

Brazil and China: Status report on an emerging relationship

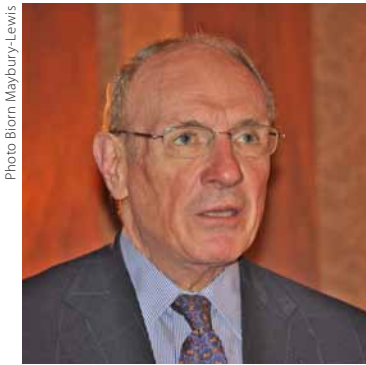


Photo: Biorn Maybury-Lewis

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The April 2010 Summit in Brasilia of the BRIC countries (Brazil, Russia, India and China) provided a very useful opportunity to consider the state of play between Brazil and China. While Brasilia's relations with New Delhi and Moscow are strong and growing, it is the relationship with Beijing that will continue to dominate BRIC dynamics for the foreseeable future.

Trade and investment are of top priority for both countries. Trade between Brazil and China rose from US\$6.7 billion in 2003 to US\$36.1 billion in 2009 and is expected to increase again

in 2010. In 2009, China dislodged the US as Brazil's principal trading partner. That year 77% of Brazil's exports to China were basic products, and 98% of Brazil's imports from China were manufactured goods. That imbalance should be a wake-up call to the Brazilian government that assumes power in January 2011 — the country must focus on adding value to its export mix, increase investment in research and development efforts, and give more attention to math and science at all levels of education. But in the short term the benefits to Brazil are obvious. China's continuing demand for what Brazil grows and mines helps Brazil maintain

a high level of reserves to cushion against turmoil in global markets.

Investment, a controversial issue for the past few years, is now beginning. In the first quarter of 2010 China invested more than US\$2 billion in Brazil's mining industry. Without fanfare China's Petrochemical Corp. (Sinopec), China's second largest energy producer, completed a US\$1.3 billion natural gas pipeline in Brazil. The 856-mile link is the company's largest overseas service contract. The pipeline goes through 72 cities and can transport 20 million cubic meters of gas a day.

During the BRIC summit, the governments of China and Brazil signed a Joint

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Action Plan for 2010–14 that outlines initiatives in industry, science and technology, agriculture, culture, education, and statistics. One example is the contract signed by Wuhan Iron & Steel Group and with Brazilian port operator LLX Logistica SA to build a US\$4.7 billion steel plant. In 2009, Brazilian oil company, Petrobras, received US\$10 billion in loans from China to help finance the development of the pre-salt Tupi oil field, and during the Chinese President's recent visit, Sinopec signed a new package of agreements with Petrobras that builds on the 2009 agreement.

Another initiative initiated at the meeting in Brasilia was a partnership between Brazil's EXB and Chinese state-owned WISCO. The two companies are negotiating construction of a steel-making complex in the Port of Açu, Rio de Janeiro, that President Lula stated will be the largest Chinese investment in Brazil

and China's largest investment abroad in steel.

While the summit meeting highlighted the growing trade and investment links, it had an important foreign policy component. The BRICs have begun to stake out common positions on a number of international issues; trade, finance, and climate are among the most important. This is not to imply that the grouping is monolithic, but there are commonalities that bring the four countries together. The communiqué their political leaders signed in Brasilia outlined many of the points of convergence. They called for swift reform of international financial institutions to give developing countries a greater voice, saying their group was vital to achieving a new world order (the four countries represent about 40% of the world's population, 20% of its land surface, and about 15% of world GDP). Since the 2008–09 financial crises in the United States and Europe, the BRICs have insisted that the G-20 — which includes the world's largest economies — be substituted for the G-7 industrial countries. In G-20 summit meetings in

Washington in November 2009 and in London, Pittsburgh, and Toronto in 2010, the BRIC states urged immediate reform of the World Bank and the International Monetary Fund (IMF). Brazil has often acted as spokesman for the group. And President Lula often states that Brazil was the last country impacted by the crisis and the first to recover, due to prudent banking regulation and careful fiscal management.

The BRIC summit communiqué called for more multilateral diplomacy, with the United Nations playing the central role in dealing with global challenges and threats. The BRIC leaders

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called for comprehensive reform of the UN, and, while not calling immediately for them to be seated on the Security Council, the communiqué stated that the four nations reiterated the importance they “attach to the status of India and Brazil in international affairs, and understand and support their aspirations to play a greater role in the United Nations.”

Trade was another priority of the Brasilia BRIC summit. Since the collapse of World Trade Organization negotiations in July 2008, the BRICs have sought to reinvigorate the talks. Their failure in 2008 was due in large part to the inability of China and India to come to agreement with the European Union (EU) and the United States on a wide variety of agricultural subsidy issues. The BRICs have stated that they will only return to the negotiating table when the developed countries become more flexible. Brazil again has been a leading advocate for a comprehensive agreement, supported by its allies, China and India.

Climate change is an issue that preoccupies the BRICs, especially Brazil.

There can be no comprehensive deal on carbon emissions if Brazil and China, in particular, are not in agreement. While little substantive progress was achieved at the December 2009 Copenhagen meeting on climate change, the final communiqué was spearheaded by Brazil, China, India, and South Africa. The inclusion of the United States seemed almost to be an afterthought. There can be no international agreement on climate change without the active participation of Brazil, in large part due to the importance of the Amazon Basin. The industrial countries, as in finance and trade, need to understand the changing dynamics in international relations, where Brazil and its partners are not seeking to dictate new terms of engagement but expect respect and inclusion in all major global policy discussions and decisions in the future.

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and the developed industrial countries, while India and China were adamant in their opposition. Given different national interests, that sort of policy difference can be expected. But as the current financial crisis has made clear, growth this year and next will be in the developing world, with Brazil and China in the lead and the United States and the EU lagging far behind. That should be one strong indication that the BRIC states, led by Brazil and China, are increasingly important players in the international relations of the 21st century. ■

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