Brazil as an Emerging Economic Power: Dynamics & Implications

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I. Introduction

The modern Brazil emerged out of social, political and economic crisis that hit the South American region in late 1970s. Brazil being the 5th largest country in the world with relatively large population in the region is a significant actor in the regional politics. Brazilians have always dreamt to be one of the great powers in the world (Baer, 2008). However, the widespread economic problems, drugs and other social issues posed obstacle in its way to achieve such high goals. Since President Cordoso took power, Brazilians aspirations to achieve the status of a ‘power’ not simply became visible but also seemed achievable (Cardoso, 2006: 255).

Owing to various factors, Brazil economy sustained remarkable during the economic recession. Sustained growth along with stability of the economy facilitated Brazil’s membership of the G-20 (Chin, 2010). Brazil played significant role in the formation of UNASUR in 2008, a regional bloc and of a prototype of the EU. UNASUR has proved instrumental for regional integration and has transformed the image of the region as fragmented and disintegrated region short of unity (Wigell, 2011).

Brazil has taken lead in greenhouse industrial production to reduce dependence on oil energy, the major cause of global warming. The rising economic strength of Brazil is stretching its sway beyond its shore particularly to Europe and the Middle East (Davidson, 2012). On diplomatic front, Brazil is playing a significant role in mitigating the torrid nature of the Middle East conflict (Kamrava, 2011). There is little doubt that this South American giant is beginning to show its influence within the region and beyond it. It is also willing to play a greater role to become a player in global politics (Dauvergne & Farias, 2012).

II. Brazil as an Emerging Economic Power

Brazil’s economy is believed to be one of the emerging economies of the new century. It is the economy that has raised the significance of this South American country at the global sociopolitical and economic scene (Jain, 2006). Brazil’s economy is rated as the ninth largest in terms of purchasing power parity (PPP) in the world, largest in the whole of South America and undoubtedly second in the western hemisphere after U.S. Brazilian has achieved the economic growth following the principles of the liberal market economy which has offered Brazil immense opportunities both within the region and on global level. As part of the BRIC, it is expected that Brazil’s economy will outmatch many developed economies (O’Neill, 2008).

On account of various natural resources and international economic treaties, the Brazilian economy has established itself as a major force within the region (Sotero, 2009). Particularly it has negotiated with Argentina and Venezuela to increase regional trade. It also took the initiative for the formation of South American Union. The role of Brazil in WTO Free Trade Area of the Americas (FTAA), economic relations as the new India-Brazil-South Africa Dialogue Forum (IBSA) and BRIC are manifestation of Brazil’s progressing global role (Schmaiz, 2009).

Brazil like other members of BRIC has taken good advantage of its size and natural resources to gear up industrialization and export oriented economy. Brazil’s natural resources contributed a good deal for the growth of its agricultural, mining, manufacturing industries and service sectors (Jonathan, 2002). With capability to balance its import and export, the Brazilian economy has created enormous opportunities for new generation of business professionals (Pricewater house Coopers, 2010). Just like every other developed economy, Brazil’s exports have been trilling in both...
consumable and industrial products to both developing and developed nations respectively. Brazil's financial institutions were hit by recession but through the effort of its Central Bank, Brazil successfully sailed through the recession (Da Silva, 2012).

III. Dynamics of Brazilian Economy

Brazil by all standards is no more a mono-economy dominated by agricultural productions; rather it is a diversified economy having almost 60% of it in the shape of manufactured goods exported. Brazil is the largest country of South America, housing the largest population and economy in the region. It is also the single largest Portuguese-speaking country in the Americas and the world over. Having the enormous resources and size, Brazil is the world's fifth largest country (Baer, 2008).

a) Natural Resources

Brazil's numerous natural resources have been the force behind its economic development and have facilitated it to have a significant share in the world gross domestic product (Baer, 2008). Its significance can be rightly comprehended by emphasizing its geography and climatic conditions. Though it shares borders with many other countries, but most importantly it is covered by numerous oceanic islands. The topography of this South American country is diverse, maintaining different levels of land i.e. highlands, plain, hills and mountains (Baer, 2008).

Brazil is rich in valuable natural resources which include iron ore, manganese, bauxite, nickel, granite, limestone, clay, sand, tin, gold, platinum, uranium, petroleum, phosphates, timber and hydroelectric power. Brazil is considered as one of the most resourceful country in the world (Polaski et al., 2009). The emerging status of this country in international politics and economy shows that the government has effectively utilized its natural resources along with its effective management of its industry to raise political economic significance of the country (Mia, 2009).

b) Water Resources

Water resources are the hallmark of Brazilian economy. It has numerous and complex water sources. The rivers flow into the Amazon Basin, the Orinoco river system and finally into the Atlantic (World Bank, 2004). The usefulness of water to Brazil's economy and development goes well with the dictum that there will be no Egypt without the Nile. Brazil has the second largest river in the world accounting for its productivity.

The world's surface water resource of Brazil is estimated around 12%. However it is quite apparent that Brazil shares these water resources with other neighboring countries in the region and this often becomes a source of brawl, as water serves a great deal for generating energy among these countries (European Commission, 2007). The fact that Brazil is bigger than most of its neighbors, therefore its water consumption is naturally higher. This reflects the legitimate concern of neighbors over the disproportionate distribution of water.

The Amazon largely flows in Brazil, covering 48% of country's territory, therefore, it accounts for Brazil's 75% of freshwater resources. The Amazon has added to the development of Brazil's southeast agricultural and industrial sectors (Baer, 2008). Brazil has three major river basins which include the Amazon, Tocantins, and Sao Francisco. Besides this, Parana, Upper Paraguay, and Uruguay are other sub-basin contributing to the water reserves of the country. On the north and south of Brazil, the Atlantic Ocean is also facilitating sea food, transportation and various other benefits. The Amazon is the largest river, volume wise and the longest after the river Nile (Butler, 2006).

Besides agricultural benefits, these water resources play significant role in the power generation sector. The Itaipu dam is manifestation of Brazil's huge infrastructural development. Itaipu hydropower plant serves as a huge resource for power supply to Brazilian economy and society. The Itaipu Hydropower plant accounts for almost 81% of Brazil's total power generation (Mejia et al., 2003).

c) Petroleum

Brazil is also blessed with fossil fuel by nature (Schwinger, 2009). It is significant to understand that the open market economy adopted by Brazil makes it market accessible to foreign investment particularly in the value added sectors like the oil and gas sector, unlike the Middle East oil rich countries (Baer, 2008). Brazil like many in the region is deeply involved in water oil exploration as well (Rodriguez & Suslick, 2009).

As an estimate, 73% of Brazil's oil reserves come from deep water oil exploration. Having developed oil industry, the economy of Brazil has been capable of functioning itself effectively even without dependence on oil import. The other sources of energy complement oil industry and offer Brazil a competitive advantage. Brazil is rated as the 15th largest oil producer in the world, which is primarily under the authority of the Petróleo Brasileiro S.A. However, due to its liberal economic practices, Brazil gives license of exploration to both domestic and foreign oil companies and this has contributed to the growth of the industry and the economy at large. Despite this liberalization Petrobras remains a major player with an output of more than 2 million barrels (320,000 m3) of oil equivalent per day (KPMG, 2010).

d) Ethanol

Ethanol fuel is emerging as an alternative source of energy amid the rising climatic concerns (Sims et al., 2007). This energy is believed to be environment friendly as compared to the traditional oil and gas energy. Brazil has taken a lead in this sector.
Along with the United States, Brazil is considered as a stakeholder and hegemon of bio-energy (Osava, 2004). As Brazil is the largest sugarcane producer in the world, it is easier to be at edge in production of this energy over rest of the world. According to the data from Odia Online, six Brazilian states are reputable for the production of the 82% sugarcane which is the major source of Brazil’s ethanol (Economia, 2007).

Brazil is a global player and advocate of alternative energy in the world, which helps it reduce dependence on fossil fuel. Following Brazil, many countries have begun alternative energy search after the 1970s oil crisis and the new alternative energy was channeled at liberating the automobile industry from dependence on fossil oil. Ethanol became a popular alternative energy source aiding the Brazilian economy (Arguello, 2009). Meanwhile, as the energy capacity grows, the Brazilian government has been championing the cause of exporting this energy to the rest of the world and has turned out to be its major player in global energy market. The Pró-Álcool or Programa Nacional do Álcool (National Alcohol Program) was a government sponsored project meant to achieve the independence from fossil oil. Ethanol to certain extent liberated Brazil from the claws of oil exporters and cartel countries that can always determine the oil production and export. With the achievements in the field of ethanol, Brazil is undoubtedly becoming a hub for this alternative energy believed to be environment friendly and cost effective in comparison to the huge capital intensive oil exploration and refinery. It is estimated that the production and consumption of this alternative energy will reach 5% of diesel in 2013. 47% of Brazil’s energy is produced from renewable sources, 18% of which comes from sugarcane (Sruthil, 2009). Hence the government plan to further augment its ability to produce ethanol on a large scale depends on the fact that Brazil produces 26 billion liters of ethanol today and will reach 64 billion liters in 2019, and would be in a position to export it.

e) Agricultural Resources

Brazilian economy does not solely depend on mineral resources, but it also have healthy agricultural sector. The latter sector is among the other reasons for which Brazil is known across the world. Its agricultural products include sugarcane, corn, potatoes, cocoa, peanuts, cassava, rice, beef, cattle, pork, soybeans, oranges, wheat, dry beans, coffee, cotton, tomatoes (Schuh, 2005).

According to Rostow’s five stages of development, agricultural society is the essential step for any society to start with before proceeding to the greater stages of development (Rostow, 1962). Although agriculture does not alone narrates the history of Brazil but it was its integral part that shaped the country’s history before colonial rule, during colonialism and in post-independence era. Due to the diversified environments in Brazil, agricultural practices vary from region to region, involving certain pros and cons associated with the ecology of the environments. The Southern Brazil receives substantial rainfall and produces valuable agricultural yields with the help of modern technology. The region is well-known for Brazil’s grains and oil seeds and export crops. Unlike the south, the northeast of Brazil where the Amazon lies is characterized by the largest rain forest in the world and produces important forest products and other cash crops for export. On the other end is the Central Brazil with scattered tree and grassland (Schnepf, 2001).

As highlighted earlier Brazil produces numerous agricultural products and this makes it a self sufficient country, having 8% of GDP coming from the agricultural sector and 35% of Brazil’s export rest on this sector. It has also been providing employment opportunity to one-quarter of the labour force. Brazil’s agricultural sector is divided between field crop and livestock 60% and 40% respectively. Both farm products and livestock have gained global recognition. These products have become competitive alongside other emerging and developed economies. The world of the forest is another symbolic expression of Brazil due to Amazon, but the forest is facing the threat of deforestation and that has received both domestic and international attention (Frey, 2002).

Brazil is increasingly becoming a major and biggest exporter of coffee, soybeans, beef, sugar cane, ethanol and frozen meats and chickens. The expansion of the latter industries has given a new meaning to the Brazilian consumers and is responsible for the demand of Brazilian poultry and milk products (EIU, 2010).

f) Science & Technology

It is evident that resources become productive by the application of technology. The rise of any civilization rests on the availability of resources and application of technology, which ultimately contributed in development (Tehranian, 2004). This is also true for the rise of capitalism as a global order or system (Slater, 2003; Tehranian, 2004). The same logic explains the rise of Brazil. The developments that this country is experiencing are all product of resources and technology. The Brazilian government understood the implications of the dearth of technology for an aspiring economy, and took essential measures accordingly (European Commission, 2007).

Research aiding technological advancement is being carried out in most of Brazil’s public universities and research institutes with the support of the government. Therefore, an advanced agricultural research corporation is facilitating agribusiness in the country. With the available Uranium in the country, Brazil has been able to build and enrich it in Resende nuclear fuel factory for producing fuel to meet its energy demands. The country plans to have such more enrichment plants. The Brazilian Space Agency and
Aerospace Technical Centre have done remarkably well by placing Brazil ahead of other countries in the region. It is believed that Brazil is having one of the best operational synchrotron laboratory, a research facility enhancing applied and natural sciences in the country. All of these technological advancements are facilitating Brazilian economy to excel higher.

g) Political Leadership

Political leadership with a vision, will-power, character and strength to lead is imperative for the development of any state (Kaufmann, 2002). In this perspective at least two names would be remembered in history. The remarkable achievements associated with the Brazilian President Luiz Inácio Lula da Silva are efforts which for many analysts should be well shared between Lula and his predecessor. Former President Fernando Henrique Cardoso is believed to have laid the foundations for Brazil to enter into the forum of the developed world through various measures and strategic policies. The stabilization of the currency, socio-economic redistribution and welfare programmes are all fundamental policies initiated by Cardoso which were inherited by Lula. Thus, it is worthy to note that Lula’s background could also offer an explanation why the Cardoso’s path was given full commitment. Lula’s humble background and being an adherent of the worker party made him understand the worth and importance of having a developed economic and relatively egalitarian society. Since he came to power, Brazilian economy has continued to experience remarkable changes reflected in all sectors of the country due to reduction in inequality of wealth, accessibility to health and other social services and relative increase in income level around the country (Neri, 2008).

The liberal economic policies of President Lula’s government paved the way for the World Economic Forum to recognize the achievements of this South American country. According to the Forum’s 2009 report, Brazil’s economy surpasses many economies and turns out to be eight times more competitive. It has outnumbered Russia, a member of G8 and BRIC. Brazil’s economy has retained competition in all sectors and continues to project the image of an emerging economic power where both public and private sectors are contributing enormously to the economy (Sala-i-Martin, et al, 2009).

It can be contended that Brazil under President Lula has crafted a bright future for itself so much that its economy is becoming invincible in the region and reckonable in the global arena (Daltorio, 2009). Lula’s political insightfulness owes much to the glory of Brazil as a BRIC member. However though certain view suggests that Lula’s predecessor Fernando Henrique Cardoso should be credited as the leader who set the pace for Brazil’s economic rise (Neri, 2008). However, Lula is believed to be the only working class president in Latin American history with a distinctive style of governance. The success of this working class president is in discharge from Lula’s style of governance and broad based approach to issues (Love & Baer, 2009).

h) Trade

Brazil’s bilateral and multilateral trade across the globe is increasingly becoming a powerful pillar of the thriving Brazilian economy. Brazil’s Latin America trade, Brazil-EU economic relations cannot be underestimated, Brazil-Arab world trade ties, Brazil-South Asia and Brazil-Africa cooperation are all testimony that its economic tentacles is far beyond the realm of South America. According to the Brazil’s ministry for development, industry and commerce, the economic and commercial partnership of Brazil with the rest of the world has been noted as remarkable. Brazil’s major trade relations in 2008 were with Mercosur and Latin America (25.9% of trade), EU (23.4%), Asia (18.9%), the United States (14.0%), and others (17.8%).

IV. Implications

The emerging economic significance of Brazil has a various political, economic and social implications for the region and world as well.

a) Politically Influential Status

On account of Brazil’s political and economic power, it will not be far to justify the claim that Brazil like India in the subcontinent is becoming a hegemon. But such assertion without constructive evidence will be baseless. The hegemonic power and clout of Brazil evolves around the attainment of commercial supremacy and production efficiency over others in the region and outside South America.

The most recent display of Brazil political influence was its ability to spur countries in the region to disengage from disunity and strive to foster integration and cooperation. The birth of UNUSAR was no coincidence but a brainchild of Brazil to encourage regional integration, modeled in the fashion of the EU (Ribeiro & Ramos, 2009). Similarly, the diplomatic integrity of Brazil on global arena cannot be underestimated. Brazil’s role in the Honduras’s military cum supremecourt coup against ex-President Manuel Zelaya was a testimony to its regional clout (Padgett & Downie, 2009). Brazil’s criticism of Britain and the United Nations over the disputed Falkland Island between Argentina and Britain also manifests that Brazil values highly the territorial integrity of the region (Naughton & Elliott, 2010). In a similar terrain, the manner with which it meddles into the issue of Colombia-US military bases also reflects how Brazil has flexed its muscle in the face of regional and global powers.

b) Emerging Global Economic Power

Brazil’s economic networks have moved beyond the Latin American countries. It has reached the
The market size of Brazil makes it more competitive than others and by the measurement of World Economic Forum (2009) Brazil has improved well enough above many economies within Latin America and beyond (Sala-i-Martin, et al., 2009). It is less likely that other emerging or small economies in the region can compete with Brazil. The competitiveness of Brazil is not limited to its economy alone; rather it has also absorbed diplomatic and political power which other countries in the region are far from to acquire.

Being a member of global forums like the BRIC, G-20, ABC, BASIC and regional organizations like Mercosur and UNASUR and having both bilateral and multilateral treaties with different countries, Brazil enjoys outstanding edge. The regional and global economic engagements turn out to be important for Brazilian industries and companies (Polaski et al., 2009). The height at which these industries and companies have contributed to regional and global economic transactions got the attention of the U.S financial monitor. The Forbes noted these performances and added as part of Forbes Global 2000 list. The list compared and rated the performance of Brazil’s companies with other developed and developing economies, showing strengths of Brazilian economy.

c) Social Implications

As a result of improving political and economic conditions, key social indicators in Brazil have improved over the last decade. The last two governments have paid profound attention for combating poverty. Fome Zero and Bolsa Familia are some of the programs for the amelioration of the disadvantaged.

Access to education in the country has ameliorated in the last decade, however regional imbalances still prevail between the North-East and the South and South-East regions, and this is particularly true of higher education. Similarly literacy rates also vary by region and age groups (European Commission, 2007).

Similarly Brazil is spending comparatively higher amount of its GDP on education and health which is gradually getting reflected in the improving social conditions in Brazil. Despite positive signs, there is still lot to be done to raise urban, rural, racial and gender equalities. Similarly access to goods and services should be indiscriminately provided to all groups in society.

Brazil has attracted various immigrants in history. However, in the last decade it has been witnessed that due to better economic opportunities, fresh immigrants are coming to Brazil primarily from the region. This also shows Brazil’s economic significance in the region.

V. Discussions

Both the agricultural and natural resources along with the financial institutions have remarkably contributed to the living standard of Brazilians. However, it will be misleading to say that all the four corners of Brazil are reaping the dividends of the economic boom (Torres, 2008). Just like India many parts of Brazil are still not integrated into the economic growth of the country which is distinguished as social apartheid (Hall, 2002). Yet it cannot be ignored that the country’s per capita income and gross domestic product have witnessed a dramatic change.

Brazil, a giant among the BRIC countries, has gained remarkable strength in world politics mostly due to its economic clout. Rise in economic power generally encourages newer ambitions and interests. This is true for Brazil as a power in South America and an emerging power in global politics (Kampf, 2009). Pushing forward this argument Richard Haass suggested that military, political and diplomatic influence were reflections of an economic foundation (Haass, 2006). Therefore, if Brazil as an integral part of BRIC and a non-permanent member of United Nations Security Council can look into the eyes of the permanent members in view of Iran’s nuclear impasses and at the same time upholding a different independent view outside the apparent U.S global clout that speaks a lot of the new image Brazil has created for itself (Spektor, 2010).

Though some believe that cooperation among the bloc members is indispensable and this will determine the continuity of their economic clout. Nevertheless, Brazil is believed to be at advantage over the rest of the BRIC members on certain grounds. It is having more capacity to remain in the manufacturing and service sector on one hand and simultaneously acting as a concentration for resources to be supplied to the rest of the BRIC, though Russia shares some of these features with Brazil as commodity suppliers to China and India. Argument for Brazil and Russia should not be farfetched in that Brazil is having a productive agricultural sector, of which Soy and Sugar are two important cash crops booming its economy. Added to that is the vast reserve of iron ore.

The United States is undoubtedly the largest economy in the world but it relies on the network of economies it is connected with. Brazil’s economy cannot solely challenge the United States, but in Tony Daltorio’s view it has shifted from “basket case” to being as solid as a Brick. Therefore, the investment opportunity that Brazil as part of BRIC is creating is bringing about a shift in attention from Wall Street as the centre of trade and finance to Brazil (Daltorio, 2009).

In several respects Brazil is the most balanced state in BRICs. In contrast to China and Russia it is a true democracy. It has no serious conflicts in the neighborhood (Raj, 2008). It is the only BRIC member...
having no nuclear arsenals. According to Heritage Foundation’s Economic Freedom Index, Brazil is moderately free with state guaranteeing protection of property rights and free trade (Heritage Foundation, 2011). One of the significant social aspects is that raised demand for industrial workers, forced poor Chinese and Indian peasants to the city, but that it is not true for Brazil having an estimate of 85% of its population residing in the cities. Beside Russia which maintains per capita of $12,000, Brazil’s per capita ($8500) surpasses China and India ($3000, $1000) respectively. Brazil has also become a stable democracy after years of authoritarian rule, thus placing it side by side with India. Unlike, Russia, China and India that spend certain part of their budget on maintaining order in trouble areas like Chechnya, Tibet and Kashmir respectively, Brazil is free from such trouble spot, though the fact remains that Brazil like any second country in Latin America suffers the problem of drug related violence.

President Lula has portrayed Brazil as the leader of the third world countries having the gut to challenge the often supposedly unchallengeable U.S hegemony in matter concerning the Middle East, whether in the way it positioned itself between Israel and Palestinians or the way it has been handling the Iranian nuclear issues.

VI. Conclusions

It can be concluded that Brazil will continue to experience economic growth and will achieve its aim on the global economic and political landscape, if people oriented and liberal market economy is merged together. The natural resources, visionary political leadership, penetration of scientific technologies and geopolitical scenarios have provided the required stimulant to Brazilian economy. Though, the policies of Lula sometimes represent a socialist government, yet having the belief and flair for open market which is propelling development in the country. Nevertheless, in order to really translate the economic boom into political influence Brazil will have to do a lot better strategically in competition with other rising economies.

The era of Lula’s Brazil is characterized with many issues. As an emerging economy and a country urging to be permanent part of United Nation Security Council, Brazil will have to match economic growth with string diplomatic stamina. Becoming a global player will also require Brazil to have a definite foreign policy consistent with overall global peace and security.

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