

Effects of Globalisation on a Developing Economy | Sample Answer

Explain the effects of Globalisation on the economy of a developing country that you have studied.

(2010 Q7.c)

In this answer I will discuss the impact of globalisation on the developing economy of Brazil in South America.

The term globalisation refers to the economy of today's world where countries of the world have become increasingly interdependent on one another.

Developing nations such as Brazil want to benefit from globalisation. However, in order to benefit from globalisation Brazil has had to make economic and structural adjustment.

Brazil was a Portuguese colony since 1500 and only gained independence in 1822 after experiencing years of systemic racism and a policy of mercantilism which led to their main natural resources being exported to Europe to then be sold. This prevented development through industrialisation and also deprived Brazil of benefiting completely from these resources

During the 1950's Brazil became a closed economy and began to operate a policy of import substitution. Tariffs were placed on imports and aimed to replace imports with homegrown goods.

In order to compete in a global economy, it was necessary for Brazil to open up its Primary, Secondary and Tertiary sectors to competition which it succeeded in doing so in 1960/1970. This became known as the 'Brazilian Miracle'.

Multinational companies such as Ford and Shell oil opened up plants in Brazil. These created large number of jobs and moved GDP focus away from coffee in the South East.

Globalisation allowed for Brazil to benefit from the international monetary fund and a structural adjustment program was developed. This was an export led growth through cash crops e.g. Soya Beans.

In 1991 Mercosur was set up as a south American trading block which allows for free movement of goods/services. Brazil is a leading member of Mercosur as the largest power. Brazil is also a member of the BRIC block which contains Brazil, India, Russia, China and recently South Africa.

Brazil has made political changes in order to benefit as prior to 1990 foreign companies were reluctant to invest due to the high levels of corruption in the Government and the banks.

To tackle these issues Brazil introduced laws to stomp out corruption at a government level and the legal system in Brazil was also reformed.

Brazil, however, still suffers from corruption with their president Jair Bolsonaro winning rigged elections and selling off the Amazon rainforest to logging companies.

Actions such as destroying the rain forest, a global carbon sink will have devastating effects on the environment and will prevent the world reaching the UN 2050 net zero targets.

However, Brazil is now included with Russia, India and China in being named as one of the world's fastest growing economies. This has allowed them to coordinate policy on a global level.

Globalisation has not reached all of Brazil evenly with a 9% unemployment rate and most of the wealth being enjoyed by 40% of the country's population while the majority of people live in slums called favelas.

So, globalisation is still developing in Brazil.