

2017 Q7.C

Examine the challenges resulting from colonialism faced by a developing economy that you have studied

Brazil was colonised by Portuguese sailors in the 1500's and gained independence in 1822, where it was then challenged to develop their economy. During colonisation Brazil was a source of raw materials that were mainly exported by/to Portugal. Their main exports were coffee, Brazil wood, such as teak and sugar, that were grown on huge plantations. As their exports were all controlled by Portugal, this challenged them to develop their own industries. To overcome this challenge, in the 1950's the government introduced the Import Substitution Industrialization (ISI) policy, where Brazilian industries were set up to develop and manufacture goods they imported. Their secondary sector began to grow and they no longer had an over-reliance on raw materials. For example, coffee was 70% of the country's exports now it is only 2%. Brazil now controls the world's coffee industry, owning 33% of the coffee on the global market.

Brazil also suffered from Neocolonialism, where Brazil was tied economically and politically to Portugal for over a hundred years after independence.

Brazil was faced with trying to find new trading partners, as they only had three main ones : Europe, America and Portugal. They entered negotiations with the world trade organisation to remove trade barriers with Argentina, Uruguay and Paraguay to allow them to benefit from free trade. The trading group was set up in 1991 and was called Mercosur.

After independence, a proper government was never established and for many years a military dictatorship controlled the country. This was a huge deterrent for Multinationals (MNC) and Brazil found it difficult to find and Foreign Direct Investment (FDI). In the 1990's a new government was established under President Cardoso. He tried to overcome the lack of FDI by offering tax incentives and grants to MNC's to locate their production plants in Brazil. The German car manufacturer Volkswagen now employs 22,500 people in Brazil. Over the last ten years FDI has averaged 5.5% of the country's gross domestic profit. Brazil also felt the need to retake control of

their economy and try to further overcome neocolonialism. They did this by privatizing their mineral resources such as the Tupi oil field and controlled its exploitation. Brazil has 1.8% of the world's Copper resources and continues to export 38% to America and 33% to Argentina, worth a total of 83 million euro to their economy. During the 1980s, Brazil was also challenged with a debt crisis. President Cardoso was forced to borrow from the international monetary fund (IMF) to try to bring it under control. However, to qualify for debt relief they were forced to follow structural adjustment funds. They had to grow cash crops such as cotton for the export market. Their secondary and tertiary sector once again suffered but they received billions from the IMF to help stabilize their economy i.e 63 billion euro in 2000.