

Chapter 11: Brazil's Guided Capitalism

The story of Brazil's Capitalism begins with Embraer a large airplane manufacturer with its largest plant in the northeast of Brazil. After its privatization, it embarked on a journey to become the world's third biggest manufacturer of airplanes. It had a good foothold in the world's economy, but after the recession of 2008 it took a turn in the wrong direction. It was forced to slow production and lay off thousand. Overall it held on and made it through the recession to still be in the world market today. Embraer showed not only Brazil but the world that it could house a company that is active in the world's economy. Their ability to adapt to the changing market allowed Embraer to survive in an unforgiving economy.

Together mixed with a highly educated staff and hard workers they set up the standard of Brazilian capitalism. They describe themselves as a mature market not one with world changing inventions everyday, but everyday there is a new advance in technology. This proved Brazil was ready t go global, if only it was managed in the correct way.

Fears of losing its industry was a very real throat to brazil, combining chinese competition, high cost and overvalued currency, the future of industry hung in the balance. The BNDE stepped in to promote a new capitalist economy by funding “national champions” in food production , farming , communications and other forms of smaller industry. During this time even Dilma, was preaching the need for private investors to help grow the economy by financing new industries. The government attempted to amend their mistakes by admitting them and encourage entrepreneurs to

step up and try their luck at the economy. Without the technologies and innovation of other countries Brazil found itself trying to make a seemingly impossible jump from middle class country to a rich country.

This was shown in Brazil's car market. It originally enjoyed good profits by producing small amounts and selling them for a high cost. After the crash of Autolandia, a co-op of a few major car companies in 1995, major producers began to pour billions into fixing the rundown, out of date plants that existed in Brazil. New assembly plants were built and they seemed to be the location of a car empire. Unfortunately this did not pan out due to foreign imports, and the end was lack luster.

Brazil's shoe industry was not the same. The shoe industry found ways to make and keep their product marketable. They followed the ideals of Andrew Carnegie, by which they controlled, or at least had an influence in, all aspects of the manufacturing and export of the product. They kept everything in Brazil, from the leather to be used, to the fashion designers, to the people who stitched the shoe, it all stayed in country. They created demand through advertising and marketing.

A huge problem for Brazil was, what is known as, " the Brazil cost." This referred to the outrageous cost of products in Brazil. It was in part due to factors such as taxes, labor laws, political red tape, interest and high transportation rates. The tax system was very complex and had expectations and rules for almost everyone, and changed from federal to state to municipality. To create a business the owner would go through more headaches than one can handle. They have to provide documents that seem unreasonable and go from one office to another jumping through many unnecessary

hoops, which ultimately hurt the government who set them up. Infrastructure was falling apart, driving cost up combined with labor laws that drove the price up too.

The infrastructure came to its breaking point and Dilma sought out private investors to fix the airports and roads. They provided incentives and breaks to push the needed improvements. Beginning around this time, Brazil is beginning to see investors step up who were born in Brazil, and began to invest in other countries. Most would invest in the United States. In 2013 the culture of innovation arrived in Brazil and began to take more footsteps in the direction of a global power. The government began to stop looking for the support of foreign countries and investors and began to look inside to help the country flourish as a whole.

It is my belief that Brazil needs to fix its infrastructure, settle the economy before tackling the world market. The world market is close in their future, but you need to build an empire on a rock not the crumbled foundation that it trying to.