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Inter-American Institute for Cooperation on Agriculture
Technical Cooperation Agency in Brazil

General Information on Brazil



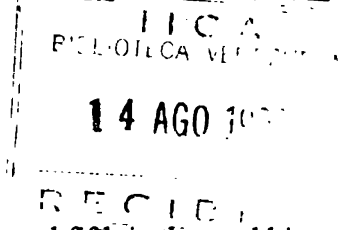
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GENERAL INFORMATION ABOUT BRAZIL



1. Introduction

- Biggest country in Latin America and fifth in the world in area, Brazil, situated at the eastern part of South America, is a continental country whose surface occupies an area of 8,547,403 Km², divided into five wide regions: North, Northeast, Center-West, South and Southeast.
- Politically, Brazil is a Federal Republic, with 27 states and a Federal District. Its main cities in number of inhabitants are: São Paulo (20 million), Rio de Janeiro (10 million), Salvador (2.3 million), Belo Horizonte (2.1 million), Fortaleza and Brasília (1.9 million) and Curitiba (1.4 million).
- The estimated Brazilian population in 1996 was 159,147,000 inhabitants and its economy ranks ninth worldwide, with a GNP *per capita* of 4,743 dollars, at current prices in 1996.

Currency: Real (R\$)

Official Language: Portuguese

2. Geographical characteristics

Brazil is the world's fifth biggest country in territorial extension. With an area of 8,511,965 Km², it occupies 20.8% of the territory of the Americas and 47.7% of South America. The country is bordered on the north by Guiana, Venezuela, Suriname and French Guiana; on the

northwest by Colombia; on the west by Peru and Bolivia; on the southwest by Paraguay and Argentina; and on the south by Uruguay. Its east, southeast and northeast coasts are bathed by the Atlantic Ocean. Chile and Ecuador are the only two countries of South America that do not share borders with Brazil.

A total of 93% of the Brazilian territory is situated in the South Hemisphere, and 92% in the intertropical zone. The equatorial line crosses the country at north, while the Tropic of Capricorn crosses it at south, near the city of São Paulo.

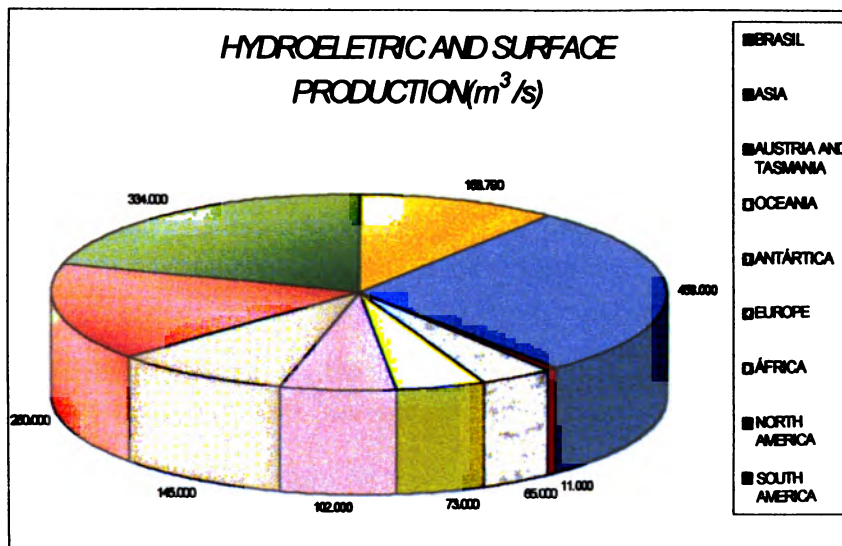
2.1 Relief

The Brazilian territory is a very old geological formation and is characterized by the predominance of highlands (58.46%). There are two predominant highlands in the country: the Guiana Highland, at north, and the Brazilian Highland, which occupies a great part of the territory and is subdivided into Atlantic, Central, Meridional and Sul-Rio-Grandense highlands. The plains occupy the rest 41% of territory, and from among them stand out the Amazon, the Pantanal and the Coastal plains.

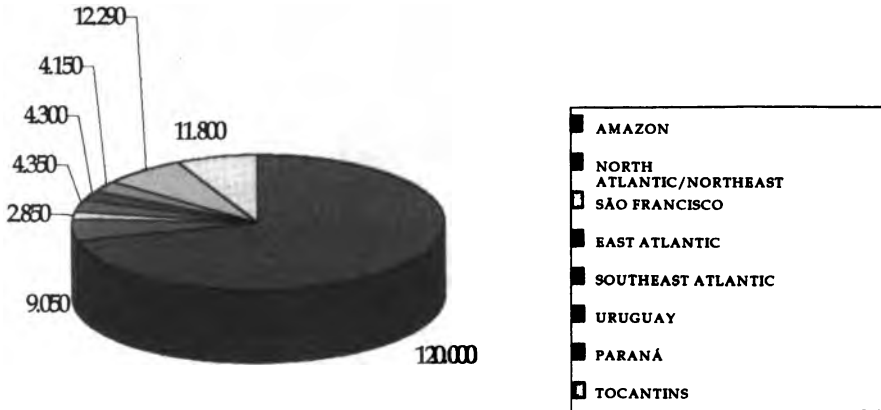
In the country, modest altitudes predominate. Most of the territory is situated from 200 to 1,200 meters in altitude, being 90% below 900 m and only 0.54% above 1,200 m. The highest point in Brazil, the Pico da Neblina, at 3,014 m, is located in the north, near the border with Venezuela.

2.2 Hydrography

There are eight main basins within the Brazilian territory, which, together form one of the biggest fluvial systems in the world. The largest Brazilian hydrographic basin is found in the Amazon region, with 4,787,717 Km² and hydroelectrical potential of 472,901 (Firm-GWH Energy); the second is that of Paraná River, with 891,309 Km² and hydroelectrical potential of 220,296.9. The power station on Paraná River is the biggest in the world. The third basin is in the Northeast, with 884,835 Km², formed by the basins of rivers Parnaíba, Jaguaribe, Açu, Capibaribe and Beberibe.



**WATER PRODUCTION BY BRAZILIAN HYDROGRAPHIC
BASINS (m³/s)**



2.3 Vegetation

Brazil, for its continental dimension, shows a very diversified vegetation, one that may be defined by the following vegetal formations:

- Mata Amazônica: dense, humid and heterogeneous vegetal covering, which extends itself over 40% of the Brazilian territory.
- Mata dos Cocais: transitory formation between Mata Amazônica and the caatinga. Its concentration is in the Middle-North, being *babaçu* the dominant species.
- Mata Atlântica: very rich and diverse vegetation, originated in the humid seaside and in the inland of the Southeast. It was the most devastated of the original formations in Brazil.
- Mata de Araucárias: open formation, in which coniferous predominate, common in the most elevated areas in the South.
- Cerrado: typical landscape of Central Brazil, where the climate is alternately dry and humid. Its vegetation is, in general, shallow, with kinds of trees that are very distinct from one another.
- Caatinga: poor vegetation, with plants adapted to water shortage. Typical of the dry Sertão inland of the Northeast.
- Pantanal: complex vegetation of the Pantanal Plains. Carries species from the forests, *cerrados* and fields.
- *Campos*: although there are spots of it in the various regions of the country, this kind of vegetation predominates in the *Campanha Gaúcha* or *Pampa Gaúcho*.
- *Vegetação litorânea*: predominance of the *manguesais*, common in the flooded areas of the seacoast.

3. Economy

3.1 Introduction

The 90's decade has been a particularly outstanding period for the Brazilian economy. After a long period of stagnation, unstable growth, increasing inflation rates and failed economic plans (5 in 6 years), the *Plano Real*, introduced in the economy in July 1994, allows the country to see its economy stabilized, without the "freezing" of prices or indexation of the economy. *Plano Real* has three goals which have been accomplished with relative success:

a) Decreasing inflation trajectory:

Inflation, that before *Plano Real* was up to 30% a month, ended the year of 1996 at the surroundings of a 10% annual rate, and an expected 5% rate for 1997.

b) Sustained growth of the GNP, on a long term basis, investments, employment and productivity:

With the opening of the economy, productivity in Brazilian industry has been growing at a rate of above 6% per year in the '90s decade, after having stagnated and declined during the 80's.

c) Reduction of the social disparities in an important manner. After the stabilization of the currency, the poorest 50% of the population have increased their participation in 1.2 percentual point and the richest 20% lost 2.3%, besides the fact that the price of the poor's basic needs has risen a lot less than that of the rich ones.

Brazil's economy performance in 1996 was characterized by the continuity in reducing inflation rates amidst a setting of economical growth. That behavior indicates the consolidation of the stabilization process, main goal of the economical policies implemented during that period. Throughout *Plano Real* (July '94 / December '97), Brazilian GNP has grown 30%.

3.2 Production indicators

The growth rate of the Gross National Product (GNP), reached 2.9% in 1996, and that of the *per capita* product 1.5%, according to IBGE's (Brazilian Institute for Geography and Statistics) figures. This growth is the result of the good performance in the sectors of agriculture/cattle raising and services, respectively 3.1% and 3.3%, and the industrial sector, with 2.3%. In this context, the *per capita* product went up 1.5%.

The 1996's results, although inferior to those observed in 1994 and 1995 (growth of 6% and 4.3%, respectively), correspond to the fourth consecutive year of positive rates.

GROSS NATIONAL PRODUCT (GNP)				
Year	At current	At current prices ^{2/}	GNP per capita	
	Prices ^{1/} (US\$ million)	(US\$ million)	At current prices (US\$)	At 1996 prices (US\$)
1990	445,919	523,157	3,081	3,615
1991	386,185	435,650	2,626	2,962
1992	374,324	411,169	2,506	2,753
1993	430,266	460,641	2,839	3,039
1994	561,305	587,420	3,651	3,821
1995	718,495	733,583	4,611	4,708
1996	749,142	749,142	4,743	4,743

Source: Banco Central do Brasil

Composing the year's rate (2.9%), as had already happened in 1995, the performance in the sectors of agriculture/cattle raising and services had a positive influence, with respective growth rates of 3.1% and 3.3%, while the industrial sector grew below the average (2.3%).

The growth rate of animal production (7.8%) maintained the positive evolution observed from 1994 on (7.7% growth in 1994 and 12% in 1995), which reflects the increase in buying power that came along with *Plano Real* and, in 1996, also the positive evolution of fowl and hog exports. The crops production decreased by 0.8%, after the favorable results in the previous two years.

The performance in the industrial sector was due, mainly, to the trajectory of the mineral extractive industry (9.7%), favored by the growth of 88% in the volume of official resources invested by BNDES (National Bank for Economical and Social Development) in that sector. Next followed the industrial services for public utility (6.5%) and construction (5.5%). The transformation industry, responsible for the biggest share of the product generated by that sector, grew 0.8% in 1996.

The services sector reflected, mainly, the positive results in communications (11.4%) and in commerce (5.1%). The financial institutions showed negative performance for the seventh consecutive year (8.9%), adding up to a decrease of 31.9% (annual average rate of -5.3%). As a consequence, the participation of this sector in the GNP came down from 26.4% in 1989 to 7.6% in 1996.

3.2.1 Industrial production indicators

Brazilian industrial production grew 1.4% in 1996, fourth consecutive year of expansion, having accumulated a growth rate of 19.4% from 1993 on. The year's result was due mainly to the performance in

the mineral extractive sector (9.7%), especially oil and natural gas, since the transformation industry experienced a 0.8% growth, according to IBGE.

Industrial productivity showed a 12.6% growth. Confirming the effort towards an increase in competitiveness for the sector, 636 new certificates were issued in 1996 through the quality system NBR ISO 9000, against 353 registers in the previous year.

3.2.2 Agricultural and cattle raising production indicators

The agricultural and cattle raising sector experienced a 3.1% growth in 1996, due to an increase of 7.8% in the animal production, in spite of a 0.8% decrease in agricultural production. The performance of the animal production was positive in all segments, due not only to the increase in the animal protein consumption made possible by the consumers' buying power increase, but also by the amplification of exports, especially fowl and pork.

The decrease in agricultural production, especially in cereals and vegetables, reflected the demotivation caused by the fall of the prices in the previous harvest. Besides that, the negotiations for the payment of farmers' debts were not totally effected; as a consequence of that, a large number of farmers are still indebted and impeded from getting credits to invest in new crops.

The master plan for the 1995/96 crop contemplated favorable conditions in the agricultural sector, compatible with the stabilized currency and the opening of the economy. Loans started to be made at a 15% per year fixed interest rate. Simultaneously, there was an attempt

to reformulate the resource sources, in order to encourage the use of instruments for acquisition of resources by means of options and future markets mechanisms; alternatives were created for less expensive sources, like the acquisition of resources abroad, reducing, thus, the dependency on traditional sources, particularly on public resources. For a better destination of the resources coming from the official policy towards the sector, an agricultural mapping was implemented, which allows officials to indicate to farmers the agricultural vocation of the district in which they are inserted. That way, the government aims at introducing the use of better technological alternatives, compatible with local characteristics, increasing productivity and reducing cost of the crops. As an addition, the National Program for the Strengthening of Familiar Agriculture (PRONAF) was established. It aims at promoting the small agricultural production, through the capacitation and preparation of the small rural farmer to a more modern and competitive activity, besides financing the formation of fixed capital.

The production of cereals and vegetables in 1995/96 was around 73 million tons, inferior by 8.1% to that obtained in the previous harvest (79.4 million). The Center-South region and Rondônia were responsible for 88% of the total production, which decreased by 9.1%, while the North and Northeast regions showed growth of 1.5%. The planted area for that group of products was reduced by 3.7% on a national level, having decreased by 4.9% in the Center-South region and in Rondônia, and remained stable in the North and Northeast regions. In absolute terms, the total production was distributed in this way: 35.1 million from the South Region, 17.5 million from the Center-West Region, 11.4 million from the Southeast Region, 6.8 million from the Northeast Region and 2.2 million from the North Region.

AGRICULTURAL PRODUCTION – Main Crops

Millions and tons

PRODUCTS	1994	1995	1996
GRAINS	75.2	79.4	73.0
Beans	3.4	2.9	2.8
Corn	32.5	36.3	32.0
Cotton	1.0	1.0	0.7
Rice	10.5	11.2	10.0
Soybean	25.0	25.6	23.2
Wheat	2.1	1.5	3.3
Others	0.7	0.9	1.0
Other crops			
Banana	572.2	568.0	569.2
Cocoa bean	0.3	0.3	0.2
Coffee	2.6	1.8	2.6
Manioc	24.5	25.3	24.6
Oranges	87.1	98.1	109.1
Potatoes	2.5	2.7	2.7
Sugar cane	292.1	303.6	324.4
Tobacco	0.5	0.5	0.5
Tomatoes	2.7	2.7	2.6
Real product variation in the crop	10.5	0.7	-0.8

Source: IBGE

The performance of cattle raising in 1996 surpassed that of the previous year. The production of meat added up to a total of 4 million tons in 1996, 339 thousand more than in the previous year. Even with the move backwards in exports, the commercial balance of that segment showed an expansion of 50 thousand tons through the reduction of imports. Prices remained stable, allowing the *per capita* consumption to remain practically the same as in 1995. The volume of milk produced increased by 7.5%, reaching 11.4 billion liters.

Aviculture showed a growth rate of 7.6%, with a production of 3 million tons. The increase in the internal consumption was inferior to that observed in 1995, even with the favorable response from the market prices, mainly through the reduction of the profit margin of aviculturists. External sales reached 568.8 thousand tons, compared to the 433.7 thousand tons shipped in 1995 (31%). The growth of exports may be explained by the opening of markets that were until then supplied by European sales, partly due to an increase in the internal consumption in the European countries, in place of meat, whose demand was harmed by the arising of sanitary problems in England.

The production of pork was favored by the evolution of internal and external markets. The 1.2 million tons production surpassed by 7.3% that reached in the previous year. That increase was due to the increment in productivity, as a consequence of the investments made in 1995. Besides the growth in the internal *per capita* consumption exports increased 74.4%, having reached 56 thousand tons, a direct result of resuming sales to Argentina and the placing of product in the European Union and the Asian Southeast.

3.3 External commerce

In 1996, Brazilian external commerce showed a negative balance of US\$ 5.5 billion, the second consecutive annual deficit, superior to that observed in the previous year (US\$ 3.4 billion). That increase was the consequence of an expansion of 6.9% in imports, which totaled US\$ 53.3 billion, as opposed to a 2.7% increase in exports, which added up to US\$ 47.7 billion. It is worth mentioning that both were record-breaking figures.

The year was characterized by distinct phases in the first and second semesters. While in the first half of the year the commercial balance was relatively equilibrated, with a growth rate of 6.8% in exports and a decrease of 9.6% in imports, in the second semester successive declines were registered in exports, due to a greater destination of the production to the domestic market, besides the fact that, in 1996, the positive conjunction of favorable external factors observed in the previous year did not come about again. At the same time, the less contractional monetary policy adopted since mid-95, made it possible to elevate the level of economical activity, which, paired with the greater access to credit, took imports up to average monthly values superior to US\$ 4.5 billion in the second semester.

It is important to observe that commercial deficits are natural occurrences in the process of stabilization of economy, as the expansion of exports is, in general, preceded by a movement of amplification in imports. From there, we get to the conclusion that although exports have registered moderate growth, they could come to benefit from the investments made by the productive sector, in the form of more imports of capital goods and goods for processing, a sector that experienced great expansion in 1996. It also occurs that the increase in imports has contributed significantly to the stabilization of internal prices in various sectors of economy.

The amount of Brazilian commercial exchange reached US\$ 101 billion, growing 4.8% in 1996 and practically doubling in relation to 1990, the year in which the process of commercial opening was intensified. The increment of external commerce in that period was due to the strong importing trend, aimed at the fulfillment of the economy's modernization necessities, encouragement to competition, improvement of products' quality, reduction of costs to companies and of prices to the customers. Thus, in the first years of opening, there was a great increase in external purchases, culminating with the 51% expansion in

1995. Imports increased more than 150% since 1992, surpassing the US\$ 20 billion threshold, going up to US\$ 50 billion, a growth that could be attributed, also, to the combination of the withdrawing of tax-exempt barriers with the reduction of the average taxation, which decreased from 32% in 1990 to 14% in 1993, after the consolidation of the tax reduction program, and, following that, to 12.6%, with the implementation of *Mercosul*. The commercial deficits observed since then have changed the concept of a highly protectionist country that Brazil had had for many years in the international community.

BRAZIL'S COMMERCIAL EXCHANGE

DISCRIMINATION	1995			1996		
	Imports	Exports	Balance	Imports	Exports	Balance
Total	46 506	49 858	-3 351	47 747	53 286	-5539
Total Opec excluded	44 470	46 527	-2 057	45 686	49 378	-3693
Aeic	505	955	-450	503	1 026	-523
Aladi^{1/}	9 494	9 142	353	10 474	10 600	-126
Mercosul	6 154	839	-686	7 305	8 258	-952
Argentina	4 041	5 588	-1 546	5 170	6 775	-1605
Paraguay	1 301	515	786	1 325	551	773
Uruguay	812	737	75	811	932	-121
Chile	1 210	1 094	116	1 055	918	137
Mexico	496	816	-320	679	946	-267
Others	1 634	392	1 242	1 434	478	955
Canada	461	1 128	-667	506	1257	-751
European Union	12 912	13 798	-886	12 836	14088	-1252
Germany	2 158	4 767	-2 609	2 083	4775	-2692
Belgium/Luxemburg	1 610	827	784	1 432	548	883
Spain	877	817	60	937	902	36
France	1 038	1 381	-343	912	1341	-429
Italy	1 713	2 865	-1 151	1 531	2911	-1380
Netherlands	2 918	595	2 322	3 549	569	2980
United Kingdom	1 326	988	337	1 324	1246	78
Others	1 272	1 559	-287	1 069	1796	-728
Center and Eastern Europe^{2/}	985	1 044	-60	1 056	977	79
Asia^{3/}	7 826	8 023	-198	7 523	7337	186
Japan	3 102	3 298	-196	3 047	2756	291
China	1 204	1 041	162	1 114	1129	-15
Corean Republic	827	1 334	-506	838	1155	-317
Others	2 693	2 351	342	2 524	2297	227
USA^{4/}	8 798	10 530	-1 732	9 312	11829	-2517
Opec	2 036	3 330	-1 294	2 061	3908	-1847
Others	8 214	6 633	1 581	7 952	6845	1107

1/ Venezuela included in the OPEC.

2/ Albania, Bulgaria, Hungary, Poland, Slovakia, Czech Republic, Romania and former USSR countries.

3/ Excludes Middle East and Indonesia, included in the OPEC.

3/ Excludes Middle East and Indonesia, included in the OPEC.

4/ Includes Puerto Rico.

In terms of compared markets, the European Union remained the main destination for Brazilian products, in spite of the 0.6% decrease, due to, among other factors, the pace reduction of the activity in some of the main economies in that block. Exports to the Netherlands increased 21.6%, due to greater sales of soybean, aluminum and orange juice. Increases were also noticed in sales to Spain and Ireland, as opposed to decreases observed in commerce with other countries.

The most relevant grouping remains the *Mercosul*, in view of the region's economical integration dynamics. The profile of Brazilian exports has been concentrated in the automobile sector, especially to Argentina, with prominence to auto parts, freight vehicles and piston engines. Exports of pneumatics and electrical devices to Paraguay stood out, just as did products of the automobile sector and crystal sugar to Uruguay.

The United States, Brazil's main commercial partner, increased its purchases, reaching US\$ 9.3 billion in 1996. Sales of tobacco, orange juice, shoes and semi-manufactured products of iron and steel were important. On the other hand, the Asian block showed a decrease of 4.6%, as a consequence of smaller sales to China and Japan. With the latter, considered one of the most protectionist countries in the world, Brazil achieved a surplus, due to greater exports of primary semi-manufactured products.

Within the scope of imports, in 1996, the access to credit contributed to the expansion in all items regarding the use category, except for durable consumption goods, whose fall may be attributed to the increase in the automobile imports tax rates, joined by the elevated interest rates, which restricted the search for goods of elevated value. Purchases of combustibles and lubricants showed remarkable expansion. It should be noted that the increase in petroleum prices, coupled with a greater internal demand, intensified in the second semester, and the

decision by Petrobrás to increase the levels of stock led to a growth of 19.4% in imports, whose total reached US\$ 6.2 billion.

Analyzing the origin of Brazilian imports in 1996, a general growth is noticed, exception made to those coming from the Asian block, whose 8.6% fall was relative, particularly the commerce with Japan and Corea, which showed reduced rates of 16.4% and 13.4% respectively. Purchases from the United States added up to US\$ 11.8 billion, having expanded 12.3%. Expenditures with *Mercosul* reached US\$ 8.3 billion, which meant a 20.7% increase, due to bigger purchases from Argentina, which became the biggest supplier of petroleum to Brazil, surpassing even Saudi Arabia and corresponding to 27% of the overall Brazilian imports of the product. The change is due both to the greater need for commercialization inside *Mercosul* and to the fact that shipping expenses are much more reasonable.



**Gráfica e Editora
Brasil**

SIC - O 08 - Nº 2.378 - Tel.: (061) 344.1614
FAX: 344.1613 - Brasília/DF

