**Export-Import: USA and Brazil**

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**Part 1: Problem Statement**

Brazil and the United States have historically enjoyed robust economic ties, but many say the two nations’ occasional conflicting policy approaches on trade have delayed the development of a close partnership. However, in 2019, the Trump administration, alongside President Jair Bolsonaro, announced plans to deepen bilateral trade relationships between the two sides, something which somehow cemented the export-led economic growth approach between the two countries. Today, this approach has emerged to be a considerable determinant. Its benefits cut across facilitating the inflow of foreign exchange, increase in production, enhancing the general commercial volume, and create newer employment opportunities. Since it rose to prominence back in the 1970s, the approach has been purported to generate a win-win outcome for the two industrialized economies based on the principle of comparative advantage. Even so, the full potential of the approach is yet to be realized. Continued reliance on the approach poses a significant threat with respect to increased economic tensions and asymmetric stagnation between the U.S. and Brazil. Perhaps this is attributable to various challenges, including (but not limited to) damage to the two economies via deindustrialization, dependence on foreign markets, neglect of domestic priorities, undermining wage productivity growth link, and creating international financial wage imbalances.

In essence, the argument is that the export-led economic growth model has fashioned a divided economic world between the two countries, with consumers in the "South” and producers in the “West.” Moreover, today Brazil takes quite a larger market share, something which makes it challenging to continue pursuing export-led economic growth strategies. These challenges, alongside many others, present the need to restructure/improve the export-based economic paradigm in order to realize substantial benefits for the U.S by subsequently overcoming the aforesaid problem – economic tensions and asymmetric stagnation. To achieve such an improvement, however, we must engage in business practices that promote the approach, alongside doing away with international trade obstructionist policies between the two countries. This is something that this paper will seek to investigate. In other words, the research will focus on the best business practices that will induce bi-directional causality in the U.S. and Brazil, one that will address the challenges posed by the aforementioned approach, consequently leading to more benefits for the U.S. and Brazil in the long run. This research paper uses the latest literature materials to investigate how the export-led economic growth approach can be improved for the benefit of the two nations.

**Background Information**

**The export-led economic growth approach between the U.S. and Brazil has historically been presented as a development strategy purported to facilitate a growing productive capacity, notably by focusing on foreign markets. Since its introduction in the two countries, the model has served as an injection into the circular flow of income, leading to a rise in cumulative expansion and demand output. Precisely, this has helped in raising the per capita income as well as reducing lessen extreme poverty. According to a report shared by the Congressional Research Service, regardless of the historical differences in terms of trade policies between the U.S. and Brazil, the approach has helped in fashioning strong trade relations in the past two decades. The report indicates that the aggregate merchandise trade (imports and exports) between the two countries totaled $ 73.7 billion in the year 2019, with 30.8 billion in U.S. imports and $42.9 billion in U.S. exports (Schwarzenberg et al., 2020). It is through such reports, alongside other literature materials that the mentioned problem was realized. In other words, even though laudable benefits are linked to the business practice model, a close look at recent reports and research conducted, including debates about the approach depicts a number of issues that underscore the main problem.**

**Notably, the problem was mainly identified through a literature review on the topic. A combination of existing information and research from various scholars and government agencies provided some insights into the negative side of the approach. For instance, the provisions made through** North American Free Trade Agreement (NAFTA) helped in the creation of a free trade production zone that unified both the developing and developed economies, with an anticipation to further integrate **the export-led economic growth approach** **between the two nations. Nonetheless, this resulted in a number of challenges, including damage to developed economies. Such challenges underscored the aforementioned problem. Seemingly, the challenges are attributed to the increased economic tension and asymmetric stagnation between the U.S. and Brazil, induced by the approach. Additionally, multiple studies highlight that a focus on export-led economic growth often leads to over-dependence on the economic cycles of the trade-partner nation, something which comes with increased susceptibility to external political and economic shocks. Perhaps, this stresses why the approach is connected with** increased economic tensions and asymmetric stagnation. Correspondingly, the rapid growth of the approach presents an elevated probability of higher interest rates and inflation.

The significance of researching the aforementioned problem is deeply rooted in the general benefits that can be realized through the approach. As informed by TemizDinç and Gökmen (2019), today the world has been globalized much more than ever, paving the way for integrated economies. Trade stands at a prime position in relation to achieving such integration. In this regard, export-led economic growth emerges as a considerable element underscoring the need to research its problem and devise suitable remedies. As mentioned earlier, this standpoint is attributed to benefits such as increased productivity and the enhancement of general commercial volume. Considering the significance of this approach, there is no doubt that researching the problem presents an opportunity to realize the major benefits of export-led growth in both the U.S. and Brazil. Over the past 50 years, there is no country that has had a sustained increase in per capita income levels and economic growth without expanding its exports and imports substantially. There is more evidence that business organizations operating in more open sectors through export-led economic growth approaches are inclined to be more productive. Collectively, these significances emphasize the need for research on the issue of increased economic tensions and asymmetric stagnation between Brazil and the U.S. Perhaps, research on this issue is promising, notably in the context of improving exports and imports between the two nations.

**Preliminary Literature Search**

**Background on the topic**

**There is sufficient literature material about the export-import relationship between the U.S. and Brazil. In a nutshell, the paradigm of export-led economic growth has dominated development-related policies in both the U.S. and Brazil for the past three decades or so. The approach is a component of a consensus among economists regarding the benefits of economic openness, an agreement used to justify globalization. In other words, economic relationships in the context of exports and imports between the two countries have been invariably plausible for many years. In 2019, for instance, Brazil was among the top U.S. trade partners, something which considerably influenced the implementation of bilateral trade relationships and a potential move for free trade agreement (FTA) discussions in the future** (Schwarzenberg et al., 2020)**. A report shared by the Office of the United States Trade Representative (2019) indicates that Agricultural exports to Brazil totaled** $610 million in 2019, with leading domestic categories including (but not limited to) wheat, dairy products, and egg products. **Even with the promising nature of these figures and the general trade between the two nations, there were still a number of critics who perhaps highlighted the major issues of the model that need attention. While some members of congress accredited trade relationships between the two nations as a way to promote U.S. values and investments in South America, others opposed the move citing environmental, labor, and human rights concerns. Some of the critiques have centered their concerns on the export-led economic growth approach between the countries. They have attributed the model to the suppression of social standards and wages, alongside undervalued exchange rates – issues that serve as a cornerstone for the aforementioned problem.**

**Findings**

**The available literature on the topic demonstrates that the benefits of export-import between the U.S. and Brazil are underpinned by the export-led economic growth model. Liu et al. (2019) enlighten that the importance of this model is profound. Considering China’s time series data during the years 1994-2018, for instance, there is immense evidence stressing the heightened importance of exports in the country’s GDP growth. China’s case demonstrates a positive correlation between imports,** exports, as well as economic growth (**Liu et al., 2019)**. As such, understanding the causality between these factors in both the U.S. and Brazil is vital for restructuring the model and formulating the trade policies that would help in actualizing the two nations' social and economic development. From a general perspective, imports and exports are key drivers and enablers of economic development in any country. The interactivity between the two has traditionally been a central concern of development economics. Perhaps, this might be one of the reasons why the approach is among the most debated topics in economic growth literature. While classical economists might have dissenting views, modern experts have highlighted two things that serve as a basis for economic growth. First, the model helps in creating competition which leads to improved economies of scale, alongside the allocation of technical progress with respect to productivity. Secondly, the approach can be viewed as a foreign exchange earning source since it enables imports of capital goods and others required for production. Overall, the approach is beneficial on the ground of expanding output through foreign trade multiplier.

Studies indicate that the export-growth economic model has evolved to fit the ever-changing global situations and the settings of individual countries, including the U.S. and Brazil. The stages relied heavily on the pre-requisite for foreign technology, undervalued exchange rates, export production platforms for multinationals in other countries, joint ventures, and higher import tariffs. Thus, with such an evolution, it is quite evident that the approach has been vital in both Brazil and the U.S. Nonetheless, even though the approach is attributed to multiple benefits, experts continue to warn that overlying on the model poses a greater challenge in the long run. Perhaps, their perceptions underscore the need for addressing the problems ingrained in the approach, thus increasing the probability of realizing considerable benefits for the two countries in the long run. Research conducted on three Baltic States, including Latvia, Estonia, and Lithuania presented evidence that the application of export-led economic growth can be disadvantageous. Researchers found that the approach made it challenging to align productivity with wages by means of solitary market forces. Consequently, this resulted in increased susceptibility of relative prices to appreciation and volatility, and in turn worsening effects on export competitiveness (Kalanta, 2019). As such, the authors proposed a number of approaches that can be used to improve the model even further. To address the issue of economic tensions and asymmetric stagnation emanating from the continued reliance on the model, the US and Brazil can radically transform their economies towards less cost-sensitive manufacturing services. In addition, the two countries can also choose to establish corporatist institutions capable of improving productivity and containing labor costs.

**Reasons for Further Research**

The rationale for further research on this topic is deeply rooted in the promising significance that can be realized through export-important economic growth between the US and Brazil. Besides, the majority of studies conducted on the topic have no consensus, notably on the potency and direction of causal impacts of exports and imports on growth. Such conflicting perceptions from different literature materials make it challenging to generalize the findings obtained. Perhaps, this is due to the different countries' characteristics. This implies that most of the studies already conducted on this topic are generally useful to policymakers in comprehending the short-term causality dynamics between exports, imports, and economic growth. It is vital for policymakers to ascertain the core variable of these factors that will actually yield substantial economic growth. This can only be achieved through further research on the topic. In a nutshell, further studies will point out the extent to which particular variables impact economic growth such that policy actions can be carried out with predictable effects. Principally, the existence of conflicting findings on the topic highlights the need for further research, one that would determine the correlation between the aforesaid factors.

Moreover, further research is needed to add up to the limited available literature delineating the economies of Brazil and the U.S. in the context of the Export-led economic growth model. Further, experts warn that this model is becoming irrelevant due to the changing conditions in developed economies. This calls for more research to ascertain the significance of the paradigm in the modern environment. Possibly, the U.S. and Brazil can be used to conduct studies on the effectiveness of export-led economic growth. Lastly, the approach has been associated with multiple demerits, something which underscores the need for more studies to devise suitable methodologies that can be used to address them. For example, economists warn that the approach is only beneficial when it comes to short time gains. This implies that its application needs to be improved to make it beneficial in the long run, alongside addressing challenges such as increased economic tensions and asymmetric stagnation. This can only be achieved through further research, especially on the best business practices that can address some, if not all of these challenges.

**References**

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