

Development of secondary economic activity in Brazil - 2017 Q6C

I have studied the development of secondary economic activities in Brazil. 15% of Brazil's workforce is employed in the secondary economic sector,

Government Policy

Until World War 2, Brazil's economy relied heavily on agriculture exports to Portugal. 80% of all exports were agriculture, for example sugar, coffee and cotton. The war heavily disrupted international trade, which meant that Brazil could not import many goods. This problem, as well as the country's rapidly growing population, forced Brazil to develop its own secondary sector. Brazil had many mineral resources, so the government invested in iron and steel manufacturing. For example the Volta Redonda Steel Mill was set up in Rio de Janeiro in the 1940s.

From the 1970s, the secondary sector in Brazil grew rapidly. This led to increased inward migration to factories in cities. People were leaving rural areas to find jobs in big factories. The government created the Real Plan of 1994 to further develop Brazil's manufacturing sector. This plan helps to reduce inflation and improve the value of the Real, Brazil's currency. As a result of the government's Real Plan and investment in secondary economic activities, the GDP rose from \$50 billion in 1970 to \$2.4 trillion in 2014.

Markets

Brazil has a population of over 211 million people. This means that it has a huge domestic market. Brazil has many cities, especially on the east coast, for example Rio de Janeiro, Santos, and São Paulo. This means that there is a constant demand for products of secondary economic activities, such as cars, iron and steel. Brazil is now a major exporter of iron and steel.

In 1991, Brazil became a founding member of the Mercosur (which means the market of the south). This was a trade agreement between a number of South American countries. The

founding of the Mercosur also attracted investment from MNCs (Multinational Corporations), mostly European and Asian car manufacturers. Rio de Janeiro and Santos were chosen as the main centres for the automotive industry due to the large labour pool and developed infrastructure. Investment from the MNCs such as Toyota and Fiat led to Brazil becoming a major car manufacturer.

The Mercosur put a protectionism policy in place meaning that any cars purchased in Brazil that were not produced within the Mercosur were subject to 30% more tax. Brazil produces three million cars each year. 65% of all cars bought in South America are produced in Brazil.