

The displacement of Brazilian exports by Chinese

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China will try to offset the loss of exports to US and European markets by increasing sales of manufactured products to developing countries. All income projections suggest that those countries are less affected by the crisis than economies in the North. Thus, we should expect an increase in Chinese competition that could crowd out exports from other countries. Brazil fears the loss of markets to the Chinese, particularly in South America, the main destination of Brazilian manufactured goods.

The Brazilian Institute of Economics (IBRE) carries out periodic calculations of the loss of Brazilian exports to Chinese competition. The results of the comparison between 1991–2001 and 2002–2004 were published in the July 2006 issue of *Conjuntura Econômica*. Later the same exercise was carried out for 2003–2004 and

2006–2007. In all cases, though total losses were minor, for some products Chinese competition explains almost all Brazilian losses.

The exercise was repeated for 2008 and 2007. The effect of the crisis is not fully reflected in 2008, but again, total losses are minor. What stand out, however, are higher losses in some product groups, such as steel products and parts for the automotive industry. The markets analyzed were Argentina, Uruguay, Colombia, Chile, Mexico, the United States, and the European Union. The comparison was carried out for 2008 and 2007, except for Chile,

Table 1
Brazil's export losses to China's exports for same manufactured products

Countries	Brazil's total export losses (%)		China's share in Brazil's total export losses (%)	
	2008	2006-07	2008	2006-07
Argentina	0.4	0.7	45.2	51.5
Uruguay	0.05	...	45.4	...
Colombia	0.2	...	33.3	...
United States	1.3	3.4	30.3	31.6
European Union	1.7	2.6	17.6	35.7
Mexico	0.2	...	22.4	...
Chile*	0.2	0.2	39.1	28.6

Sources: WITS System, and Center for External Sector Studies, IBRE.

* In the case of Chile, losses were calculated between 2006 and 2007 and 2003-04 and 2005-06.

Table 2
Principal manufactured products in Brazil's total export losses to China (Percent)

		China's share in Brazil's total export losses	Product's share in Brazil's total loss to China
Argentina			
293100	Other organo-inorganic compounds.	99	34
851780	Electrical equipment for line telephony or telegraphy - other	63	3
390760	Polyethylene terephthalate	80	3
600632	Other knitted fabrics of synthetic fibers	88	3
841430	Air compressors	49	3
841899	Refrigerators, freezers	96	3
281820	Aluminum oxide, except artificial corundum	18	2
720230	Ferrosilicon-manganese	70	2
847160	Machines for processing data	93	2
842920	Levies	93	2
Uruguay			
870899	Devices for control of acceleration, brake, clutch, steering and gear box.	98	29
870322	Special vehicles for transporting people on golf courses and similar vehicles	42	5
870422	Chassis with engine and cab	32	4
851780	Other electrical appliances for telephony or telegraphic	42	3
390760	Polyethylene terephthalate	55	3
870421	Motor vehicles for transport of goods	55	3
732690	Other articles of iron or steel	72	2
610910	Knitted shirts, cotton	75	2
283525	Hydrogen orthophosphate, calcium (dicalcium phosphate)	97	2
870190	Tractors - Other	19	2
Colombia			
721391	Wire rod of iron or steel not linked	92	22
852520	Devices for radio transmitters and receivers	80	21
722790	Wire rods of other alloy steel	93	5
847149	Machines for processing data - presented in the form of systems	34	5
847130	Machines for processing data	80	4
870422	Chassis with engine and cab	13	2
730431	Pipes used in drilling for oil or gas extraction	90	2
730421	Drill pipes used in the extraction of oil or gas (drawn or rolled, cold)	31	2
721049	Other flat-rolled products of iron or steel not linked	57	2
841830	Freezers (horizontal chest type)	90	1

China has increased market share in some products in which Brazil had registered gains, such as steel and automotive products.

where data were available only for 2006 and 2007.

The analysis adopted the six-digit harmonized system of classification. For each country the products chosen for the analysis were the same for both Brazilian and Chinese exports. Then, three groups of products were identified: products where both countries have lost market share (market share = the share of Brazilian or Chinese products in total exports of the product); products for which both countries increased exports; and products for which one country lost and the other gained exports. What follows are the main results in terms of products where Brazil lost and China gained.

Aggregate results — Brazil's total losses in the same products that China exports represent a small share of total Brazilian exports to the

markets selected. For Argentina, for instance, the rate was 0.4% in 2008. The greatest losses were in the United States (1.3%) and the European Union (1.7%). When the results are compared with the data from 2006–2007, losses drop in all markets.

How much of the losses can be attributed to China? Less than half for all markets. Nonetheless, more losses are attributable to a larger Chinese share in South American countries than in the United States, the European Union, and Mexico. In Argentina and Uruguay, 45% of Brazil's market share losses can be attributed to China. Compared with the previous period of analysis, in Chile the losses increased by 10.5% (from 28.6% to 39.1%); this result may reflect the free trade agreement between Chile and China.

Nonaggregate results — The products have been broken down in decreasing order according to their share in the total losses ascribable to China (second column, Table 2). Other organic compounds represent 34% of total losses in Argentina. In Uruguay, braking devices account for 29% of the losses, and in Colombia, machine wire and transmitters account for 43%. In other market, the losses are less concentrated.

The first column in Table 2 shows the percent loss ascribed to China for specific products. Thus, 93% of the Brazilian share in exports of automatic equipment for data processing to Argentina has been lost to China.

Table 2 (cont.)
Principal manufactured products in Brazil's total export losses to China (Percent)

		China's share in Brazil's total export losses	Product's share in Brazil's total loss to China
United States			
850300	Parts of electric motors and generators	40	12
721049	Other flat-rolled products of iron or steel not linked	43	9
730620	Coating of pipes for wells used in the extraction of oil or gas	77	5
730429	Other tubes and hollow profiles, seamless, of iron or steel	46	4
840790	Other piston engines, spark-ignition	82	3
640399	Other footwear of rubber or plastic	15	3
721061	Flat-rolled products of iron or steel not attached, aluminum-coated silicon	22	2
848180	Other taps, valves (including reducing the pressure and thermostatically)	60	2
720916	Flat-rolled products of iron or steel not linked	25	2
441890	Other works of carpentry and joinery for construction	68	2
European Union			
280469	Hydrogen, rare gases and other non-metallic	55	9
720839	Flat-rolled products of iron or steel not linked, in width equal to or greater than 600 mm	26	6
720916	Flat-rolled products of iron or steel not connected, of a thickness exceeding 1mm but less than 3mm	57	6
722790	Wire rods of other alloy steel	98	5
720838	Flat-rolled products of iron or steel not linked, in width equal to or greater than 600 mm	58	4
720917	Flat-rolled products of iron or steel not connected, of a thickness equal to or greater than 0.5 mm	57	4
722530	Other flat-rolled products, other alloy steel, of width less than 600mm	100	3
940360	Other wooden furniture	42	3
841430	Air compressors	58	3
870322	Special vehicles for transporting people on golf courses and similar vehicles	4	2

The groups of products where losses have been registered vary, but it is possible to identify a few common features. In the United States and the European Union, the most important products

Table 2 (cont.)
Principal manufactured products in Brazil's total export losses to China (Percent)

		China's share in Brazil's total export losses	Product's share in Brazil's total loss to China
Mexico			
870891	Car radiators	43	10
847130	Machines for processing data	57	6
844390	Parts of printers	41	5
847330	Parts and accessories of machines for processing data	69	4
401110	Tires for passenger cars	35	3
847290	Other machinery and equipment for offices	40	2
691200	Ceramic dishes, other articles of household and hygiene articles or toilet	97	2
870839	Other parts and accessories for cars	25	2
871419	Other parts and accessories for motorcycles	62	2
844359	Other printing machines	60	2
Chile (2006 and 2007)			
720851	Flat-rolled products of iron or steel not connected	97	12
852520	Devices for radio transmitters and receivers	40	9
760429	Other bars and shapes, aluminum	100	6
720852	Flat-rolled products of iron or steel not connected	99	5
847160	Machines for processing data	93	3
852812	TV devices	91	3
870431	Motor vehicles for transport of goods, fully loaded weight not exceeding 5 tons	16	2
842810	And goods passenger lifts	49	2
690790	Tiles and slabs (slabs), ceramic - other	98	2
847149	Machines for processing data - presented in the form of systems	42	2

Sources: WITS System, and Center for External Sector Studies, IBRE.

are in the steel sector. In Mexico, automotive products are more prominent. In South American countries, transmitters, data processing equipment, automotive industry products, and home appliances are important.

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Blaming China for the fall in Brazilian exports of manufactured goods is a mistake. Instead, Brazil should improve the competitiveness and marketing of its manufacturing exports.

of its manufacturing exports. Nonetheless, it is essential to monitor the issue carefully. The results indicate that China has increased market share in some products in which Brazil had registered gains, such as steel and automotive products. 