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The Trade Profile of Brazil

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The Trade Profile of Brazil

The nation of Brazil has established itself on the global chart of top trading giants. This is because Brazil is among the world's twenty-five nations with the largest exports and imports. It currently seats in the eighth position as the world's largest economy. However, the country is still working to rebuild itself following the recession period that hit it five years ago. This event saw the nation's economy contract by almost seven percent. According to the World Bank report, the aforementioned accomplishment was realized, although Brazil's GDP represented a percentage of 29 and 25 in 2018 and 2019 (Attijaritrade.ma, 2020). In essence, Brazil has enormous economic potential.

An Overview of Brazil's Trade Profile

Brazil has a structurally positive trade balance. However, in recent years the nation has experienced a decline. This decline could be attributed to a reduction in the competitiveness of the nation's products, raw materials experiencing a price drop, and a surge in energy-related imports. Since the 2013-2015 trade deficit, Brazil's trade balance began to pick up in mid-2018 to date (Attijaritrade.ma, 2020). Similarly, according to the latest World Trade Organization (WTO) data, the country has had a constant increase in its exports of manufactured products and essential goods in the past three years.

Brazil's Six Biggest Exports and Imports

Brazil's top six exports include Soybeans, crude petroleum, iron ore, Sulfate Chemical Wood pulp, Soybean Meal, and air vehicles. Correspondingly, the nation's top six imports are vehicle parts, integrated circuits, crude petroleum, Refined petroleum, cars, and pharmaceuticals. In 2018, Brazil's imports and exports were worth 188 and 239 billion US dollars of goods, respectively (Attijaritrade.ma, 2020). Likewise, Brazil exported and imported services, worth 33

and 65 billion US dollars, respectively. Due to this trend, the country realized 53 billion US dollars of trade balance in 2018. According to a national news firm EBC, the latter achievement was the nation's best trade performance since 1889. Also, a combination of the trade balance of goods and services was 17 billion US dollars in the same period. A trading success that saw Brazil aim to conquer markets while preserving its powerful position at all costs.

From 2015 to 2019, United States was number one global soybean producer. The volume of production in a million metric tons for the US was 120.52 per 2018-2019 (statista.com, 2020). However, the US was overtaken by Brazil in 2019-2020 by volume production of 124 million metric tons.

225.4 bn USD of products exported in 2019		177.4 bn USD of products imported in 2019	
Soya beans, whether or not broken	11.6%	Petroleum oils and oils obtained from bituminous...	7.3%
Petroleum oils and oils obtained from bituminous...	10.7%	Petroleum oils and oils obtained from bituminous...	2.6%
Iron ores and concentrates, incl. roasted iron...	10.1%	Parts and accessories for tractors, motor vehicles...	2.6%
Maize or corn	3.2%	Electrical apparatus for line telephony or line...	2.5%
Chemical wood pulp, soda or sulphate (excl....	3.2%	Light-vessels, fire-floats, dredgers, floating...	2.5%

Table 1: Major products for Brazil

Six Biggest Trade Partners of Brazil

Brazil's chief trade partners are China, the United States, Germany, the Netherlands, Mercosur countries, and the EU (Cacciamali, 2015). The 2013-2017 economic crisis that hit the nation has seen Brazil's economy equated to a prominent problem in the political discussions, especially when referring to globalization and how liberalization of trade can impact an economy's growth. The low number of exporters relative to Brazil's economy and low penetration of trade make the country comparatively closed to other vast economies. The EU is the nation's primary trade partner, with an 18.3 percentage of Brazil's overall trade. Thus, the two economic allies are working on a free trade treaty.

Main Customers (% of Exports)	2019	Main Suppliers (% of Imports)	2018
China	28.1%	China	19.2%
United States	13.2%	United States	16.2%
Netherlands	4.5%	Argentina	6.1%
Argentina	4.3%	Germany	5.8%
Japan	2.4%	Brazil 🇧🇷	4.1%

Table 2: Major Brazil's trade partners (Comtrade)

The Best Theory That Explains Brazil's Trade Profile

Based on data presented by statista.com which showed that from 2015 to 2019, United States was number one global soybeans producer with a volume of production in a million metric tons amounting to 120.52 as per 2018-2019 (statista.com, 2020). Nevertheless, the United States was overtaken by Brazil in 2019-2020 by volume production of 124 million metric tons. Therefore, from the data presented, the absolute advantage theory best describes Brazil's trade profile. According to absolute advantage trade theory, it only holds when the trade patterns between two countries could be explained through one country's ability to produce a given good more efficiently than the other.

In line with principles of absolute advantage theory, Brazil is currently the world-leading producer of soybeans and has outsmarted its closest competitor, the United States, in production. The absolute advantage trade theory dictates that government intervention or policy should at no point interfere with the trade between two nations (in this case, the United States and Brazil) by improving trade restrictions or regulations (Rozario, n.d). However, trade between Brazil and the United States should naturally flow following market forces. In this case, the United States and Brazil represent a hypothetical two-nation world; since Brazil is capable of producing a good grade of soybeans, in more significant amounts and faster than the United States, then it has the advantage, and it should focus on rather aim at specializing in soybeans production.

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