



Changing Brazilian-Chinese Trade Relations?

OE Watch Commentary: The Brazilian economy (the largest in South America) has become somewhat dependent on exports to China. As the brief excerpt from the centrist Brazilian newspaper, *O Globo* points out, “the level of production and employment in 11 [Brazilian] states depend on the behavior of the Chinese economy.” While China has become the leading destination of Brazilian exports over the past decade, Chinese investments within Brazil have declined over the past two years. As the excerpt indicates, last year alone, China’s investments in Brazil dropped by 75 percent, going from \$11.3 billion in 2017 to \$2.8 billion in 2018.

The excerpt criticizes the government’s lack of a trade strategy toward China, its largest partner. It points out that the recently elected Bolsonaro administration is not focusing on the country’s objective interests and is instead fixed in an impractical mindset where China remains “an enigma in the Brazilian foreign policy.” The article advocates “evaluating the alternatives with China...in foreign policy that leads to the development of long-term strategies, with positive results in the production chains and the country’s level of employment.” As one of the founding members of BRICS, the new Brazilian government may end up taking a more pragmatic approach regarding its trade with China. **End OE Watch Commentary (Wedman)**

Source: “Brazil Has Yet to Formulate a Strategy Toward China, Its Main Partner.” *O Globo*, 15 January 2019. <https://oglobo.globo.com/opiniao/brasil-permanece-sem-estrategia-para-china-seu-maior-parceiro-23371621>

China has become the main destination of Brazilian exports in this decade. It buys more exports than the United States, the European Union, and Latin America. Overall, the level of production and employment in 11 states depends on the behavior of the Chinese economy. Recently, China reduced investments in Brazil. The investments amounted to \$2.8 billion last year, a 75 percent drop from \$11.3 billion in 2017. Even without considering the atypical flow in 2017, there was a significant reduction last year: 47 percent less than in 2016, when the investments amounted to \$5.3 billion.

Beijing defined a trading policy early in the millennium. It has advanced in the construction of a network of agreements, free trade, with the objective of guaranteeing the energy and food security of its 1.3 billion inhabitants. In Chinese pragmatism these agreements mean not only business but also a projection of political and economic power... On the other hand, Brazil has long defined priorities and the trend of the relationship with the United States, a historical ally and fundamental partner. China, however, remains an enigma in the Brazilian foreign policy.

According to O Globo, the signs issued by the current government suggest that China will remain a perennial foreign policy enigma. Jair Bolsonaro, President of Brazil, stressed his automatic alignment with Washington in the trade war with Beijing during his election campaign....



“China has become the main destination of Brazilian exports in this decade.”

Brazilian Soybean Exports, 2008.

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