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**BRAZIL-CHINA RELATIONS**

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**S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES  
SINGAPORE**

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## Abstract

Chinese leaders consider relations with Brazil to be of utmost importance. Brazil's vast reserves of natural resources, its massive agricultural sector and market potential for Chinese exports make Brazil one of China's top foreign policy priorities. Within the past decade, Sino-Brazilian ties have soared with trade reaching US\$22 billion in 2007 and Brazil becoming China's main South American trading partner. In early 2009, China even surpassed the United States as Brazil's largest trading partner with two-way trade reaching a staggering US\$43 billion. Both countries have cooperated in various sensitive technology sectors such as satellite and military technologies, and are expanding these exchanges. Today, Brazil accounts for 40 per cent of China's total agricultural exports and is therefore extremely important for food security of the Asian giant as well.

Many observers have argued that China's growing relations with Brazil is likely to lead to an alliance between the so-called "third world giants" to balance American and Western hegemony. While there are indeed several complementarities between the two emerging economies and while both countries share some common political beliefs regarding the international system, many issues of contention will remain and perhaps be aggravated as Sino-Brazilian ties develop. Alliances have very different meanings in the post-Cold War context, and they no longer imply rigid military and economic blocks confronting one another. The concept of "strategic partnership" is a better framework to look into new power relations in the 21<sup>st</sup> century.

Despite some tensions in Sino-Brazilian relations, both nations can be expected to grow closer to one another. The positive aspects of their relationship far outweigh the problems and tensions inherent in most relations among major powers. The Sino-Brazilian strategic partnership is likely to produce significant changes in the balance of power in the Americas. China's growing ties to Brazil, however, will not necessarily lead to a dramatic loss of influence for the United States. While China has gained an impressive economic presence in Brazil — and in the region — economic influence does not always translate into political and strategic dominance. The economic power of the United States remains the dominant force and its century old relationship with Brazil continues to have a strong appeal among the Brazilians. Arguably, China's growing influence in the Americas, to an extent, is a result of previous U.S. administrations' neglect of the region's needs and it remains to be seen what effect would a more attentive U.S. administration will have in facing China's growing influence in Latin America.

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## Brief History of Sino-Brazilian Relations

The first recorded contact between China and Brazil took place in 1812 when the Portuguese colonial government approached the Manchurians (1644-1912) to negotiate bringing Chinese labour from China to work in tea and sugar plantations in Brazil. Fear that their subjects would be used as slave labour led the Manchurian authorities to rebuff the Portuguese. Nevertheless, a few thousand Chinese made their way to Brazil through Macau, the Portuguese enclave in southern China. The two sides established official diplomatic relations on 5 September 1888 when the Treaty of Friendship, Trade and Navigation was signed in the northern city of Tientsin (Tianjin). Official relations notwithstanding, the turmoil that consumed China from the late 19<sup>th</sup> century until the mid-20<sup>th</sup> century made Sino-Brazilian ties sporadic and consisting primarily of small trade.<sup>1</sup>

Distance has always been a major obstacle to forging closer Sino-Brazilian ties. From 1949 to 1974, Brazil and the People's Republic of China (PRC) did not have diplomatic relations because the Brazilian government recognised the Chinese Nationalist (*Kuomintang*) government in Taiwan. Upon the establishment of the People's Republic in 1949, Brazil moved Ambassador Gasatao de Rio Branco to Japan and later to Taipei. Ambassador de Rio Branco is Brazil's most acclaimed diplomat, with the country's diplomatic school named after him. One of Brazil's most prestigious awards is the Orden de Rio Branco. Then, during the Cold War and well until the early 1980s, Brazil was ruled by a succession of military juntas very closely aligned to the United States.

In 1961, the moderate regime of Brazilian President Jcelino Kubitschek initiated a policy of normalising relations with the PRC, in the same year sending a commercial and trade delegation headed by Vice-President Joao Goulart to Beijing. However, in 1964 Goulart — who had succeeded Kubitschek — was deposed in a military coup. A Chinese delegation visiting Brazil at the time was arrested and deported. Brazil's decision in 1961 to have some form of official contact with the PRC was primarily motivated by a long-standing Brazilian desire to retain its strategic autonomy despite being at the time a close ally of the United States.<sup>2</sup> Such desire for strategic autonomy remains an important feature in Brazilian foreign policy today. The Kubitschek and Goulart administration were perhaps also more inclined to deal with China on ideological grounds since their governments were on the left wing.

The military government, which ruled Brazil from 1964 to 1985, developed a close relationship with Washington that showered the junta with military and financial support. The Brazilian military was, in Washington's view, the only guarantor against communist subversion in the Americas, which was then coming under the influence of the Soviet Union and its Cuban ally. From 1964 to 1985, Brazil remained firmly on the side of the American camp and only recognised the PRC after it normalised

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<sup>1</sup> Shixue Jiang, "The Panda Hugs the Tucano: China's Relations with Brazil," *China Brief*, May 15, 2009, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=34990&tx\\_ttnews%5BbackPid%5D=13&cHash=e592b37118](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=34990&tx_ttnews%5BbackPid%5D=13&cHash=e592b37118).

<sup>2</sup> FUGITA, Edomundo Sussumu "O Brasil e a China-uma parceria estrategica modelar" (China and Brazil a strategic partnership) in *Revista Politica Externa*. Sao Paulo. Paz e Terra, vol. II, number/4 – March-May 2003, p 59-70

relations with the United States. During this period, both sides exchanged ambassadors but few visits at the ministerial level took place.

From the outset of normalisation in 1974, Sino-Brazilian ties remained modest into the early 1990s since both countries had gone through a series of profound internal political and economic changes. While official contacts intensified in the 1980s with visits at the heads of state and ministerial level, Sino-Brazilian ties remained rather modest. As the power of China and Brazil expanded, so did the scope of their respective interests, thus eliminating what analysts call the "tyranny of distance" which had kept them separated for decades. China's economy grew at an impressive rate for nearly three decades, its need for raw materials — in particular energy resources such as gas and oil — but also iron, zinc, manganese and other minerals grew at an unprecedented rate. China had no choice but to aggressively look towards other regions in the globe for alternative sources of energy as well as markets and new areas of investment for its burgeoning business class. These forces pushed the Chinese into Africa, the Middle East and Latin America. Yet, Latin America remained a low priority due to its geographical remoteness and the absence of any meaningful links to China.

Similar factors delayed the maturation of Brazilian-Chinese ties on the Brazilian side. During the Cold War, Brazil's military governments enjoyed a privileged relationship with the United States. During this period, Brazil saw itself as the main American ally against communism in the Americas and remained so for the duration of the Cold War. While Brazil was a close ally of the United States, it also retained a significant degree of autonomy in conducting its foreign relations. Indeed, Brazil's insistence on maintaining its strategic autonomy is a central element of its national policy and one that continues to influence its foreign policy to this day.<sup>3</sup>

Until the early 1990s, Brazil was facing serious domestic challenges in managing its transition from decades of military rule to a democracy. The enormous distance separating both countries added more difficulties to strengthening the relationship. The differences in geography also meant that the two nations had different development priorities in the course of their development. Brazil was a regional power focusing on maintaining its regional influence and fostering good ties with its only challenger in the region — the United States — while the PRC focused most of its attention on domestic consolidation and its relations with the United States and the Asia Pacific.<sup>4</sup> As the two nations matured and consolidated, it was only natural that their relation would foster.

## **A Profitable Relation**

In international relations, in the absence of concrete common strategic interests, matters such as trade and economics tend to be the foundation on which to build closer relations. Yet, trade and

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<sup>3</sup> Georges D. Landau, "The Decision making Process in Foreign Policy: The Case of Brazil," *Center for Strategic and International Studies* (Washington, DC), March 2003

<sup>4</sup> Johnston, Alastair Iain; Ross, Robert S. "New Directions in the Study of China's Foreign Policy" Stanford University Press, March 2006

economic exchanges between Brazil and China remained insignificant until the late 1990s and so did their overall relationship

In the past, the absence of trade and common strategic interests prevented the two sides from overcoming geography and the lack of interest. Trade finally brought both nations together; Brazil's trade with China reached the US\$10 billion mark in 2005, making the South American country China's most important trading partner in Latin America. A year later, in 2006, trade between the two nations grew to an impressive US\$20 billion with Chinese President Hu Jintao and President Luis Inacio Lula Da Silva (Lula hereafter) pledging to double it in the next three years.<sup>5</sup> As of 2006, 143 Chinese companies were in Brazil while Brazil had 542 projects in China. By early 2007, China had become Brazil's third largest trading partner, with Brazil enjoying a trade surplus of US\$1.48 billion.<sup>6</sup> By May 2009, Hu and Lula had honoured the pledge they made in 2006 with Sino-Brazilian trade reaching US\$43 billion. In May 2009, China displaced the United States as Brazil's largest trading partner after more than 80 years of American dominance.<sup>7</sup> Since then, bilateral trade continued to grow reaching an impressive US\$85.4 billion in 2012.<sup>8</sup>

### Energy and Commodities

Brazil's natural richness has been widely coveted since colonial times. With a territory encompassing 8,511,685 square kilometres, Brazil is almost as large as China, with no deserts and bountiful of good and arable land, not to mention the biggest rain forest on the planet. In November 2007, the Brazilian state-owned company *Petróleo Brasileiro* (Petrobras) announced the discovery of new oil fields in the south of the country. The *Tupi* oil fields are estimated to contain the world's 7<sup>th</sup> largest reserves of oil and gas and can potentially transform an already self-sufficient Brazil into a major oil and energy exporter.<sup>9</sup> Brazil may become one of China's major energy suppliers, and for that reason an important guarantor of its economic prosperity.

Chinese state-owned oil company Sinopec has pledged to invest up to US\$1.7 billion in the construction of a major section of the 1,365-kilometer natural gas pipeline that will run from Macaes, in the interior of Brazil, to the port of Salvador. The project, *Gazene*, is estimated to cost US\$5 billion and will greatly enhance Brazil's production and transportation capacity.<sup>10</sup> In June 2013, Sinopec and

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<sup>5</sup> Brazilian Chinese Chamber of Commerce data released in early 2007

<sup>6</sup> De Sousa Anuary, "Brazil and China: An Uneasy Partnership," China-Latin America Task Force, Center for Hemispheric Policy, March-June 2006. University of Miami

<sup>7</sup> BBC, "Brazil and China forge closer trade ties," May 19, 2009, at <http://news.bbc.co.uk/2/hi/business/8057048.stm>

<sup>8</sup> Macauhub 'Comercio entre China e paises de lingua oficial Portuguesa atingiu 128.497 bilioes de dolares' (Trade between China and Portuguese speaking country's reached 128.497 billion dollars) 1 February 2013 at <http://www.macauhub.com.mo/pt/2013/02/01/comercio-entre-a-china-e-paises-de-lingua-portuguesa-atingiu-128-497-milhoes-de-dolares-em-2012/>

<sup>9</sup> Peter J. Meyer & Clare Ribando Seelke "Brazil-U.S. Relations" August 18, 2009, *Congressional Research Service*, Washington D. C : *Bloomberg*, "Petrobras "Tupi oil field may hold 8 billion barrels" November 8, 2007, <http://www.bloomberg.com/apps/news?pid=20601086&refer=news&sid=arYFojM6udEI>

<sup>10</sup> Macauhub "Petrobras and China Sinopec sign contract to build gas pipeline in Brazil" April 18 2006 at <http://www.macauhub.com.mo/en/2006/04/18/874/> : Pipe Line & Gas Journal "Petrobras, China sign \$10

Petrobras signed a letter of intent concerning the joint construction of a massive refinery in Brazil at an estimated cost of US\$20 billion. The refinery, to be constructed in the state of Maranhao, is aimed at meeting Brazil's rising oil demand. Once operational, the refinery will have the capacity to refine 300,000 barrels a day.<sup>11</sup> Brazil's current refining capacity stands at 1.9 billion barrels a day, and the Brazilian government is aiming to increase that capacity to 3 million tons by 2020. Additionally, Beijing has shown an interest in Brazil's large uranium reserves estimated at 309,000 million tons,<sup>12</sup> and as a sweetener offered potential contracts to Brazilian companies to participate in the construction of 10 new nuclear power plants in China.<sup>13</sup> In 2011, several Brazilian media outlets reported that Brazil was negotiating the sale of enriched uranium with China, France and South Korea.<sup>14</sup>

Yet, the possible sale of uranium to China caused serious concern in Washington and the United Nations, which forced both sides to abandon the idea. There have been concerns among the international community in recent years over the revival of the Brazilian nuclear research programme.<sup>15</sup> Fears of a Brazil armed with nuclear weapons date back to the 1980s when Brasilia considered acquiring nuclear weapons as an instrument to enhance its position and prestige as a world power. Since then, from time to time, rumors have emerged about an alleged Brazilian secret nuclear weapons programme.

The announcement on 8 August 2005 by the Brazilian Minister of Science and Technology Sergio Rezende that Brazil was planning to export enriched uranium and that China could be one of its destinations contributed to further negative speculation.<sup>16</sup> Some observers have hinted at the possibility of China having assisted Brazil with its nuclear weapons programme.<sup>17</sup> Yet there is no concrete evidence — publicly available — that indicates Brazil intends to acquire nuclear weapons, let

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billion deal) Vol. 236, No 6, June 2009 at <http://www.pipelineandgasjournal.com/petrobras-china-sign-10-billion-deal>

<sup>11</sup> *Energy Asia* "China: Sinopec in talks with Petrobras to build 300 000 b/d refinery in Brazil" June 22 2013 at <http://energyasia.com/public-stories/china-sinopec-in-talks-with-petrobras-to-build-300000-bd-refinery-in-brazil/> : Sinopec "Sinopec signed Letter of Intent of Joint Feasibility Study with Brazil's Petrobras on Refinery Project " June 21 2013 at <http://www.sinopecgroup.com/english/Sinopecnews/Pages/201306271016.aspx>

<sup>12</sup> *Diario do Nordeste* "Brasil tem um pré-sal de urânio a explorar" (Brazil possess large uranium reserves for exploration) April 9 2013 at <http://www.cdlfor.com.br/portal/pg/3114/dn-brasil-tem-um-presal-de-uranio-a-explorar/>

<sup>13</sup> *Gazeta Mercantil*, "China Quer Uranio do Brazil," (China wants to buy uranium from Brazil) May 27 2004 *A Folha* "Países discutem acordo na area de cooperacao militar" (countries negotiate military cooperation agreement) 26 May 2004: *Tribuna* "Brasil pode vender uranio a China" (China could sell uranium to Brazil) March 29 2004

<sup>14</sup> UOLNOTICIAS "Brazil Negoceia com China, Franca e Korea do Sul Venda de Uranio Enriquecido" (Brazil negotiates with China, France and South Korea enriched uranium sale", February 7 2011 at <http://economia.uol.com.br/ultimas-noticias/efe/2011/02/07/brasil-negocia-venda-de-uranio-enriquecido-com-china-franca-e-coreia-do-sul.jhtm> : *Veja* "Brasil negocia venda de urânio enriquecido a três países" (Brazil negotiates sale of enriched uranium to three countries) February 7, 2011

<sup>15</sup> Joseph Cirincione, "Deadly Arsenals: Tracking Weapons of Mass Destruction" Washington, DC: Carnegie Endowment for International Peace, 2002

<sup>16</sup> Carmen Gentil, "Brazil Fulfils its Nuclear Ambitions" *Security Watch*, June 16 2006, Zurich. Available at <http://www.isn.ethz.ch/news/sw/details.cfm?id=15856> and Joseph Cirincione, *Deadly Arsenals: Tracking Weapons of Mass Destruction* Washington, DC: Carnegie Endowment for International Peace, 2002

<sup>17</sup> Stephen Johnson, "Balancing China's influence in Latin America," Backgrounder #1888, October 24, 2005, The Heritage Foundation, <http://www.heritage.org/Research/LatinAmerica/bg1888.cfm>

alone cooperate with the Chinese in its development. Moreover, the International Atomic Energy (IAEA) authorised Brazil to enrich uranium to a 5 per cent level. To be sure, fears of a nuclear Brazil are sometimes the result of nationalistic rhetoric on the part of Brazilian politicians and other regional security dynamics; the country is unlikely to go nuclear.

### **Mineral and Extractive Industries**

While oil and gas are the main energy resources on the top of China's priorities, Chinese capital has ventured into other mining and extractive industries. In August 2007, China's largest steel maker Baosteel Group signed a Memorandum of Understanding (MOU) with Brazil's Companhia Vale do Rio Doce (CVRD) to build a steel plant in Brazil. The plant to be located in the state of Espírito Santo in the south-eastern region of the country is expected to have an initial capacity of 5 million tons a year. The Baosteel Group will be the majority shareholder in this joint venture with 80 per cent of the stake. According to Charles Tang, President of the Brazil-China Chamber of Commerce and Industry, other Chinese companies are likely to follow the Baosteel example in the near future.<sup>18</sup> Other major alliances include a US\$1.5 billion bauxite and alumina project by Brazilian company Mineracao Curimbaba and China Aluminium Industrial Investment in the state of Minas Gerais. Mineracao Curimbaba is a small enterprise with an annual output of 140,000 metric tons of processed ore; therefore, the Chinese are expected to fund most if not all of the joint venture.

To further facilitate energy exports from Brazil to resource thirsty China, in June 2006, Brazilian mining giant CVRD signed a US\$1.6 billion contract with China Rongsheng Shipbuilding and Heavy Industries to build 12 massive ore ship carriers. The ships have a capacity to transport 30.2 million metric tons of iron ore a year, which represents 31 per cent of CVRD exports to China in 2007.<sup>19</sup> Despite the world economic crisis, CVRD exports to China continued to grow and so did Sino-Brazilian trade. Chinese mining giant Minerals Corporation and Brazilian Gosipar launched a joint venture in February 2008 to construct a steel processing plant in the state of Para.<sup>20</sup>

In July 2009, Chinese steel giant Wuhan Iron & Steel (Wisco) confirmed its intention to build a steel processing plant in Porto Aco in the north of Rio de Janeiro. The project includes the construction of a port, which is expected to cost US\$5 billion, with a Brazilian company LLX in charge of port construction.<sup>21</sup> The plan will have an annual output of 5,000 tons and is expected to create 20,000

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<sup>18</sup> The author visited the Baosteel main factory in Shanghai in October 2006 and talked with various company officials. See also *People's Daily* "Baosteel and CVDR settle agreement on 2007 steel price" December 22 2006

<sup>19</sup> SINA "Shipbuilding deal inked", Aug 5 2008, <http://english.sina.com/business/p/2008/0804/176045.html>

<sup>20</sup> Announcement of the China Mineral Corporation, [Contract was signed on No. 3 blast furnace project for Cosipar Company in Brazil] 11 March 2008  
[http://www.minmetals.com/english/search\\_detail.jsp?article\\_millseconds=1228718954531&article\\_column=0734](http://www.minmetals.com/english/search_detail.jsp?article_millseconds=1228718954531&article_column=0734)

<sup>21</sup> *O Globo*, "China investe US\$ 4 bilioes no grupo de Eike Batista (China invest US\$ 4 billions in Eike Batista Company)", May 15 2009; *Valor*, "Eike Batista vai discutir usina de Acu com Wuhan (Eike Batista to discuss plant in Wuhan)" June 24, 2009.



jobs.<sup>22</sup> Wisco has also been offered the possibility of becoming a minority shareholder in the mining company MMX Sudeste, a subsidiary LLX by acquiring shares of up to US\$400 million. In May 2010, East China Nonferrous Prospecting Bureau — a Chinese state-owned company — acquired an iron ore mine in the state of Minas Gerais for an estimated US\$1.2 billion.<sup>23</sup> The mine is reported to have 500 million tonnes of proven reserves and 1,390 tonnes in probable reserves. In 2011, a consortium of five companies bought 15 per cent of the Brazilian mining company Companhia Brasileira de Metalurgia e Mineracao (CBMM) for US\$1.1 billion. CBMM is the world's largest producer of niobium, a rare metal with no replacement, used in the production of high grade steel.<sup>24</sup>

## Infrastructure

Development of Brazil's infrastructure is an area where China has great ambitions. Chinese companies have won significant contracts to build roads, railways, airports, ports, bridges, channels and major commercial projects. In 2007, Chinese telecommunication giant Huawei reported a profit of US\$1 billion from its operations in Brazil.<sup>25</sup> Huawei's Chinese rival Zhong Xing Telecommunication Equipment Company Limited (ZTE) has pledged to invest US\$2 billion in various projects throughout the country. Huawei has been present in Brazil since 1998 and is aggressively seeking to enter the local cell phone market by selling 1 million phones in 2008 and is expected to double the number by 2009. While these numbers represent a miniscule fraction of Brazil's large hand phone market, Huawei's profits have been doubling every year since 2006.<sup>26</sup>

In August 2009, two Chinese companies launched their bids for the bullet train project that will connect Sao Paulo, Campinas and Rio de Janeiro valued at US\$14 billion. The Chinese government has given strong support to these companies in their bid to win the contract by sending several ministerial delegations to lobby the Brazilians. Moreover, China's Changchun Railway Vehicles (CNR) — one of the companies bidding for the contract — has already sold 19 trains and 85 train cars to the Rio de Janeiro metro authority in the past. Strong lobby from Beijing and the fact that a Chinese company is already involved with the local metro authority and that Chinese companies won major railroad contracts in neighbouring Argentina may make the Chinese bid appear quite strong. Yet, the Chinese face stiff competition from European and Japanese companies.<sup>27</sup>

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<sup>22</sup> MarketWatch "Wuhan Steel going ahead with Brazil steel plant" July 4 2012 at <http://www.marketwatch.com/story/wuhan-steel-going-ahead-with-brazil-steel-plant-2012-07-04>

<sup>23</sup> Reuters "China Firm to Buy Brazil Iron Ore Mine for \$1.2 billion" March 24 2010 at <http://www.reuters.com/article/2010/03/24/brazil-iron-ece-idUSN2418544820100324>

<sup>24</sup> Merco Press "Chinese consortium acquires 15% of world's largest niobium producer in Brazil," September 6 2011 at <http://en.mercopress.com/2011/09/06/chinese-consortium-acquires-15-of-world-s-largest-niobium-producer-in-brazil>

<sup>25</sup> *Gazeta Mercantil*, "Huawei vende 1 milhão de modems e fatura US\$ 1 bilhão (Huawei sells one million modems worth US\$ 1 billion)," December 2, 2008

<sup>26</sup> Tele.sintes, "Huawei entra no mercado brasileiro de aparelhos celulares (Huawei entered the Brazilian market of mobile devices)," October 8 2010, available at <http://www.telesintese.com.br/huawei-entra-no-mercado-brasileiro-de-aparelhos-celulares/>

<sup>27</sup> *Valor*, "Chineses confirm ao decisao de construir siderurgica no Rio, diz Cabral (Chinese confirm the decision of constructing steel plant in Rio, says Cabral)," July 1 2009; *Jornal do Brasil*, "Chineses queren fazer trans bala (Chinese to bid for bullettrain)," August 6 2009; *O Globo*, "Cabral diz que Linha 1A do

In June 2013, China's National Development Bank announced a RMB15 billion (US\$6.5 billion) investment to develop major infrastructure projects in the state of Mato Grosso. The bulk of the money is to be invested in the development of several railroads and warehouses. More than 3,000 kilometers of rail network is to be constructed with Chinese funding. If the projects are implemented, Mato Grosso authorities believe that the state's capacity to move its large agricultural output to the sea will increase by 50 per cent.<sup>28</sup> However, Chinese investors have complained that excessive bureaucracy had slowed progress and prevented the implementation of several projects since 2010.<sup>29</sup> Indeed, observation on the ground seems to suggest that such projects are progressing in a modest manner.<sup>30</sup>

Brazil's infrastructure remains rather underdeveloped and as the country's economy continues to expand, the need for infrastructure is likely to become critical. Without serious investment in infrastructure, Brazil's economic development will be hindered. In an illustrative example, several Chinese companies had cancelled soya and other agricultural shipments from Brazil due to the long delays in the country's ports. These delays are the result of poor infrastructure, excessive bureaucracy and a certain degree of corruption. Despite these challenges, Brazil's desperate need for infrastructure is likely to attract Chinese investment in coming years.<sup>31</sup>

### Cooperation in Agriculture

The agricultural sector has emerged as one of the most important and lucrative sectors in Sino-Brazilian relations. Brazil is one of China's main suppliers of grain and soybeans. In 2006, Brazil's soybean exports to China reached 11.3 million tons, which represents an increase of 50 per cent from the previous year, making it the PRC's main supplier. In 2003, China became the largest importer of Brazilian agricultural products by bringing in US\$1.82 billion worth of products.<sup>32</sup> In March 2009,

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Metrô será entregue em Dezembro (Cabral says the Metro Line 1A will be delivered in December)," June 29 2009; ABN, "Chineses entram na disputa pela construção do trem bala (Chinese enter into the race for the construction of the bullet train,)" August 6 2009.

<sup>28</sup> *Xinhua* "Investimento na China Continua Buscando seu Caminho no Brasil" (Chinese investors continue to look for opportunities in Brazil) December 27 2011 at <http://br.china-embassy.org/por/zbqx/t890854.htm>; Canal do Produtor "China Deve Investir \$R 15 billion no Mato Grosso" (China could invest \$R 15 billion in Mato Grosso) June 13 2013 at <http://www.canaldoprodutor.com.br/comunicacao/noticias/china-deve-investir-r-15-bi-em-infraestrutura-no-mato-grosso>

<sup>29</sup> *Aprosoja* "Chineses Não Conseguem Investir em MT Por Causa da Burocracia" (Chinese Unable to Invest in Mato Grosso Due to Bureaucracy) June 28 2013 at [http://www.noticiasagricolas.com.br/noticias/agronegocio/122970-chineses-nao-conseguem-investir-em-mt-por-causa-da-burocracia.html#.Ug2\\_QSuDqJA](http://www.noticiasagricolas.com.br/noticias/agronegocio/122970-chineses-nao-conseguem-investir-em-mt-por-causa-da-burocracia.html#.Ug2_QSuDqJA)

<sup>30</sup> The author visited Brazil in March 2013 and visited several of the locations in which Chinese projects are reported.

<sup>31</sup> *Jornal Nacional* "China Cancela Compra de Soja do Brasil Por Causa de Atraso na Entrega" (China cancels soya buy due to late delivery) March 21 2013 at <http://g1.globo.com/jornal-nacional/noticia/2013/03/china-cancela-compra-de-soja-do-brasil-por-causa-do-atraso-na-entrega.html>; *Gazeta do Povo* (China Volta a Cancelar Compra de Soja do Brasil: Diz Blairo Maggi) (China cancels soya order from Brazil once again: says Blairo Maggi) April 19 2013 at <http://www.gazetadopovo.com.br/economia/conteudo.phtml?id=1364796&tit=China-volta-a-cancelar-compra-de-soja-do-Brasil-diz-Blairo-Maggi>

<sup>32</sup> *People's Daily*, "Brazil seeks to increase agricultural exports to China," November 4, 2003

according to statistics of the Brazilian Ministry of Agriculture, US\$5 billion (12.6 per cent) of the country's exports of agricultural products went to China. In 2007, pork exports to China were valued at US\$300 million and growing at an annual rate of 20 to 25 per cent.<sup>33</sup>

China is home to 22 per cent of the world's population; however, it possesses only 7 per cent of the planet's arable land. The country so far has been able to remain relatively self-sufficient in basic products of the Chinese diet such as rice and grain. Yet, China's growing economic power and the millions that join the middle and wealthy class every year poses considerable challenge to the country's much valued food self-reliance.<sup>34</sup> A wealthier China will likely demand and pay for a better and larger diet, which is unlikely to be met with just 7 per cent of the world's arable land.

In 1985, the Chinese were consuming 25 kilograms of meat a year; two decades later consumption reached 52 kilos and is expected to reach as high as 70 kilos by 2020.<sup>35</sup> The consumption of more agriculturally intensive products such as soybeans, potatoes and cereals has increased between 16 and 30 per cent in the past decade. Meanwhile, rice consumption is declining as the more wealthy urban population develops a taste for Western-style diet.

This increase in food consumption comes at a time when arable land in China is fast shrinking because of over-plantation and the loss of land due to environmental damage. The yearly movement of millions of Chinese peasants to the coastal cities in search of work is also likely to have an impact on domestic food production. Therefore, Brazil's role as one of the main food suppliers to the PRC is likely to increase in coming years and so will its importance to China's food security. Brazil is an agricultural powerhouse, exporting agricultural products worth US\$71 billion in 2008.<sup>36</sup> The country's enormous land mass and vast farmlands have caught the eye of a China eager to find fertile land abroad.

Chinese business interests have in the past two years begun to lease farmland in Brazil, with these leases ranging from small plots leased by small-scale family ventures to larger land leases by major agri-business groups. One such small group has invested US\$800,000 to lease land for soybean farming in the state of Rio Grande do Sul. So far, the largest investor in Brazil's agricultural sector is Zhu Zhangjin, the Chinese leather tycoon and CCP official, who has invested an estimated US\$50 million in Brazil's farmland. Zhangjin's company is also running a bio-fuel plant in central Brazil.<sup>37</sup> In

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<sup>33</sup> ESTADAO, "Brasil quer exportar carnes para reduzir déficit com a China (Brazil wants to export meat to reduce deficit with China)", available at <http://www.estadao.com.br/noticias/economia,brasil-quer-exportar-carnes-para-reduzir-deficit-com-a-china,284702,0.htm>

<sup>34</sup> *South China Morning Post* "China must invest abroad for food security, forum told" January 22 2013 at <http://www.scmp.com/business/economy/article/1133255/china-must-invest-abroad-food-security-forum-told> : *China Daily* "Food Security to be concern in 2012 " December 28 2011 at [http://www.chinadaily.com.cn/business/2011-12/28/content\\_14339516.htm](http://www.chinadaily.com.cn/business/2011-12/28/content_14339516.htm)

<sup>35</sup> Hongbo Liu and Claus Diblitz, "Determinants of meat consumption in China" Working Paper 40, December 2007, Asian Agribusiness Research Centre, Stuart University.

<sup>36</sup> *People's Daily*, "Brazil's agricultural exports hit record high in 2008," January 10, 2009, <http://english.people.com.cn/90001/90778/90858/90864/6571620.html>.

<sup>37</sup> Xinhua (Agricultores Chineses Começao a Produzir Soja no Brasil" (Chinese farmers began to produce soya in Brazil) May 4 2009 at <http://br.china-embassy.org/por/szxw/t560396.htm>

the past decade, China has also been steadily increasing its investments in overseas agriculture, particularly in Africa, as demonstrated by investments in Mozambique, Angola and Zambia.

In October 2009, the first major Chinese investment in Brazilian agriculture was announced when the state of Mato Grosso do Sul and Chinese company Jiangxi Sanhe International Investment signed a letter of intent allowing the Chinese to invest in state land. The agreement commits both sides to the development of various farming ventures.<sup>38</sup> Most of the land will be used to grow maize, soybeans and for raising cattle. Smaller portions will be dedicated to plant trees for timber. The project also expects to produce other products such as honey, butter and cheese.

The amount of land to be given to the Chinese was not specified, being dependent on the implementation of the various stages of the project. Jiangxi Sanhe International Investment officials said they might invest up to US\$1 billion depending on conditions. The Chinese will invest financially while the Brazilian side is expected to provide land and basic infrastructure. The project is expected to create up to 10,000 jobs for the state. The state of Mato Grosso do Sul will also contribute agricultural scientists and experts in cattle-raising. As the world's largest beef producer and exporter, Brazil is advanced in cattle breeding technology.

In 2011, Brazilian media citing the U.S. Department of Agriculture reported that the Chinese group Chongqing co-signed a US\$2.5 billion agreement to produce soya in the state of Baia. The reports did not specify the size of land to be utilised by the Chinese company.<sup>39</sup> There have been several reports concerning China's interest in Brazilian farmland with claims that thousands of hectares have been leased to China. However, actual details on the location and dimensions of such land acquisitions remain patchy.

China is not alone in this emerging "land grab"; Japan possess 1.2 million hectares of land abroad, which is three times the land used for agriculture in Japan itself.<sup>40</sup> South Korea also acquired substantial land leases in Latin America and Southeast Asia.<sup>41</sup> While Brazil has plenty of land, ownership and the right to work on the land is a major social issue, as demonstrated by the massive popular movement *Sem Terra* (the landless people). It is a movement of hundreds of thousands of landless farmers demanding a fair distribution of land through the reduction of the holdings of Brazil's

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<sup>38</sup> *Porta Oficial do Governo do Estado de Mato Grosso do Sul* (Official portal of the State Government of Mato Grosso do Sul), "Grupo chinês quer investir em agropecuária e silvicultura no Estado," (Chinese company wants to invest in agriculture and pig farms in the state) October 22 2009, <http://www.ms.gov.br/>.

<sup>39</sup> *New York Times* "Chinese interest in Farmland Makes Brazil Nervous" May 27 2011 at [http://www.cnbc.com/id/43197816/China\\_s\\_Interest\\_in\\_Farmland\\_Makes\\_Brazil\\_Nervous](http://www.cnbc.com/id/43197816/China_s_Interest_in_Farmland_Makes_Brazil_Nervous)

<sup>40</sup> Lorenzo Cotula, Sonja Vermeulen, Rebeca Leonard and James Keeley, "Land grab or development opportunity? Agricultural investment and international land deals in Africa", Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development (IFAD), the International Institute for Environment and Development (IIED), 2009

<sup>41</sup> *Bloomberg*, "Japan to Promote Farm Investment Overseas for Food Security," April 26, 2009, <http://www.bloomberg.com/apps/news?pid=20601012&sid=akj4F3JyDUrj>; *U.S. News and World Report*, "Countries are retting farmland abroad," June 12, 2008; *Economic Times*, "Indian companies by land abroad for agriculture production," January 2, 2010, <http://farmlandgrab.org/10070/comment-page-1>.

land barons and redistributing it to poor farmers.<sup>42</sup> While China has assured the countries where it has such farms that it will create jobs for local peasants and make foodstuff cheaper to benefit the poor, it remains to be seen how Brazil's popular land movements like the *Sem Terra* would react to large Chinese land leases. According to the Brazilian government, by 2012, US\$60 billion worth of land will have been leased to foreign interests. Several reports critical of China's intentions to acquire Brazilian land have begun to appear.

## Tourism

Tourism is another area that can bring significant benefits to both countries, particularly for Brazil. In 2004, 14,000 Chinese tourists visited Brazil; by 2010 the number grew to 378,000. According to the Brazilian tourism journal, the number reached 659,000 in 2012. In 2004, an estimated 17,000 Brazilians visited China with the number reaching 38,000 in 2007.<sup>43</sup> Proportionally speaking, more Brazilians visit China than Chinese visit Brazil — a situation likely to change in the near future. An estimated 150,000 Chinese visit South America every year and Brazil is eager to get a higher share in that market.<sup>44</sup>

According to the Brazilian Ministry of Tourism, Brazil has much to gain from Chinese tourists for they tend to spend an average of US\$107 a day, which is US\$2 less than American tourists and slightly more than European tourists.<sup>45</sup> In 2008, during a visit to China, the Brazilian Minister for Tourism Marta Suplicy stated that one of her main priorities was to increase the number of flights from China to Brazil from three a week to a daily flight by 2011 to boost tourism.<sup>46</sup> In order to promote Brazil as a tourist destination, the Brazilian Ministry of Tourism announced that it intends to spend US\$18 million in a promotion campaign in China between 2010 and 2012.

Expecting a surge in tourists during the run-up for the soccer world cup in 2014 and the 2016 Olympics, both to be hosted by Brazil, Chinese and Brazilian companies have begun preparing themselves for major investments in tourism-related infrastructure such as hotels and entertainment centres. The number of Chinese tourists going abroad has been growing at a fast rate since the late 1990s and reaching 41 million in 2007, an 18 per cent increase from the previous year. In 2009, 46 million Chinese tourists travelled abroad and the number is expected to increase even further as the world economy recovers. In 2007, Brazil received 120,000 Chinese tourists, a small fraction of the

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<sup>42</sup> Sergio Antônio Görgen, *Uma Foice longe da Terra: A Repressão aos Sem Terra nas Ruas de Porto Alegre (A sickle far from the land: the repression of the landless people in the streets of Porto Alegre)*, Verbo, 1991; Nicholas Coronel Viteri, *The Conflict Over Land Reform in Rural Brazil*. Vdm Verlag, 2008.

<sup>43</sup> The author is grateful to the Brazilian Consulate in Shanghai for providing the data concerning tourism inflows from Brazil and China. (It was not an interview. He just gave me a paper containing the data.)

<sup>44</sup> *Jornal de Turismo*, "Número de Turistas Chineses no Brasil Dobra" (Number of Chinese tourists in Brazil doubles) May 27 2013 at <http://www.jornaldeturismo.tur.br/noticias/brasil/51675-numero-de-turistas-vindos-da-china-praticamente-dobra-nos-ultimos-dois-anos>

<sup>45</sup> Data provided to the author by an official from the Brazilian Ministry of Tourism; *Revista Turismo* "Turistas Chineses Aumentao no Brasil," (Chinese tourists increase in Brazil) 5 de Agosto 2008.

<sup>46</sup> Ministerio do Turismo (Ministry of Tourism, Brazil), "Ampliação do número de vôos entre Brasil e China é destaque na agenda da ministra do Turismo em Pequim" (Increase of flights between Brazil and China a the top of minister of tourism agenda in Beijing) March 24 2008, <http://www.turismo.gov.br/turismo/home.html>.

immense wave of Chinese tourists going worldwide. Brazilian tourism officials believe that they could reach half a million tourists just before the soccer world cup in 2014. As stated by a Brazilian Ministry of Tourism official: "We can benefit quite a lot from the growing millions of Chinese going overseas. It's just a matter of more publicity and branding. Everyone in China knows about Brazil, soccer, carnival, beaches and so on. They just need to know how best to get here."<sup>47</sup>

### **Among Equals?**

China's relations with other developing countries tend to be characterised as a one-sided distortion of the economic relationship. These relations are allegedly marked by significant Chinese investment in the energy sector, particularly in oil and gas, and also in other resources such as nickel, zinc, manganese, timber et cetera. Africa exports natural resources and unprocessed goods such as agricultural products and fisheries to China, while importing from China cheap consumer goods such as garments, textiles, electric products and machinery.<sup>48</sup> It should be noted that such views, while accurate to a certain extent, are rather simplistic, and this phenomenon is not peculiar to China's relations with the developing world, but is rather common in the interactions of Western powers such as the United States and the European Union with African and South American countries.

Despite the fact that China and Brazil are defined as developing nations and identify themselves as such, both nations are pivotal states in their own right. After three decades of economic reform, China is now referred by some as a quasi-super power.<sup>49</sup> With the world's second largest economy and rapidly modernising military, China is undoubtedly a force to be reckoned with. While Brazil is not exactly in the same league as China, it possesses the world's 10<sup>th</sup> largest economy, a modern technology and industrial complex and vast natural resources, and it is likely to emerge as one of the major powers of the 21<sup>st</sup> century.

Therefore, the sheer size and power of the two nations make Sino-Brazilian ties less asymmetric and unequal than China's relations with other Latin American, African and Asian nations. This relative equality has facilitated mutual understanding and respect. While China has invested significantly in extractive industries in Africa and beyond, there is no significant investment, if any at all, from this part of the world into China. Brazil is an exception. China has indeed invested and pledged to invest billions in Brazil's vast natural resources sector, particularly in gas and oil exploration and mining. What is less known is that some Brazilian companies such as CVRD are far more powerful than their Chinese counterparts and have invested significantly in China's mining sector.

In March 2007, Roger Agnelli, chief executive officer of the Brazilian iron ore giant Companhia Vale de Rio Doce (CVRD), the world's number one, announced the company's plans to invest a massive

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<sup>47</sup> Interview with Manuel Edilson, Braga Brazilian Ministry of Tourism, August 2008, Beijing

<sup>48</sup> Boadman, C, B "Chinese African trade and investment: The vanguard of south-south commerce in the 21st century" in *China into Africa: Trade, Aid, and Influence*, ed R I Rotberg, 2008, Brookings Institute Press, Washington D.C

<sup>49</sup> Willy Lam, "China's Quasi-super Diplomacy: Prospects and Pitfalls," The Jamestown Foundation, September 2009.

US\$6.5 billion to boost its operations in China, in particular its nickel and coal mining operations. CVRD has so far invested US\$65 million in a major mining project in the north-eastern coastal city of Dalian; the mine is reported to have an initial capacity of 32,000 tons of nickel products a year.<sup>50</sup> Other CVRD projects include a steel meal in Guangdong province. CVRD iron ore output is expected to reach 300 million tons by late 2007 and a third of the production is most likely destined to the Chinese market.

Brazilian companies have been increasing their investments in China. Major Brazilian companies such as Mecanica Pesada do Brazil have won lucrative contracts in the Three Gorges Dam project. Mecanica Pesada is involved in major aspects of the construction such as the building of components for eight gas turbines — one of the most vital elements of the project. Other Brazilian companies involved in the Three Gorges Dam are Aloston Energia do Brasil, Voith Sciences do Brasil and Sade Vigesa.<sup>51</sup>

In its relations with other developing nations, China normally assumes the role of a provider of advance technology and know-how. Usually Chinese scientists and other experts are sent to various developing nations to assist these countries modernise their industries. Beijing also routinely provides numerous scholarships for foreign students to attend studies in China. Due to the highly advanced nature of some sectors of Brazil's industrial and technology complex, China has on many occasions found itself in the position of the receiver of knowledge rather than the giver.<sup>52</sup> Brazil's access to Western technology and in particular American, German and French technologies has given it an edge over China in certain areas such as aviation, remote censoring, bio-genetics, robotics and medicine.

China and Brazil have launched three jointly developed satellites and two more are under development, with the PRC funding 70 per cent of the costs while Brazil is expected to cover the remainder 30 per cent.<sup>53</sup> Brazil's major aviation and arms manufacturing company ENBRAER and China Aviation Industry Corporation II (AVIC II) have jointly developed a medium transport turbojet aircraft.<sup>54</sup> The plant located in Harbin has a reported yearly capacity to produce 20 to 25 aircraft of 30-50 seats, with a flying range of 3,000 kilometers and a ceiling of 11,000 meters. As of 2005, 20

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<sup>50</sup> *China Daily*, "CVRD to boost investment in China," February 9, 2007; China National Space Administration, "China's Space Activities in 2006," White Paper, October 10 2006

<sup>51</sup> In all 15 countries are involved in the Three Gorges dam project, Brazil is the only developing nation where companies were involved in the mega project. The list of countries and financial institutions involved was provided to the author in May 2009 in Geneva by a Swiss diplomat.

<sup>52</sup> Ashish Arora and Alfonso Gambardella, *From Underdogs to Tigers: The Rise and Growth of the Software Industry in Brazil, China, India, Ireland, and Israel* 2006

<sup>53</sup> Jeffrey Logan, "China's Space Program: Options for U.S-China Cooperation," Congressional Research Service, September 29, 2008, Washington D.C.; *Space Daily*, "Brazil to deepen space cooperation with China," March 27, 2008, at [http://www.spacedaily.com/reports/Brazil\\_To\\_Deepen\\_Space\\_Cooperation\\_With\\_China\\_999.html](http://www.spacedaily.com/reports/Brazil_To_Deepen_Space_Cooperation_With_China_999.html); China Space Technology Newsletter, "China Brazil second earth recourse satellite," NO 231, August 10, 2000, The Ministry of Science and Technology of the People's Republic of China.

<sup>54</sup> EMBRAER News Release, "China Eastern Airlines Takes Delivery of its first ERJ 145 jet," August 29, 2005, Sao Joao dos Campos Brazil, available at [http://www1.embraer.com.br/institucional/download/2\\_074-Com-VPC-China\\_Eastern\\_Delivery-I-05.pdf](http://www1.embraer.com.br/institucional/download/2_074-Com-VPC-China_Eastern_Delivery-I-05.pdf)

aircraft have been sold to Chinese airlines, with China proposing to buy another 90 in coming years. By the end of 2008, sales have more than doubled with China accounting for 15 per cent of EMBRAER exports — its second largest market after the EU.<sup>55</sup>

China is Brazil's fifth largest export market for automobiles, with General Motors do Brazil and bus and minibus manufacturer Marcopolo in the lead. In 2006, Brazilian automobile exports to China reached US\$1.4 billion. Other Brazilian companies in the automobile industry include Weg and Maxicom.

China's relations with Brazil have certain elements that differentiate it from the relations China has with other developing nations in Latin America, Africa and Asia. While China has assisted Brazil in several areas of advance technology, such as satellites and rocket propulsion, Brazil has also assisted China in certain areas such as remote censoring, deep water drilling, aviation and various aspects of agricultural science. Indeed, Brazil seems to have so far assisted Chinese science to a greater extent than China has assisted Brazil. Until 2005, Brazil's FDI into China had been greater than Chinese FDI into Brazil; however this trend started to change. Between 2007 and 2012, Chinese investment in Brazil reached an impressive US\$24 billion with Chinese companies implementing 65 per cent of the investment pledges made in 2007.<sup>56</sup> The fact that Chinese companies have a high rate of implementation in terms of their pledges of investment has won the Chinese government and companies a good reputation. As noted by a Brazilian diplomat: "When the Chinese say they are going to bring money they do, when they say this road will be done in May it will be done in January. Not like others who talk a lot."<sup>57</sup>

### **Defence and Military Cooperation**

Until just a few years ago, Sino-Brazilian military ties were confined to visits by defence officials from both countries and the sporadic exchange of students. However, since President Lula's election in 2002, defence and military cooperation has witnessed some expansion. While still primarily confined to training and official visits, Sino-Brazilian defence ties now include technology cooperation and transfers, cyber warfare and communications.

There have been reports emanating from U.S. intelligence sources dating back to 2004 claiming that both countries have also been cooperating in sensitive military technology areas such as ballistic missiles, remote censoring and advanced communications. According to these reports, Brazil provided the PRC with remote censoring technology in exchange for Chinese missiles and certain

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<sup>55</sup> ESTADAO, "Acidente com avião da Embraer na China ocorre em meio a negociações (Accident with Embraer aircraft in China comes amid negotiations)", August 25, 2010  
[http://economia.estadao.com.br/noticias/not\\_33008.htm](http://economia.estadao.com.br/noticias/not_33008.htm)

<sup>56</sup> MacaHub "Chinese direct investment in Brazil reaches a total of \$24 billion" November 27 2012 at  
<http://www.macaHub.com.mo/en/2012/11/21/chinese-direct-investment-in-brazil-reaches-a-total-of-us24-billion/>

<sup>57</sup> Interview with Augusto Soares Junior , October 2010



space related know-how (no means of verification).<sup>58</sup> Brazil is reported to have gained valuable knowledge on rocket development, which is an area its military scientists have struggled to master as demonstrated by several failed launches and accidents in the past two decades.<sup>59</sup>

Considering the advanced state of both nation's military industrial complexes and the reluctance of Western nations to supply developing nations with sensitive technology, particularly to rising powers, such reports continue to cause some apprehension.<sup>60</sup> Taking into account the dual nature of many of these technologies, their ongoing cooperation in the field of civil space and aviation further reinforce such a scenario in the minds of some observers. For instance, rocket technology can be used to launch weather satellites as well as military satellites, and it is a vital component of ballistic missiles. Satellites are also important for intelligence gathering and command control.

An example of the closeness of Sino-Brazilian military ties came to light in May 2009 when Brazilian defence minister Nelson Jomim announced in an interview with the *Defesa@net* that Chinese naval fighter pilots would be trained in the Brazilian aircraft carrier *Sao Paulo*.<sup>61</sup> Jomim's announcement came shortly after a senior Chinese military official publicly stated Beijing's intention to acquire an aircraft carrier in the near future.<sup>62</sup> Bear in mind that only 10 countries in the world possess an aircraft carrier and most of them may be considered close U.S. allies. In 2011, China launched its first aircraft carrier, a refurbished and modernised old Soviet aircraft carrier built in the 1980s.<sup>63</sup> The Brazilian gesture attests to the importance of Brazil as a source of military technology and expertise for the Chinese. According to a U.S. source, China may pay the costs of refurbishing the *Sao Paulo* in exchange for valuable carrier pilot training no other country is apparently willing to provide.<sup>64</sup> As China plans to build several more aircraft carriers in the future, cooperation with the Brazilian navy is likely to continue due to the fact that there are no other nations willing to share their aircraft carrier operation expertise with the Chinese.<sup>65</sup> There have been reports that China may be assisting the Brazilian navy

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<sup>58</sup> Peter Brookes, "China's influence in the Western Hemisphere", April 19 2005, The Heritage Foundation; Marcia S. Smith and Industry Division "China's Space Program: An Overview" *Congressional Research Service*, October 18, 2005.

<sup>59</sup> Interview with a former head of the China desk at the US Defense Department, September 2005, Honolulu, Hawaii;

<sup>60</sup> Shirley A. Kan, "China's proliferation of Weapons of Mass Destruction and Missiles: Policy Issues," July 27, 2009, *Congressional Research Service*, Washington D.C., Joseph Cirincione, "Deadly Arsenals: Tracking Weapons of Mass Destruction," Washington, D.C., Carnegie Endowment for International Peace, 2002: 352-355; Michael V Smith, "China's Space Program an Overview "" CRS Report for Congress, October 21 2003

<sup>61</sup> DEFESA@NET, Interview with Brazilian Minister of Defense Nelson Jomim, May 12, 2009 (In Portuguese), [http://www.defesanet.com.br/md1/jobim\\_11.htm](http://www.defesanet.com.br/md1/jobim_11.htm).

<sup>62</sup> *The Telegraph* "China must build aircraft carrier 'soon' military says" May 6 2009 at <http://www.telegraph.co.uk/news/worldnews/asia/china/4946624/China-must-build-aircraft-carrier-soon-military-says.html> ; For a comprehensive and detailed analysis of the Chinese aircraft carrier program see the award winning article by Ian Storey and You Ji, "China's aircraft carrier ambitions: Seeking truth from rumors," *Naval War College Review*, Winter, 2004.

<sup>63</sup> *Xinhua* "China's first aircraft carrier leaves port for sea trials" June 11 2013 at [http://news.xinhuanet.com/english/china/2013-06/11/c\\_132447284.htm](http://news.xinhuanet.com/english/china/2013-06/11/c_132447284.htm)

<sup>64</sup> Russell Hsiao, "PLAN Officers to Train on Brazilian Aircraft Carrier," *China Brief*, [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=35116&tx\\_ttnews%5BbackPid%5D=414&no\\_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=35116&tx_ttnews%5BbackPid%5D=414&no_cache=1)

<sup>65</sup> *The Diplomat* "Keeping China's second aircraft carrier in perspective" August 5 2013 at <http://thediplomat.com/flashpoints-blog/2013/08/05/keeping-chinas-second-aircraft-carrier-in-perspective/> ;

in building its first nuclear submarine. China built its first nuclear submarine in the 1980s and several more in the past decade. However, Brazil seems to be relying more on France and Germany for assistance.<sup>66</sup>

The Federation of American Scientists describes the Chinese missile programme as a pocket of excellence. China has also made some significant progress in submarine technology and in satellite and space systems.<sup>67</sup> Brazil is keen to obtain these technologies from China.

China also possesses some advantages over many of its competitors. China offers very generous “friendship prices” and flexible modes of payment. Perhaps the most attractive element of Chinese weapons sales is its willingness to transfer technology to its partners.<sup>68</sup> China has assisted several African and Asian countries in establishing their own industry such as the case of Sudan where Chinese experts assembled light weapons factory for the Khartoum government.<sup>69</sup> Perhaps, more important for emerging powers is the fact that China is willing to transfer some sensitive technology such as ballistic missiles. The most well-known case of China transferring such technology is the case of Saudi Arabia and Pakistan.

In 2011, the new Brazilian President Dilma Rousseff, a protégé of Lula, signed several agreements in the area of defence technology cooperation during a visit to Beijing. The agreements covered issues such as cooperation in defence technologies, military education, peacekeeping operations and information sharing. During the visit, Brazilian minister for development Fernando Pimentel stated that as a result of the various agreements signed, China was expected to invest US\$1 billion in Brazil’s R&D sector. Both sides announced their intention to establish a Brazil-China Centre for Technological Innovation.<sup>70</sup> These agreements would allow Beijing greater access to Brazilian technological know-how and indirectly to Western technology, while Brazil will benefit from the much needed funding and Chinese expertise in areas the West is reluctant to assist.

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*The Diplomat* “Was is China building more aircraft carriers” August 5 2013 at <http://thediplomat.com/the-naval-diplomat/2013/08/05/why-china-is-building-more-aircraft-carriers/>

<sup>66</sup> UPI “Brazil nuclear submarine project well on way” March 4 2013 at [http://www.upi.com/Business\\_News/Security-Industry/2013/03/04/Brazils-submarine-project-well-on-way/UPI-76321362436162/](http://www.upi.com/Business_News/Security-Industry/2013/03/04/Brazils-submarine-project-well-on-way/UPI-76321362436162/); Arms Control Association “Brazil moves towards nuclear submarine” April 2 2013 at [http://www.armscontrol.org/act/2013\\_04/Brazil-Moves-Toward-Nuclear-Submarine](http://www.armscontrol.org/act/2013_04/Brazil-Moves-Toward-Nuclear-Submarine)

<sup>67</sup> Andrew Feickert “Missile Survey: Ballistic and Cruise Missiles of Selected Foreign Countries ” *Congressional Research Service*, July 28 2005 : Peter Howorth, *China’s Rising Sea Power: The PLA Navy’s Submarine Challenge* , Oxford University Press, 2008

<sup>68</sup> Daniel Byman & Roger Clift *China s Arms Sales: Motivations and Implications*, The RAND Corporation, 1999

<sup>69</sup> David Chin “China’s Military Cooperation with Africa” in *China into Africa: Trade, Aid, and Influence*, Robert I. Rotberg, 2008, Brookings Institute Press, Washington D.C

<sup>70</sup> *O Globo* “Dilma assina acordos de cooperacao na China (Dilma sign co-operation agreements in China)” April 12 2011 at <http://g1.globo.com/politica/noticia/2011/04/dilma-assina-acordos-comerciais-na-china.html>; Ministry of Science Technology and Innovation (Brazil) “Brasil e China inauguram centro de nanotecnologia e refinam consensos (Brazil and China inaugurated nanotechnology center and refine consensus” September 8 2012 at <http://www.mct.gov.br/index.php/content/view/341333.html>

## Balance of Power

Brazil is Latin America's most influential country and its presence is increasingly being felt well beyond the Americas. In the last decade, Brazil's presence in Africa has increased dramatically, in many instances seriously competing with the former colonial powers who traditionally dominated many of the African states for decades after independence; Angola and Mozambique are cases in point. Coincidentally, Brazil's influence has been growing in precisely the same regions where China also has vital interests. For instance, Angola is China's single major oil supplier and its largest trading partner on the African continent.<sup>71</sup> Several Sino-Brazilian joint ventures are now active throughout Africa, particularly in former Portuguese colonies where Brazil has built a substantial network — a process that was facilitated by a common language and cultural similarities. The realisation of their respective power capabilities and the expansion of their interests have led to increasing coordination between Beijing and Brasília on major policy issues.

China has been sympathetic to Brazil's aspirations to become more than just a regional power, duly supporting Brazil's ambitions to become a permanent member of the UN Security Council and supported its candidacy for high posts in international organisations. Both nations have closely coordinated positions on major issues such as trade, environment, human rights and the role of the United Nations.

In the run-up to the Copenhagen Summit on environment, Chinese and Brazilian government officials met to coordinate their positions and objectives.<sup>72</sup> According to a statement by the Chinese Foreign Ministry, the two nations were engaged in consultations in order to prevent the wealthy countries from making decisions that were detrimental to the interests of developing nations.

The two countries share similar positions on major international issues such as the alleged unfair international trade system, barriers and tariffs unjust to the third world and other issues such as Iraq.<sup>73</sup> Brazil is a staunch adherent of the "one China" policy and subscribes to the Chinese principle of "non-interference in the internal affairs" of other sovereign nations. Beijing has also lent its support in other issues important to Brazil, such as supporting Brazil's successful bid to host the Olympic Games in 2016 and its successful bid to host the 2014 soccer world cup.

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<sup>71</sup> *China Daily* "Angola China's largest African trade partner" January 19 2009 at [http://www.chinadaily.com.cn/china/2009-01/19/content\\_7407941.htm](http://www.chinadaily.com.cn/china/2009-01/19/content_7407941.htm) accessed October 8 2009; Dilma Esteves book, *Angola Almedina* (in Portuguese), 2008. In English see Indira Campos and Alex Vines "Angola and China: A Pragmatic Partnership, Center for Strategic and International Studies (CSIS) Report, June 4 2008, Washington D.C

<sup>72</sup> *NoticiasAgrícolas*, "Brasil e China fecham acordo para pressionar países ricos na conferência do clima em Copenhague (Brazil and China close according to press rich countries at the climate conference in Copenhague)" December 17 2009, at <http://www.noticiasagricolas.com.br/noticias/meio-ambiente/59389-brasil-e-china-fecham-acordo-para-pressionar-paises-ricos-na-conferencia-do-clima-em-copenhague.html#.VPxk4E0cRjo>

<sup>73</sup> *People's Daily*, "China, Brazil issue joint communicate," May 25' 2004; *China Daily*, "Brazil sees market economy in China," May 25' 2004; BBC, "Brazil wins China trade support," May 28, 2004, at <http://news.bbc.co.uk/2/hi/business/3756635.stm>

A closer analysis of Chinese and Brazilian foreign policies shows remarkable similarity between the two nations. Both Brasilia and Beijing desire a multi-polar world order, subscribe to the principle of non-interference in the domestic affairs of other countries and the peaceful resolution of disputes.<sup>74</sup> Since the advent of the Lula administration, Brazil has closely embraced the concept of "South-South Cooperation (SSC)," which is also an important element in Chinese diplomatic rhetoric. The concept of SSC is based on the idea that developing nations can assist and learn from one another, and that the developed world (the North) does not necessarily always have the best solutions. Hence Brazil's close ties with other large developing nations such as India, Russia and Iran. President Lula caused some consternation in Washington when he defended Iran's right to enrich uranium during a visit by Iranian Former President Mahmoud Ahmadinejad to Brazil in November 2009.<sup>75</sup> It is worth noting that the Brazilian president stated that Iran had the right to enrich for peaceful ends such as the generation of energy for civilian use.

Yet, Lula's position needs to be viewed in the context of Brazil's own nuclear programme. As mentioned above, the IEA and other international organizations have in the past raised issues concerning Brazil's own uranium enrichment programme and its long interest in the bomb. Therefore, the Lula administration's position on Iran may lead to speculation that Brazil has similar plans in the future and is therefore unwilling to criticize Iran for it and undermine its own future position. Brazil's position on Iran is much closer to that of China and Russia than it is to Washington's stance on the issue.

Several Brazilian diplomats, however, expressed the view that Brazil is unlikely to acquire the bomb any time in the near future. Several reasons compel Brazil not to acquire nuclear weapons: First, Brazil is bound by the treaty of Tracolouco signed in April 1969 that commits 32 nations in the region not to develop nuclear weapons; breaking the treaty is likely to bring severe international and regional sanctions against Brazil. If Brazil was to go nuclear, it is quite unlikely that Argentina, a country that possesses nuclear reactors for civilian use, will not follow suit and acquire its own devices. Other countries such as Chile and Venezuela could easily start their own nuclear weapons programme. This would be a nightmare scenario for Brazil and one that it would want to avoid.

The occasional references to acquiring nuclear weapons made by Brazilian politicians and military officers have more of a propaganda objective than reflecting any concrete plan to acquire nuclear weapons any time soon. This propaganda exercise serves three main purposes: First, it allows Brazil to remind the world that it has the ability to produce such weapons of mass destruction, weapons that until recently was associated with great powers. Second, it deters other countries in the region from going down the nuclear path. It also allows Brazil to enjoy a kind of latent nuclear power status by

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<sup>74</sup> Georges D. Landau, "The Decision-making Process in Foreign Policy: The Case of Brazil," *Centre for Strategic and International Studies*: Washington, DC: March 2003.

<sup>75</sup> *Time* "Ahmadinejad in Brazil: Why Lula Defies the U.S." November 25 2009

retaining the ability to produce a nuclear bomb if it so chooses, but without having to go all the way and cross the nuclear threshold.<sup>76</sup> Lula's and Chavez's disdain for one another is hardly a secret.<sup>77</sup>

Another explanation for Brazil's position on Iran may have to do with Brazil's own perception as an aspiring major power in world affairs. Brazil's stance on the Iran nuclear issue may have more to do with the country's eagerness to affirm itself as an independent player rather than to do anything with its nuclear ambitions. Former President Lula was quite aware that his preannouncements on Iran and his dealings with its leader attracts significant international attention and raises the Brazilian President's profile. By taking a contrary position to Washington and the European Union, Brazil is affirming its independence on the world stage and demonstrating to its neighbours that it is a great power independent of the United States. Lula has been criticised by some factions in his party for being too accommodating towards the United States and not doing enough to assert Brazilian influence in the region. Lula's position on this and other issues upon which he disagreed with Washington may also be an attempt to reduce the late Venezuelan President Hugo Chavez's appeal in the region and placate the more left wing elements within his own Worker's Party.

Lula appears to have been walking a very fine line; on the one hand he wanted to affirm Brazil's place on the world stage by exercising an independent foreign policy that forges close ties with the PRC, India and Russia and thus enthusiastically supports the BRIC block. This strategy clearly gives Brazil greater influence on the world stage and increases its leverage with Washington. On the other hand, Brazil cannot afford to have tense relations with the United States, a country vital to Brazil's economy and future prosperity. This balancing act explains Brazil's rather calm reaction to the prospect of American military bases in Colombia and Lula's continued engagement with the United States on various other issues. Understanding this balancing act and Brazil's ultimate aspiration to major power status could help formulate sound policies in Washington on how to deal with this new emerging regional power and counter negative external influences, as well as gauge the potential implications and value of China's ambitions in Brazil.

China is also engaged in a similar balancing act that involves both a regional and global dimension. Apart from the great economic benefits that China is obtaining from Brazil and the possible importance that Brazil may have in meeting China's growing energy demands, closer ties to the region's main economic and military power allows Beijing to balance American power right in its traditional sphere of influence. This in turn increases Beijing's ability to mitigate U.S. influence in its own periphery such as in Southeast Asia and Northeast Asia. As noted by a Chinese Ambassador:

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<sup>76</sup> Interviews with General Joze Valdivedo Lacao Chilean Army and former director of the Institute of Military Studies, Brazilian Ambassador Quiribao de Jesus, and Brazilian Ambassador Jose Soares Junior among many others. The author would like to express his gratitude to all of them.

<sup>77</sup> *MercoPress (South Atlantic News Agency)*, "Lula da Silva refers to Ahmadinejad and Chavez as two "nutties", says O'Globo", March 15 2010 at <http://en.mercopress.com/2010/03/15/lula-da-silva-refers-to-ahmadinejad-and-chavez-as-two-nutties-says-o-globo>; *Reuters* "Nationalism threatens Brazil 's regional interests" December 12 2008 at <http://www.reuters.com/article/idUSTRE4BB55Y20081212> accessed November 14 2009; accessed November 16 2009; *New York Times* "Bolivia's Energy Takeover: Populism Rules in the Andes, May 2 2006.

“The U.S. is all over our borders, with bases in Korea, Japan, Central Asia and countless allies in Southeast Asia. Why is it wrong for us to engage in strategic dialogue in Latin America?”<sup>78</sup>

Yet, just like Brazil, China knows that stable relations with the United States are crucial to China's continued economic growth. China's trade with the United States is far greater than Sino-Brazilian trade and far more vital to China's economic prosperity. American trade with Brazil is several times smaller than its trade with China; for this reason China has abstained from policies that may undermine U.S. influence in the region, at least for now. Beijing stopped short of entertaining Chavez's calls for closer ties to counter American power in the region and instead has kept its ties with Venezuela focused on trade. While there are similar strategies adopted by both countries in relation to the United States, their long-term objectives differ due to differences in aggregate power between China and Brazil. Brazil has no illusions of ever being able to supplant the United States in the region, let alone at the global level. Rather, it aspires to be recognised as a dominant power in the region and treated with due deference by a sometimes insensitive Washington.<sup>79</sup>

It would be rather naïve on the part of Brazil to expect that the world's dominant superpower would ever relinquish its role in its immediate neighbourhood. Yet, it would not be unrealistic for Brazil to be allowed to play a major role in the region, as long as it does not seek to undermine American interests. For instance, the United States allows Australia to play the dominant role in the South Pacific. Perhaps even more illustrative, the United States is largely beginning to accept Indian dominance in South Asia and the Indian Ocean, provided it is not inimical to Washington's interests.<sup>80</sup> A similar role for Brazil in South America may also be possible.

China on the other hand aspires to be and perhaps already is, more than an Asiatic power with far greater ambitions than Brazil. This by no means suggest that a modus vivendi between China and the United States cannot be achieved, but rather to point out that the challenges of accommodating China in the international order are far greater than those associated with accommodating Brazil. It is far easier to integrate a democratic Brazil with a population of nearly 200 million people than a 1.3 billion authoritarian China. It's far easier to integrate a democratic Brazil with a long history of close ties with the United States than a PRC which has just a few years ago been described by an American president as a “strategic competitor”.<sup>81</sup>

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<sup>78</sup> Interview with Ambassador Chen Du Quing former Chinese Ambassador to Brazil, June 2005

<sup>79</sup> In interviews with 47 Brazilian official ranging from diplomats, military officers, academics and business people this sense of a rising Brazil in need to assert itself was quite evident: *A Folha* “Para estudiosos, nacionalismo do governo exclui a economia (For scholars, government nationalism excludes the economy)” April 19 2010: Luis Inacio Lula Da Silva, Interview to *Valor Economico* April 7- April 13 2009: *The Rio Times* “Oil & Brazilian Nationalism”, at <http://riotimesonline.com/brazil-news/rio-business/oil-brazilian-nationalism/> September 8 2009: *Foreign Policy* “Brazil moves aggressively toward resource nationalism” November 25 2009, at <http://foreignpolicy.com/2009/11/25/brazil-moves-aggressively-toward-resource-nationalism/>

<sup>80</sup> Stephen Blank, “*Natural Allies: Regional Security in Asia and Prospects for Indo-American Strategic Cooperation*” September 2005, US Army War College.

<sup>81</sup> GOP Debate on the Larry King Show Feb 15, 2000

As mentioned before, Brazil with a population of 192 million, a fast growing economy, and a developed industrial and technological sector, is by far South America's dominant power. The only real challenge to its status is the United States, particularly so with the economic collapse of Argentina. As such, Brazil sees in its strategic partnership with China an opportunity to balance American influence in the region while enhancing its own. As noted by Brazilian former President Lula Da Silva in an interview to the BBC: "China and Brazil don't have overwhelming muscle, but by cooperating they do improve their position."<sup>82</sup>

In Brazil, as in the rest of Latin America, anti-American sentiment is nothing new. However, Brazil has consistently remained one of the most pro-American states in the region, and during the Cold War no communist or left inspired guerrilla movement was able to gain a strong hold. When the Partido Trabalhista came to power, it did so by the ballot box. Despite the initial apprehension in Washington upon Lula's election, the Brazilian leader has shown to be far more moderate and pragmatic towards the United States than its counterparts in Venezuela, Bolivia, Argentina, Equator, Nicaragua and Paraguay.

While energy resources, particularly oil and gas, play a central role in shaping China's relations with Brazil, Sino-Brazilian ties are far more complex. Interpretations that focus merely on resources and trade are likely to be over simplistic and miss important nuances of a major bilateral relationship of the 21<sup>st</sup> century. When two rising powers meet in a strategic partnership, the potential for a significant change in the balance of power increases traumatically. Sino-Brazilian economic and political ties have witnessed a meteoric rise in the past five years and could pose a fundamental challenge to American dominance in South America and beyond.<sup>83</sup>

In April 2009, China surpassed the United States by US\$400 billion as Brazil's largest trading partner. This milestone denotes significant changes in the balance of power in the region and beyond Brazil; it is the world's 10<sup>th</sup> largest economy and possesses a highly developed technology sector, is an agriculture powerhouse and, since the discovery of the *Tupi* oil fields in the south of the country in 2007, it is now believed to own the world's 7<sup>th</sup> largest reserve of oil. While China has clearly emerged as an important player in the Americas, the United States remains by far the most powerful actor in the region. What is impressive is the fact that China gained so quickly such a strong position in a continental-sized country where just a decade ago it was a marginal actor.

### **Sino-Brazilian Strategic Partnership**

The Sino-Brazilian strategic partnership signed nearly three decades ago has in recent years begun to produce some impressive results. In 2007, trade between the two giants reached US\$29 billion and

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<sup>82</sup> Lula was quoted in a story by BBC NEWS in May 28 2004, available at <http://news.bbc.co.uk/2/hi/business/3756635.stm>. Accessed October 8, 2009

<sup>83</sup> Dambuagh, K & Sullivan P, M "China's growing interest in Latin America" CRS Report for Congress, April 20 2005 at <http://italy.usembassy.gov/pdf/other/RS22119.pdf> accessed October 10, 2009

grew to an impressive US\$43 billion by the end of 2008.<sup>84</sup> Today, Brazil accounts for 43 per cent of China's agriculture imports and thus plays a central role in ensuring China's food security.<sup>85</sup>

Both countries have cooperated in very sensitive areas such as space technology, aviation and military related technologies. Since the early 1990s, the two countries have launched three jointly developed satellites and are co-producing a medium range commercial jet liner. The programme known as the "China-Brazil Earth Resources Satellite Program" focuses on producing weather monitoring and communications satellite. China has financed 70 per cent of the cost while the Brazilian government covered the remaining. American deference and intelligence officials have expressed concern over such ties claiming that Brazil was passing to China sensitive satellite and remote censoring technology in exchange for Chinese ballistic missile know-how.<sup>86</sup>

Brazil is indeed a very important source of technology for China, which is restricted by arms sanctions imposed by the West after Tiananmen. Brazilian weapons have reached as far as Southeast Asia. Malaysia acquired 18 *Astros* multiple rocket launchers (MRLS), which caused great concern in Singapore in the early years of the current decade.<sup>87</sup> Brazil is not just a major military technology provider but also possesses a modern civilian technology sector, as was clearly demonstrated in August 2007 when it signed a US\$1.3 billion contract to sell commercial jetliners to Lufthansa and Japan Airlines. In other words, Brazilian companies are capable of producing high quality products that can compete in the most demanding markets of the world.

A demonstration of the closeness of Sino-Brazilian military ties came in May 2009 when Brazilian Defence Minister Nelson Jobim announced that Chinese fighter pilots would be trained on the Brazilian aircraft carrier *Sao Paulo*. Jobim's announcement came shortly after a senior Chinese military official publicly stated Beijing's intention to acquire an aircraft carrier in the near future.<sup>88</sup> Bearing in mind that very few countries in the world possess an aircraft carrier and that they are all close U.S. allies, the Brazilian gesture no doubts attests to the importance of Brazil as a source of military technology and know-how for China. According to a U.S. source, China may pay the costs of refurbishing of the *Sao Paulo* in exchange for valuable carrier pilot training that no one else is willing to provide.<sup>89</sup>

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<sup>84</sup> BBC [Brazil and China forge closer trade ties' May 19 2009 at <http://news.bbc.co.uk/2/hi/business/8057048.stm>

<sup>85</sup> Macauhub, "Brazil: China is the main importer of Brazilian Agricultural products" January 13, 2009; at <http://www.macauhub.com.mo/en/2009/01/13/6387/>; China Daily, "Brazil's agricultural exports to China up 52.5% in March," April 10, 2009, [http://www.chinadaily.com.cn/bizchina/2009-04/10/content\\_7666862.htm](http://www.chinadaily.com.cn/bizchina/2009-04/10/content_7666862.htm)

<sup>86</sup> Stephen Johnson, "Balancing China's influence in Latin America," Backgrounder #1888, October 24, 2005, The Heritage Foundation, <http://www.heritage.org/Research/LatinAmerica/bg1888.cfm>; Interview with a former U.S. National Defense Agency official who was in charge of the China desk, Stemmer 5, 2005.

<sup>87</sup> *The Military Balance 2007*, Oxford, Oxford University Press 2007; 363.

<sup>88</sup> DEFESA @NET, Interview with Brazilian Minister of Defense Nelson Jobim, May 12, 2009 (In Portuguese), [http://www.defesnet.com.br/md1/jobim\\_11.htm](http://www.defesnet.com.br/md1/jobim_11.htm)

<sup>89</sup> Russell Hsiao "PLAN Officers to Train on Brazilian Aircraft Carrier" China Brief, Vol 9 Issue 12, June 12, 2009 at [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=35116&tx\\_ttnews%5BbackPid%5D=414&no\\_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=35116&tx_ttnews%5BbackPid%5D=414&no_cache=1) accessed October 19, 2009



## Trouble-free Relationship?

Some observers may overestimate the instances of cooperation while neglecting many of the tensions and limitations in the bilateral relationship. The talk of an alliance between these two so-called third world giants needs to be taken with a certain amount of caution. Sino-Brazilian relations are not free of controversy — far from it. In Brasilia, three groups in particular have been worried about its growing partnership with Beijing — the military and intelligence community, certain industrialists and labour unions.

The Brazilian military resents the fact that it has given China its best technology while China has passed on to Brazil not the most updated of its missile technology. The joint venture between Embraer and Harbin Aviation Industries for the production of a medium range turbo jet, while hailed by both sides as a successful example of South-South cooperation, has not been free of its own tensions. Embraer officials interviewed by the author on the condition of anonymity complains that by 2008 China has made far fewer orders than originally promised and was instead producing its own planes with Brazilian technology.<sup>90</sup> The Brazilians also accuses the Chinese to have lured them by the promise of big sales to the growing Chinese domestic aviation market so as to get their technology and left them in the cold. In 2008, Embraer sales were so low that the company seriously considered terminating its operation in China after just four years of presence.<sup>91</sup>

According to these complaints, over 1000 units were to be sold in China in the next 10 years. However, in 2006, China placed an order for 100 aircraft valued at US\$2.7 billion, thus placating the Brazilian side temporarily. There are also complains over the impact of cheap Chinese imports on local industry and over the fact that despite all the fanfare made about billions of Chinese FDI heading to Brazil and Latin America in general, such investments have been rather slow to come by.<sup>92</sup> The fact that the Chinese seem to be faster in releasing funds destined to the energy sector rather than the badly needed infrastructure further inflames suspicion.

However, despite these irritants Sino-Brazilian ties are expected to grow closer in coming years with both sides building upon areas of mutual benefit such as energy exploration, technology exchanges, agriculture, trade and FDI inflows. Brazil desperately needs massive amounts of capital to develop its rich energy resources and China has the money. The Brazilian defence industry needs capital to develop some of its expensive programmes such as the navy nuclear powered submarine project, the new indigenous state-of-the-art infantry fighting vehicle programme and to maintain its expensive platforms such as its aircraft carrier.

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<sup>90</sup> The author interview several Brazilian officials, including academics, diplomats, engineers and military officers, some of them based in China, the sensitive nature of the matter precludes the author from disclosing their names. The author also visited various Chinese regions where Brazil has major investments such as Harbin where the jetliner plant is based, Dalian where CVRD as mining projects and Hubei where various Brazilian companies are involved in the three gorges dam project.

<sup>91</sup> DEFESA@NET “China endurece para compra da Embraer (China harden to buy from Embaer)” October 6, 2008 at <http://www.defesanet.com.br/emb1/cn.htm> accessed October 15, 2009

<sup>92</sup> *Latin Finance* “Latin America and China: Fear of commitment?” May 1 2009; *Reuters* “China slow to invest in expensive LatiAm farmland” August 14 2009 at <http://farmlandgrab.org/6939> accessed October 24, 2009

Traditionally, America has been Brazil's main political and economic partner and through the decade, it was hated and loved for it. What impact President Lula's love affair with China will have on relations with Washington remains to be seen. If China goes ahead with its pledges of billions in investment, the impact through the region will be tremendous and may significantly alter the balance of power in the region. However, American investment in Brazil's energy sector is also significant and likely to grow in coming years. American FDI remains much higher than Chinese.

While there are many positive aspects in Sino-Brazilian relations and both countries have cooperated in various fields, there are many issues of contention that are likely to exacerbate as ties continue to deepen. Many in Brazil, particularly among the local business elites, feel that Brazil is opening up too fast and too much to the PRC, without seeing any real reciprocity from the Chinese side.<sup>93</sup> For instance, the multi-billion dollar deal between Baosteel and CVRD initially thought to be a beneficial arrangement for both sides came increasingly under attack from indigenous economic elites and academics. Critics argued that the opening of the Brazilian steel sector, the largest in the world, without a similar gesture from the Chinese side was detrimental to Brazilian interests and threatens its national security.<sup>94</sup> Complaints over Chinese high tariffs and other unfair practices remain a constant irritant.

Many believe that the Lula administration was hasty in recognising China's market economy status. For instance, Brasilia could have demanded the reduction of certain tariffs and the expansion of export quotas for certain Brazilian products (e.g. meat). Preeminent Brazilian economist Amuário de Sousa argued that Brazil was rushed into the deal by Lula's idealism to recognise China as a market economy, thus forcing open Brazilian markets to unfair competition. According to the De Sousa:

“China really is not a market economy, for example it is still under direct influence of the government. It neglects traditional easy trade investigations, its banking system is somehow oblivious to market rules and it implements market trade rules selectively.”<sup>95</sup>

In early October 2005, Brazilian Minister for Trade Luis Fernando Furlan went on a three-day visit to Beijing to complain about what in practical terms amounts to Chinese dumping. The minister urged the Chinese authorities to limit imports of cheap Chinese commodities such as shoes, textiles and toys in order to protect indigenous business. On 13 September 2006, Brazil announced it was taking measures to limit the exports of certain Chinese products, mainly textiles and shoes, with the possibility of further restrictions and the expansion of the number of targeted products not being ruled

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<sup>93</sup> De Sousa, Amuário, “Brazil and China: An Uneasy Partnership,” China-Latin America Task Force (March-June 2006), Center for Hemispheric Policy, University of Miami, February 14, 2008

<sup>94</sup> William Pesek Jr., “Brazil pays price for China pact,” *International Herald Tribune*, October 2, 2005; *The Economist*, “Brazil and China: Falling out of love,” August 4, 2005, <http://www.economist.com/node/4249937>

<sup>95</sup> De Sousa, Amuário, “Brazil and China: An Uneasy Partnership,” China-Latin America Task Force (March-June 2006), Center for Hemispheric Policy, University of Miami. February 14, 2008

out.<sup>96</sup> Since 2005, Brazil has adopted 17 anti-dumping measures against China, the highest ever imposed against any single nation by Brasilia.

Brazilian business interests are also resentful of their loss of market share in Latin America. In 1995, Brazil exported US\$5.7 billion in industrial goods to the region while China exported US\$1.4 billion. In 2004, China had exported US\$7.8 billion while Brazil's exports were at US\$6.5 billion. The fact that cheaper Chinese imports are quickly replacing Brazilian products in neighbouring countries further exacerbates concerns from Brazilian business interests. For instance, in 2003, 88 per cent of Argentina's TV sets imports were from Brazil while China accounted for a mere 1 per cent. In 2006, the two countries were evenly matched meeting 35 per cent of Argentine TV imports.<sup>97</sup>

China's ever-growing presence in markets once dominated by Brazil may turn out to be a major source of tension in the coming years. For instance, in 2007, China replaced Brazil as Uruguay's major trading partner while becoming Chile's third. Chinese trade has also been on the rise in Central America with China becoming Costa Rica's number one trading partner in 2007 while in Panama, China joined the top-three list.

### **China, Brazil and the United States**

While tensions are unlikely to cause a serious breach in Sino-Brazilian relations, these same tensions are likely to prevent the growth of a genuine strategic alliance of the two third world giants. It is also unlikely that Sino-Brazilian ties would be as close as Anglo-American ties or some of the more robust U.S alliances in Asia such as its alliance with Japan. As noted by Professor Riordan Roett of John Hopkins University and arguably the foremost expert on Latin America: "The expected investments and strategic alliance that loomed in 2004 between China and Brazil are far from becoming a reality."<sup>98</sup>

The tensions and other factors that shall be discussed below can provide the United States with certain opportunities to maintain its position in Brazil and minimise possible conflicts with Brasilia.

It is worth mentioning that President Lula has been a decisive force behind Brazil's burgeoning relations with China. His enthusiasm led to the rather apathetic and sometimes suspicious Brazilian bureaucracy to engage China in ways unimaginable just a decade ago. Lula strongly believes in third world solidarity and that a strategic partnership with China would enhance Brazil's status as a major

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<sup>96</sup> *A Folha*, "China ameaca retaliar se o Brazil adotar salvaguardas," [China threatens to retaliate if Brazil adapts safeguards], June 31, 2005.

<sup>97</sup> De Sousa Amuary, "Brazil and China: An Uneasy Partnership," China-Latin America Task Force (March-June 2006), Center for Hemispheric Policy, University of Miami, February 14, 2008

<sup>98</sup> Riordan Roett was quoted in the *Wall Street Journal* "Brazil regrets its China affair" *The Wall Street Journal* October 12 2005: The author is grateful to Professor Roett for sharing his insights with a young academic during a conference on China and the developing world in June 2008 in Lisbon where the author had the honor of speaking on the China-Latin America panel where Professor Roett was the main speaker.

power, while also giving Beijing significant benefits.<sup>99</sup> President Lula is a veteran trade union leader who fought for many years against the military dictatorship that ruled Brazil until the early 1980s. He is an icon of workers' rights in Brazil and the first Brazilian president who, although white, came from a poor family instead of the old aristocratic families that trace their origins to Portuguese imperial days.

Since coming to office in 2002, President Lula has visited China three times and met President Hu Jintao on several other occasions. A personal chemistry and friendship is reported to have emerged between the two men, a relationship that has helped deepen ties between the two powers.<sup>100</sup> Former President Lula's past of resistance against military oppression, the fact that he founded the Brazilian workers' party and his humble origins have earned him considerable respect among old guards within the Chinese Communist Party (CCP). Both in Chinese and Latin culture, personal relations are of the utmost importance and very often can have influence upon the choices leaders make. The impact that the personal friendship between Lula and Hu Jintao have on Sino-Brazilian relations should not be underestimated.

Lula's enthusiasm for a Sino-Brazilian strategic partnership has been vital to maintaining and deepening ties between the two countries. In 2008, President Lula comfortably won a second term in office.

Indeed, President Dilma Rousseff, a former guerrilla fighter against Brazil's military junta, has had a more pragmatic stance towards China. It is interesting to notice that Rousseff has abstained from slogans such as alliance between third world countries and other slogans so common during the Lula administration. In a marked contrast with Lula's warm and diplomatic statements towards China, Rousseff has voiced veiled public criticism of China. For instance, while visiting Angola in April 2012, the Brazilian head of state announced Brazil's principles of cooperation with the continent, saying that Brazil would ensure that its investments created jobs for Africans and that training, technology transfer and respect for the environment would be core values of Brazil's African policy.

Several analysts noticed that the reference to job creation was a criticism of Chinese companies who have been accused by several sources of not creating jobs in Africa by bringing in workers from China. This criticism has been particularly strong in Angola where, in contrast, Brazilian companies are the biggest employees.<sup>101</sup> Under the Rousseff administration, Brazil has lodge several complaints against China at the WTO. The most recent was a five year anti-dumping levy on Chinese tiers imposed by Brazil in August 2013. In another departure from Lula's warm disposition, President

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<sup>99</sup> Several Brazilian diplomats including two former Ambassadors to Beijing have conveyed this view to the author.

<sup>100</sup> The author met President Lula in June 2008 during his visit to another Portuguese speaking country in Southeast Asia, Timor-Leste. And has meet him on several other occasions on several other occasions in the context of meetings and initiatives of the Community of Portuguese Speaking Countries (CPLP)

<sup>101</sup> *Wall Street Journal* "Hostility towards workers cools Angola-China relations" August 10 2010 at <http://online.wsj.com/article/SB10001424052748704388504575418990791137242.html> ; *Mail & Guardian*, "China lends Angola \$15bn, but few jobs are created" March 6 2011 at <http://mg.co.za/article/2011-03-06-china-lends-angola-15bn-but-few-jobs-are-created/> ; Angola News Net "Chinese workers line up to take Angola's jobs" January 22 2013 at <http://www.angolanewsnetwork.com/news/2013/1/22/chinese-workers-line-up-to-take-angolas-jobs.html>

Rousseff has personally called for a more balanced and diversified trade between Brazil and China. Rousseff said: "The challenge for the coming years would be to transform Brazil's trade relationship with China to feature higher value-added products such as aircraft, not just agricultural products like soybeans, iron ore and oil."<sup>102</sup>

In light of persisting tensions between Brasilia and Beijing, the appeal of the United States to Brazilians should not be underestimated; even Lula, the most enthusiastic about China, has maintained close ties with Washington. The Americans saw in Lula a moderate left wing nationalist, a pragmatic leader who provides a balance to more erratic regional leaders such as the late Hugo Chavez of Venezuela and Evo Morales of Bolivia.<sup>103</sup> Washington is appreciative of the role President Lula played in reducing tensions in the region by mediating between Venezuela and Colombia, and by its engagement with Bolivia that curtailed to some extent Chavez's influence in that country.<sup>104</sup>

Upon closer scrutiny, Brazil and the United States share a wide range of common interests in the region. Lula and previous Brazilian administrations have been quite keen on trade liberalisation and in favour of free trade among regional states. This would allow Brazilian companies, who are already well established in the region, to further increase their presence. Regional free trade would also, argued the Brazilians, invigorate the region's economies and benefit all. Brazil, as the largest and most industrialised economy in the region, would play the role of a regional engine of growth that could spur the entire region into prosperity.<sup>105</sup> In other words, Brazil hopes to be for South America what Japan was for Asia.

However, several countries in the region resent Brazil's growing economic engagement with the region and its attempts at playing a greater political role in regional affairs. By contrast, the United States is receptive to a Brazil that is more economically and politically involved in the region since it serves as a useful balancer against several regimes in the region that are at best ambivalent towards the U.S. and in some cases outright hostile. It is arguably the case that never in the history of U.S. relations with South America was Washington confronted with so many antipathetic regimes all at once. In current circumstances, even a centre left wing and increasingly nationalistic Lula administration is a welcomed friend.

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<sup>102</sup> *Bloomberg* "Rousseff wants China buying more than soybeans, iron ore" April 10 2011 at <http://www.bloomberg.com/news/2011-04-10/rousseff-wants-china-buying-more-than-soybeans-vale-s-iron-ore.html> : St. Vincent National Working Committee on Trade "Brazil's Rousseff wants "new phase" in China ties" at [http://www.cpdngo.org/stvincent/index.php?option=com\\_content&view=article&id=74:brazils-rousseff-wants-new-phase-in-china-ties&catid=3:news&Itemid=57](http://www.cpdngo.org/stvincent/index.php?option=com_content&view=article&id=74:brazils-rousseff-wants-new-phase-in-china-ties&catid=3:news&Itemid=57)

<sup>103</sup> *Prospect*, "Lula's big moment" April 28 2009, <http://www.prospectmagazine.co.uk/magazine/lulasbigmoment> ; *Los Angeles Times* "Lula seeks to boost ties with US" March 14 2009; *Xinhua* "Lula proposes council to mediate conflicts in S America" March 4 2008

<sup>104</sup> Peter J. Meyer & Clare Ribando Seelke "Brazil-US Relations," August 18 2009, *Congressional Research Service*, Washington

<sup>105</sup> *Isabelle Maag* "Brazil's Foreign Economic Policy: South – South, North – South or both?" Briefing Paper, Friedrich Ebert Stiftung, March 2005; Chávez, Lula Promote Competing Visions," *Miami Herald*, August 10, 2007.

Ecuador's left wing government has threatened to default on its debt to Brazil and expelled a Brazilian construction company that has been operating in the country for several years. Paraguay's left wing President Fernando Lugo has demanded the renegotiation of the terms of the jointly owned Itaipu dam in the border between the two countries. Paraguay has also threatened to spell Brazilian farmers and has harassed Brazilian nationals at the border.<sup>106</sup> Brazil has had a long history of tense relations with Paraguay and both nations share a mutual disdain for each other.

In October 2008, the Brazilian defence force launched Operation Southern Border, a weeklong exercise involving thousands of troops. The exercise took place near the borders with Uruguay, Argentina and Paraguay. The Brazilian Ministry of Defence announced that the exercise was aimed at improving coordination between the military, the federal police and highway patrol in their fight against narcotics. However, various analysts suggested the exercise had geopolitical objectives and was aiming at showcasing Brazil's military muscle and sending a message to the radical left wing governments in the region, particularly Paraguay whose relations with Brazil was growing quite tense.<sup>107</sup>

Following the country's chaotic nationalisation programme, Bolivia forced the Brazilian state-owned Petrobras to sell two of its refineries at below market price, while several other Brazilian companies have suddenly found it difficult to operate in Bolivia. In Venezuela, various Brazilian companies have had their contracts suspended over very suspicious accusations of contractual breaches and Petrobras and other companies were forced to renegotiate many of their contracts with the Bolivarian Revolutionary Government of Bolivia. The erratic and unstable late Hugo Chavez, who often contented with the more moderate and sophisticated Lula da Silva, was encouraging his allies to undermine Brazil's interests and influence in the region.<sup>108</sup>

Closer scrutiny of regional dynamics reveals that Washington and Brasilia face many common problems and "enemies", and as the old saying goes: The enemy of my enemy is my friend. Brazil could be a very useful partner to the United States in promoting economic integration and by assisting in containing the more erratic and radical regional regimes such as Venezuela's Hugo Chavez and his sideshow Evo Morales of Bolivia. Brazil also serves as an example to other South American countries as a moderate left wing and nationalist government that is capable of not bankrupting its economy

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<sup>106</sup> *Reuters* "Nationalism threatens Brazil's regional interests", December 12 2008 at <http://www.reuters.com/article/2008/12/12/us-brazil-southamerica-idUSTRE4BB55Y20081212>: accessed November 16 2009; *New York Times* "Bolivia's Energy Takeover: Populism Rules in the Andes", May 2 2006 : *Estadão* "Brasil e Paraguai nao fecham acordo sobre Itaipu (Brazil and Paraguay not close agreement on Itaipu)" May 8 2009 at <http://economia.estadao.com.br/noticias/geral,brasil-e-paraguai-nao-fecham-acordo-sobre-itaipu,367540>

<sup>107</sup> *Folha de S.Paulo*, "Exercício das Forças Armadas brasileiras preocupa Paraguai (Exercise of the Brazilian Armed Forces worries Paraguay)" November 16 2009, at <http://www1.folha.uol.com.br/fsp/mundo/ft1611200904.htm> ; *Opinião e Notícia* "Exército simula defesa de Itaipu e do pré-sal (Exercise simulates defense of Itaipu and pré-sal (an oil-rich area in Brazil))", November 17 2009, at <http://opiniaoenoticia.com.br/sem-categoria/exercito-simula-defesa-de-itaipu-e-do-pre-sal/>

<sup>108</sup> This view was conveyed to the author by a divisional director of Agência Brasileira de Inteligência (ABIN) the Brazilian Intelligence Agency in an informal conversation in March 2009. Several other Brazilian officials have expressed the same views.

and maintains good relations with the Americans as well as conservative governments in the region (e.g. Colombia).

While the media heaped attention to China's US\$10 billion loan to Petrobras, scant attention was paid to American commitments to Brazil. This discrepancy erroneously conveyed the impression that the United States is on the retreat. On the contrary, in May 2009, in the same month China's state-owned Eximbank announced its US\$10 billion loan, the Export-Import Bank of the United States signed a US\$2 billion financing agreement with Petrobras. In 2009, the U.S. government expressed its willingness to expand the financial agreement by providing an additional US\$10 billion.<sup>109</sup> The United States is also an important source of technology and know-how for the Brazilian oil industry, something China is far from becoming.

As the example above demonstrates, burgeoning trade does not necessarily translate into political influence and significant soft power gains. For example, China became Australia's largest trading partner in 2008 by surpassing Japan and the United States. However, this has not translated into greater Chinese political influence or cultural appeal within Australia. In 2009, a poll showed that most Australians saw China's growing involvement in the country's economy as negative and perceive it to be a threat.<sup>110</sup>

Finally, it should be noted that Brazil shares far more cultural similarities with the United States than with the Asian giant. Brazil is the world's fourth largest democracy, its population is overwhelmingly Catholic or from other Christian denomination. Brazil's political and economic elite, despite some noticeable improvements in recent years, is made up of white Brazilian, and a great many of them are educated in the United States and Europe. These cultural elements could make Brazilians far more receptive to American soft power than China's cultural persuasion. Several scholars have argued that strategic culture shapes the decision-making process of leaders and governments.<sup>111</sup>

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<sup>109</sup> Peter J. Meyer & Clare Ribando Seelke "Brazil-US Relations," August 18 2009, *Congressional Research Service*, Washington

<sup>110</sup> *Global Post*, "China Brazil Economic alliance may be exaggerated" June 27, 2009, at [http://www.huffingtonpost.com/2009/05/27/china-brazil-economic-all\\_n\\_208275.html](http://www.huffingtonpost.com/2009/05/27/china-brazil-economic-all_n_208275.html); Reuters, "Australian attitudes cool towards China: Poll," October 12, 2009, <http://www.reuters.com/article/idUSTRE59C0A420091013>.

<sup>111</sup> For a good study on strategic culture and strategy see *The Making of Strategy: Rulers States and War* eds Wilson Murray et al, Cambridge University Press, 1994; Luiz Alberto Moniz Bandeira "Brazil as a Regional Power and Its Relations with the United States" *Latin America Perspectives*, Vol. 33, No. 3, 2006: *BBC NEWS* "Brazil seeks to expand its influence" March 23 2010 at <http://news.bbc.co.uk/2/hi/8580628.stm> accessed March 29 2010

## Conclusion

Sino-Brazilian relations are likely to continue to grow in coming years. On the energy front, Brazil is well placed to be one of China's main suppliers of iron ore, steel, nickel, uranium and perhaps even gas and oil. The increasing affluence of Chinese society and the resulting improvement in dietary habits creates ample opportunities for Brazil's agricultural sector. Brazilian investment in China is certain to continue to rise.

Both nations will certainly continue to cooperate on many common interests and these will sustain the relationship. However, pragmatism and realism will increasingly be the essence of Sino-Brazilian relations. As the old Brazilian saying goes, *amigos amigos negocios a parte*, friends are friends but business is business; in other words there is no such a thing as friends in business.

However, despite some of the irritants, Sino-Brazilian ties are expected to grow closer in the coming years with both sides building areas of mutual benefit such as energy exploration, technology exchanges, agriculture, trade and FDI inflows. Brazil desperately needs massive amounts of capital to develop its rich energy resources, and China has the money. The Brazilian defence industry needs capital to develop some of its expensive programmes such as the navy nuclear powered submarine project or to maintain its expensive carrier. Brazil also badly needs investment in its infrastructure, particularly in roads, railroads, ports and its problematic power grid. China could emerge as an important source of finance for such urgently needed projects.

Traditionally, America has been Brazil's main political and economic partner, and through the decades, it was hated and loved for it. What impact will the love affair with China so enthusiastically embraced by Lula will have on relations with Washington remains to be seen. If China goes ahead with its pledges of billions in investment, the impact through the region will be significant and may alter the balance of power in the region. As noted by a divisional director of the Brazilian intelligence agency (ABIN) in a recent visit to Asia: "We are in for very exciting times; China is already a player (in the region), it is just a matter of time before Russia and India show up."<sup>112</sup>

In less than a decade of active Sino-Brazilian ties and after more than 80 years as Brazil's largest trading partner, the United States saw just a few months ago its position being overtaken by China. A sign of China's growing influence in the region was the announcement early this year that the central banks of Brazil and Argentina, the two largest countries in the region, were in negotiations with the Chinese government to replace the U.S. dollar as the mode of transaction in their growing trade relations and instead use their respective currencies. While the United States remains the dominant power in the Americas, the region is no longer its exclusive sphere of influence.

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<sup>112</sup> Informal conversation with a division director of *Agencia Brasileira de Inteligencia* (ABIN) the Brazilian national intelligence agency, March 2009.



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