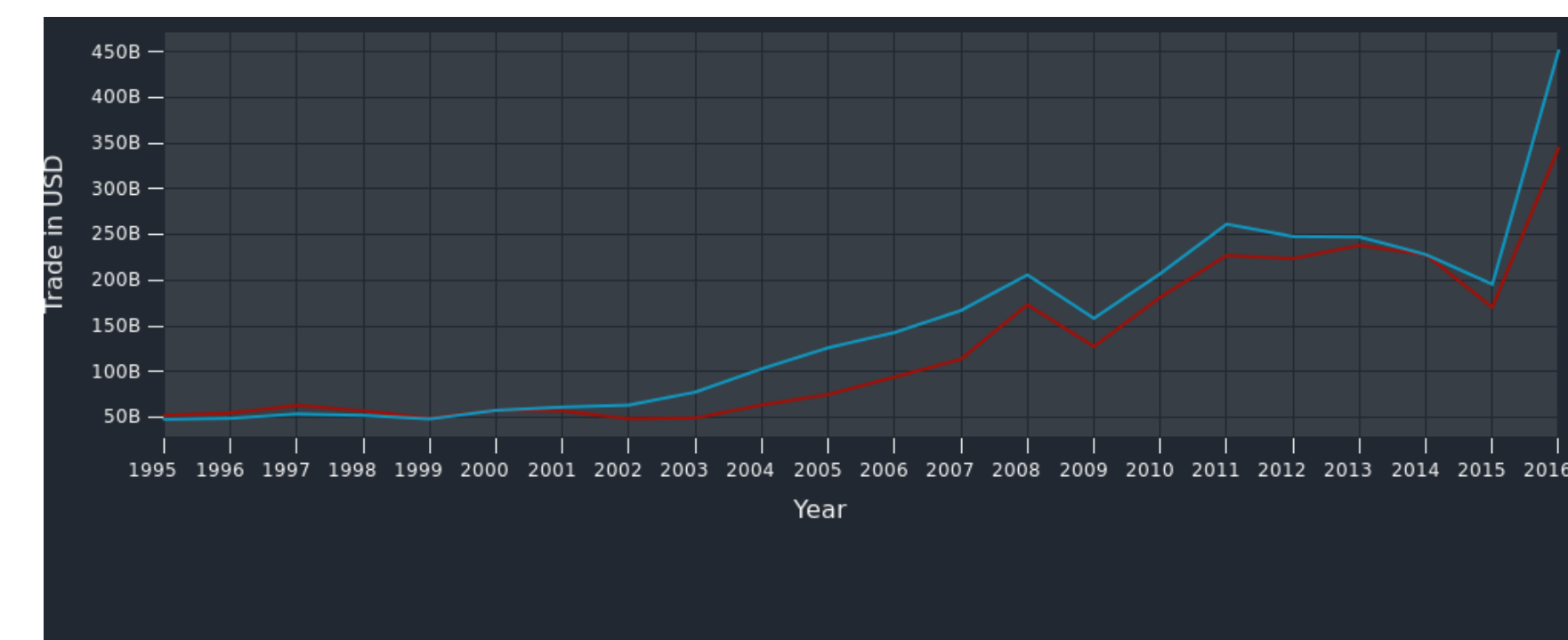


The graph depicts the trade balance in Brazil from 1995-2016. Brazil has experienced a positive trade balance since 2001 (OEC).

### The Amazon Rainforest: Deforestation

- Land is mainly used for raising cattle, building infrastructure, mining, and soybean production
- Brazil is one of the **main contributors** to deforestation
- Affects carbon dioxide levels, ecosystem, indigenous peoples and those who inhabit the Amazon
- The **rate of deforestation** has decreased the past 3 years but is still prevalent (Sparke)



Photograph from visit in the Amazon during study abroad trip. (Photo by: Agnes Lim, May 2018)

## ANALYSIS

### Results

As Brazil continues to increase their demand for exportation and international trade, they will also continue to utilize the land of the Amazon for these purposes. The growth and success of Brazilian economy depends on the supply of land available for farming and mining in order to produce the goods and services being exported internationally. If other countries change their demand for Brazilian products, the Brazilian economy and utilization of land will change accordingly.
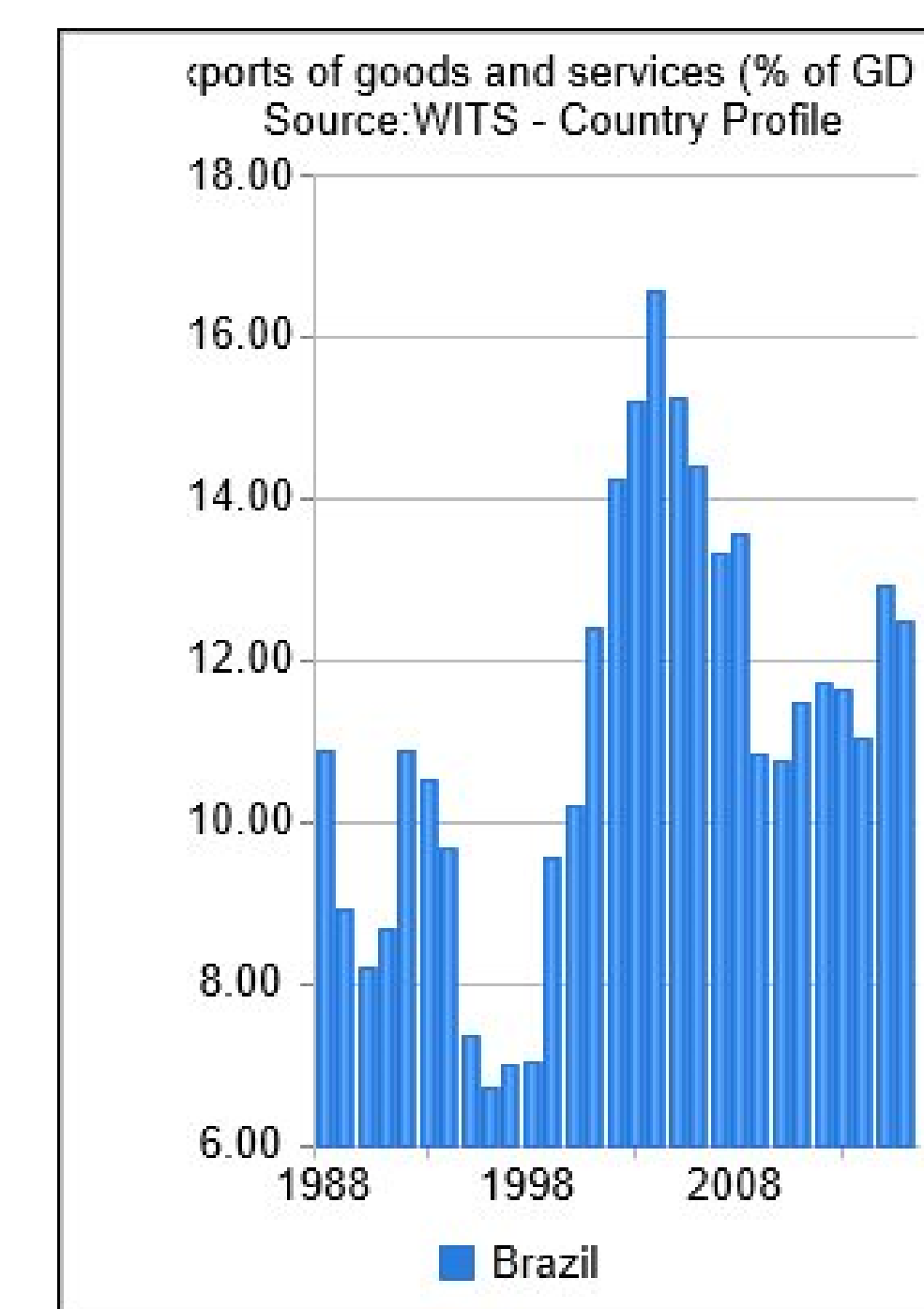


This chart provides information about Brazilian exports of goods and services with percent of GDP from 1988-2016. The country experienced an economic downfall and hyperinflation in 1988 and 1997 which is shown by the shorter bars in the chart. An economic growth occurred in 2003, and the tallest bar is represented for that year. Brazil has still maintained a positive trade balance after 2003 when the percentage of GDP from exports decreased ("Brazil Trade Statistics").

### Solutions

The Brazilian government has recognized the issues with deforestation of the Amazon and has presented plans to resolve them. For example, cattle ranches are required to retain 80% of their land's natural state (Sparke). The government regularly audits major food corporations, such as JBS, to ensure that these regulations are consistently being practiced. Major food companies can only purchase cattle from legal ranches that aren't undergoing deforestation (Sparke). These regulations primarily help slow down the rate of deforestation in Brazil; they do not eradicate the problem completely.



Photograph depicting deforestation; Land in the photo was being used for rubber production. (photo: bigstockphoto.com)

## PERSONAL REFLECTION

During my stay in Brazil, I had the opportunity to explore the Amazon, attend academic lectures, visit startup companies, and speak to professionals about economics and business that occurs in the country. I traveled with two faculty members, two tour guides, and 16 students who attend the University of Illinois at Urbana-Champaign who were all passionate about economics, business, and culture in Brazil. The experience and education I gained in Brazil was incredible because we received first-hand, primary information from individuals who had extensive knowledge about companies. In fact, we had the chance to meet Sergio Furio, the CEO and founder of Creditas which is a successful fintech startup company in Brazil. Most students to not have the opportunity to personally visit companies and college campuses abroad, or ask business leaders or professors specific questions in person. I feel honored that I attended this study abroad trip and learned more than I would have in a traditional classroom at home.

## CONCLUSIONS

Overall, Brazilian trade and the deforestation of the Amazon have a significant relationship. The Brazilian economy depends on imports such as soy, beef, and iron which are obtained by utilizing land for farming, raising cattle, or mining. The government has created plans and regulations for decreasing the rate of deforestation, but laws are only effective if they are enforced appropriately. With proper planning, the rate of deforestation could possibly decrease even more in the next few years.

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