China Diplomacy and Trade in Latin America

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Abstract - This paper focuses on the analysis of China - Latin America relations during the first decade of the twenty-first century. In particular, it reflects on the Chinese strategic performance and Latin American countries’ reactions in the economic and diplomatic realms, specially the Brazilian’s one. The paper develops the hypothesis that short-term benefits offered by China are very important but unequally distributed among countries in Latin America, while the medium-term impact on Latin American development is still uncertain and presents a substantial risk of deindustrialization for some countries. Finally, it is considered that the Sino-Brazilian partnership is shaped in the form of interdependence, with positive gains for both parties, but with asymmetries unfavorable to Brazil.

Key-words: China – Latin American Relations; China-Brazil Relations, Chinese Foreign Policy.

Introduction

The main themes of this article are the challenges and opportunities present in the relations between China and Latin America during the first decade of the twenty-first century. The key questions which will be answered throughout the work deal with China’s contributions to Latin American development in the short and medium term and, in particular, with the characteristics and challenges of Sino-Latin American relations, in general, and Sino-Brazilian partnership, in particular.
To answer those questions, this study proposes three main objectives: i) understand China’s objectives in Latin America (part 1); ii) investigate the risks and opportunities it arises (part 2); iii) analyze the profile of Sino-Brazilian strategic partnership (after almost forty years of official diplomatic relationship), and the Brazilian reactions in face of the results achieved (part 3).

This study uses the hypothesis that short-term benefits offered by China are very important but unequally distributed among countries in Latin America, while the medium-term impact on Latin American development is still uncertain and presents a substantial risk of deindustrialization for some countries. Finally, it is considered that the Sino-Brazilian partnership is shaped in the form of interdependence, with positive gains for both parties, but with asymmetries unfavorable to Brazil.

1. China’s presence in Latin America

Over the last two decades, several systemic changes were observed in the international arena, linked to technological advances, geopolitical changes and the new distribution of labor.

Technological advances have enabled, in one hand, the invention of new media, computing resources and transport, which generated predominantly positive impacts on the temporal and spatial approach of different countries of the globe.

Moreover, successive geopolitical transformations occurred not only from the fall of the former Soviet Union and the end of the Cold War, but also through the accelerated China’s rise, as well as the emergence of countries with rapid growth – like Brazil, Russia and India – and the disproportionate projection of the United States in the security area (Lampton, 2008, p. 703-704).

In the early 2000s, it was noted, in addition, the weakening of the global financial system dominated by the United States, as well as the progressive shift towards global economy centered on Asia, with its epicenter in China.

Under these assumptions, there have been changes in the pattern of inter-state relations, with the persistence of asymmetries in the relations between countries, but in
more insidious ways and to solve more numerous and complex problems. Inter-state relations have also become more flexible, with multiple facets, and less formal and exclusive profile than during the Cold War period. In face of uncertainties about the benefits of greater interdependence between states, the behaviors and attitudes of states are increasingly disparate and not always consistent with each other, making it impossible to say whether the attitudes of states will be preferentially cooperative or based in conflict, prevailing, in most of the cases, choices based in national interests (Shambaugh, 2011, p. 25; Mearsheimer, 2010, p. 396).

From this context, one can say that the rise of China not only put into question the international distribution of power based on the Euro-American axis, but rather rearranged the international division of labor, particularly imposing new structural challenges to Latin American countries, with impacts on its development agenda (Barbosa, 2011, p. 1). It is on this last point that this analysis intends to address its comments in the next lines.

Over the last two decades (1991-2011), and under the influence of a context of international interdependence, increasing complexity, and frequent and deep financial crisis, relations between China and Latin America have become more intense and developed from the boost in trade and cooperation, as well as through joint investment, this one particularly in the last five years. The rapprochement between China and some countries in the Latin American region, specially Brazil, in international forums such as the G20 and BRICs (bringing together Brazil, Russia, India and China and most recently South Africa) is also seen as a tool for the acquisition of power in the bargaining processes of the international system.

Several analysts believe, however, that the interdependence between Chinese and Latin Americans became excessively unbalanced, specially at the end of the first decade of this century, which would have greatly favored China in trade negotiations, with a typical profile of traditional North-South relations, as well as in establishing the priorities of common agenda of cooperation and investments, based primarily in China’s needs of raw material and energy.
To verify this state of art, this study aims to identify principles and objectives under which Chinese choices were made and then indicate what were the consequences resulting therefore from the Chinese presence in Latin America.

The realist theory combined with the global south perspective (Shambaugh, 2011) will be applied in order to better understand if new patterns of relations are being created by those countries so as to coordinate its relations on more equitable terms. Theoretical and methodological tools used in this analysis will be presented below.

Theory and method

According to the analysis conducted by Shambaugh (2011), it is impossible to affirm that statements and dialogues conducted by the Chinese government in the international system were subsidized by only one school of thought. In fact, different schools or fields of thought had, over the time, direct implications for the quality of bilateral relations and multilateral agreements that were conducted by China or of which she took part. In general, China has adopted different positions of integration and collaboration with respect to the international system, revealing trends whose limits were, on one side of the spectrum, of isolationism and, on the other side, of full engagement in global governance and its institutions.

At one end of the spectrum is the nativism school of thought. This school puts together populist, nationalist or even extreme xenophobe visions. Such views often lead governments, or part of them, to nurture distrust with respect to the external environment and international institutions, raising actions of national autonomy or even international isolationism. In particular, this type of vision warns against the establishment of any kind of partnerships and strategic alliances, which would threaten the very existence of the nation.

The realist school, in its turn, places the nation-state as the central unit of the analysis, considering the state sovereignty principle as being above any other, rejecting arguments that transnational issues penetrate through national borders. The international environment is usually seen as anarchic and unpredictable, which is why it is essential to build a strong state that can act independently in the global sphere and resist external
pressures (Shambaugh, 2011, p. 12). In general, realists are pessimistic about the external environment and international relations. Above all, they define national objectives narrowly and in a self-interested way. Contrary to the nativism vision, realists are not isolationists, although bilateral partnerships and multilateral relations are subordinated to the strengthening of national interests.

Some groups of Chinese analysts can be identified as belonging to the school of “Major Powers.” Those members tend to argue that a country should focus its diplomacy in the conduct of relations with major countries and blocs of the international system, giving less attention to developing countries or to multilateralism. This school argues that the absence of ties with key countries or pivots of the international system can jeopardize the achievement of national interests and hamper other regional relations. Moreover, the modernization of a country depends, to a large extent, on high technologies and capital investments, abundantly available especially in developed and emerging countries. Analysts in this group usually consider strategic partnerships with major powers as the top priority of diplomacy of a country.

The group located in the middle of the spectrum argues that the foreign policy of a country should focus its efforts on its immediate periphery relations and countries belonging to its own region. It believes that a stable and prosperous neighborhood is vital to generate security and national development and therefore all efforts should be focused on building bilateral and multilateral arrangements with countries in its own region. Often, theorists and statesmen who advocate regional relationships do not exclude interactions with other regions or nations. But for them, there would need to balance the international relations of the country so as not to neglect its region in comparison to options regarding major powers and developing countries in other parts of the globe.

The school of "Global South" explains that China should give preference to regions or group of countries with which she identifies itself more with or have greater responsibilities or interests, regardless of whether they belong to its neighborhood. Thus, members of this school argue that a country needs to prioritize partners with shared values or history, or with whom she has business relations, and that advocate coincident or complementary interests. Relations can arise, for example, thanks to the existence of a
common past of domination or exploitation, or of goals linked to a better distribution of resources in the international system.

In its turn, "selective multilateralism" thought believes that a country must expand its global involvement gradually, but selectively, and only in areas directly related to the national interest. In particular, this view explains that a country should seek, wherever possible, to build commitments, not confrontation, to enhance common ground between countries and reduce differences between them. Unlike the globalist vision, presented below, selective multilateralism is more a means than an end in itself, serving as a tool or tactic to resolve disputes or advance national interests.

Finally, the globalist view, located at the end of the spectrum, has a tendency to believe that countries in the international system can share rights and above all responsibilities in global governance, according to its size, power and influence. In this school, the emphasis on principles such as sovereignty and non-interference is smaller than on principles such as globalization and humanitarianism. Moreover, according to this perspective, transnational challenges require transnational partnerships, which should mainly use soft, not hard power, to generate systemic accommodations (Shambaugh, 2011, p. 20).

In the next sections, empirical and analytical tools based on China’s study case and compared China’s political and economic relations with Latin American countries will be applied, in order to understand the main patterns of China’s bilateral behavior and the nature of power in its relations with Latin American countries.

In particular, this work supports that a “Global South” perspective combined with a "Realist” vision can help to better understand China’s presence in Latin America. This combined theoretical tool allows to state that Latin American countries are gaining importance in China’s foreign policy, but only in relative and limited terms. In one hand, the school of "Global South" explains that China should give preference to regions or group of countries with which she identifies itself more with, have greater interests or with whom she has business relations or advocate coincident or complementary interests. Despite the small presence of common cultural or historical elements, relations with Latin America could rise, in this sense, thanks to the common or complementary economic interests.
In the other hand and due to the difficulty of establishing confidence building measures in the presence of low common historical and cultural basis, as well as of creating projects that fits simultaneously the interests of both sides, the Realist vision defends that bilateral partnerships and multilateral relations between China and Latin American would be strongly subordinated to the strengthening of national interests first.

In order to achieve the objectives of this research, in the next sections a summarized analysis will explore the opportunities China developed in the Latin America region for effective coordination. The guiding methodology to study the China’s bilateral relations with some selected Latin American countries will be based on the inquiry about qualitative aspects of those relations, such as guiding principles, capacity development, enhanced communication and collaboration.

1.1. China's foreign policy to Latin America: general principles and objectives

In recent years, some of China's foreign policy principles were reinforced in the discourse of the Chinese government, such as: i) the use of foreign policy as a means to develop the country and bring prosperity to the people; ii) the multipolarity taken as a structural element facilitating Chinese inclusion in the international system and China's gains of power and international status, iii) and pacifism, regarded as a fundamental principle for creating an ideal environment to the smooth conduct of internal and external Chinese objectives (Becard, 2009, p. 171).

The overall objectives of China's foreign policy arise, thus, from the principles mentioned above, namely: i) to obtain resources needed in the development process; ii) to increase the internal and external order and stability, needed to promote development iii) to be accepted as regional and global power, in the short and middle term, respectively.

Through an international performance increasingly refined by the experience, especially since the 2000s, five dimensions of China's foreign policy were reinforced, based on: diplomacy, multilateralism, trade, culture and security. In Latin America, in particular, the mainly used dimensions were the political-diplomatic and economic-commercial ones, (Shambaugh, 2009), as will be seen below.
From the 1990s, Latin America has gained some political importance in China's foreign policy, particularly when some Latin American countries started to adopt positions sympathetic to China in international bodies such as the United Nations (UN), to defend the interests of developing countries, including that of transforming the world into a multipolar arena. In particular, within this context, Brazil was considered a key country in the Chinese strategy to expand South-South cooperation. It was also from the 2000’ decade that China has decided to include Latin America in its going global goals and strategies.

With regard to economic and commercial dimension, it was observed that the need to develop the country, bring prosperity to the people and to maintain internal stability was continuously valued by Chinese leaders over the past few years. Thus, the decision of the Chinese government to use its foreign relations to exploit raw materials and develop infrastructure was largely the result of the Communist Party’s decision of transforming old institutions into modern multinationals addressed in greater cases by the state and able to compete with the most reputable multinationals worldwide (Alden, Large, Oliveira, 2008, p. 122).

Capital, technology and foreign markets remain indispensable pillars in China’s search for growth. But, in turn, with the advance of modernization, energy and raw materials were considered key elements to the Chinese development (Bader, 2009, p. 11). To the extent that the dependence on resources from abroad increased, geostrategic calculations were amplified to include commodities as key source of Chinese foreign policy.

In this sense, the economic - commercial dimension was used by China in its relations with Latin America primarily aimed at exploring markets rich in raw materials and energy, but also to avoid any form of dependency, to be attained through greater diversification of its foreign suppliers.

In the 2000s, the central goals of China in Latin America were chiefly to purchase raw materials and energy, but also to accomplish cooperation, investments and sell manufactured goods in the regional market.

The results of China – Latin American relations on the late 2010s were more impressive than those of the previous decade, despite the strong focus on asymmetries.
As a matter of fact: i) the relations were based mainly on trade, ii) asymmetric relations were characterized by the import of Chinese manufactured products and by the export of a poorly diversified Latin American list of commodities (iron, soybeans); iii) and the relationships were concentrated in a few countries (Brazil, Chile, Argentina and Peru).

If, in the early 2000s, Chinese investments in Latin America were still modest, at the end of that decade they became larger, and essentially based on energy and infrastructure projects, necessary for the production and / or acquisition of energy, food and minerals.

Due to their greater participation in trade and investment, China is now largely seen as a benefic actor in Latin America, generating an increased demand for energy resources, minerals and food. China is also seen as a source of highly favorable impact on trade balance in Latin America. Finally, China is seen as a major potential investor in Latin American business plans (Santiso; Blazquez-Lidoy; Rodriguez, 2006) and a partner in international cooperation projects.

Contrary opinions about the positive role of China in the region did not take long to be listen, which accused China of having transformed Latin America into an ordinary region of raw material production and energy supply (Peters, Smith, 2008). Faced with these double assumptions, some researchers presented studies showing that the negative effects of China originate less from the terms of trade spurred by the latter and more from the slow dynamic of Latin American economic sector, which has a tendency to accentuate a frame of asymmetric interdependence (BARBOSA, 2011). The China effect, in this view, would not be felt the same way by different Latin American countries and its various commercial and investment sectors. These aspects will be discussed in the following section.

2. Opportunities and risks in Sino-Latin American relations

According to Barbosa (2011), there are four types or groups composed of different countries from Latin America, which engender distinct trade and investment with China.
Type A group is composed of commodity-exporting countries of Chinese interest and small industrial park (the examples are Chile and Peru). Type B is composed of industrial economies without Free Trade Agreement (FTA) with China and exporters of commodities (such as Brazil and Argentina). The type C meets exporting economies and industrialized products that have an FTA with the U.S. (Mexico and several Central American countries). Finally, type D is formed by small countries and potential commodity exporters (Ecuador and Uruguay).

In general, countries of type A (Chile and Peru) feel mostly positive macroeconomic effects of its relations with China since they result from trade surpluses arising from high commodity prices of minerals and large Chinese demand. However, the positive effects are limited in domestic production due to little value added within the supply chain of products exported to China. In addition, there are risks of substitution of domestic products in some industries or significant reduction of profit margins with impacts on the labor market. These countries do not suffer from the Chinese competition in third countries as there is no significant competition between the products exported by these countries and those exported by China in international markets. Regarding the effects of Chinese foreign investments in Chile and Peru, they are positive, especially in the primary sectors and infrastructure, not abundant in these countries. In turn, the China effect can also be negative, since there is a risk of losing the potential attractiveness of investments in some niches of the industrial sector in Latin America due to Chinese expansion and their own ability to divert foreign investment into its own market.

The China effect is felt differently by countries in Group B (Argentina and Brazil). The positive macroeconomic effects appear in the form of increase in foreign incomes due to high prices of agricultural and minerals commodity and boost in Chinese demand.

But the macro-economic effects may also be negative, with the presence of risk of commercial balance deterioration if the level of Chinese growth remains elevated for much longer. The internal positive productive effects are limited because of low added value brought by the productive system of goods exported to China.

Furthermore, the entry of Chinese products generated risks related to the appearance of flaws or holes in the manufacturing economic tissue. The competition in
foreign markets can be very important and negative with the loss of space for Brazilian exporters of manufactured products both in Latin America and the United States and a diversion of trade within Mercosur in various industrial sectors at the expense of Brazil and Argentina.

The effects of foreign investment can be positive as it increases the investments of Chinese enterprises, even if concentrated in commodities and infrastructure, and could gradually conquer other sectors, like the electrical / electronics and automobiles ones. However, investments in new global projects, which could have important effects on those countries, have tended to focus on China’s market because of its greater competitiveness and dynamism.

In the countries of type C (Mexico, Central America), the macroeconomic impacts were indifferent, because these countries do not have a significant supply of commodities to China, with the exception of some minerals. However, the internal productive impacts and competition in external markets were strongly negative because, on the one hand, there was the displacement of domestic production due to rising imports of Chinese goods, particularly electrical / electronics and textiles and on the other, there was a strong substitution of Mexican exports by the Chinese ones due to the great similarity between the profile of exports from both countries.

To compensate these negative effects, several Mexican companies have become suppliers of industrial companies based in China, under an intra-industry or intra-multinational scheme. Finally, with regard to the effects in terms of foreign investment, on the one hand, there were more Chinese investments in the area of textiles to attend the U.S. markets, on the other hand, displacements pushed production centers of Mexican multinational companies towards China.

For countries of type D (Ecuador and Uruguay), the positive macroeconomic effects depend on the export supply and sensitivity to Chinese demand. The import of industrial products with best prices can, in turn, improve the terms of trade.

The negative internal effects tend to be concentrated in the textile sector. Moreover, competition in foreign markets suffered no effects to the extent that these countries are not competing with Chinese manufactured products. Finally, effects in terms of foreign investment are positive, as they allow Chinese investments in
infrastructure sectors linked to export industries and promote Chinese industrial investments to meet the demands of regional markets.

The next section will further analyze the Brazilian case, in order to better understand the impacts its relations with China had in diplomatic, economical and cooperative realm.

3. The profile of Sino-Brazilian strategic partnership

In recent years, strategic partnerships have served, in general, to achieve key common goals considered central to the foreign policies of the countries involved, under a long-term perspective. Strategic partnerships, including the one between Brazil and China, also focused on the institutionalization of bilateral relations for wider purposes, considered fundamental to promoting effective multilateralism globally, going beyond bilateral relations. Finally, strategic partnerships were designed, in most cases, as an instrument to attract a key partner which occupies a pivotal role in solving global challenges. This means that a country, not being able to solve certain problems, seek to have the positive contribution of its strategic partners.

In general, strategic partnerships have as bilateral objectives: i) to act as an umbrella, offering a broad framework to guide the relationship, increasing the level of dialogue, ii) establish a privileged relationship, increasing the feeling of mutual trust through bilateral consultations and coordination, iii) strengthen bilateral cooperation in sensitive areas at the global and regional levels, iv) increase the status of the partner, recognizing their growing importance and influence, as well as their responsibilities and obligations as a global partner, v) intensify, diversify and multiply common institutions to both partners.

On a global level, common strategic objectives can be centered on promoting effective multilateralism. This objective can be problematic, since very often strategic partners promote multilateralism in a selective way and especially to defend their own interests. The global strategic objectives can also be tailored, putting the emphasis, for
example, in promoting global financial stability, sustainable development or the improvement of United Nations’ mechanisms of crisis management.

In Sino-Brazilian case, political interest of Brazil for China, who was born in the 1970’s, foresaw the great importance of China and indicated the Brazilian desire to use the relationship with China as a mechanism to reduce dependence on traditional partners and increase the Brazilian margin for maneuvering and bargaining power in multilateral forums. About the business plans and investment, China has become interesting for Brazil because it is a market that could increase the quality and quantity of its exports, especially from the 1990s. China was also considered to be a good partner to share information, especially in science and technology and to produce and acquire advanced technologies in the aerospace area.

From the political point of view, Brazil was chosen as a strategic partner by China thanks, among other reasons, to its central role in South America, to its position as a key country in Chinese strategy to develop South-South cooperation, to the convergence of their respective speeches at various international forums focusing on exercise of solidarity with developing countries, in promoting multipolar world and of strengthening the sovereign principle in opposition to international interference.

With regard to economic goals, China chose Brazil as a privileged space by the need to acquire ores, agricultural and energy products, in particular; she also intends to introduce manufactured products and make investments, especially in infrastructure and agriculture, with a view to facilitate key exports to its internal development.

After nearly 40 years of official bilateral relations, the Sino-Brazilian partnership has achieved many results in political and economical areas (trade and investment) as well as in scientific and technological cooperation. Some challenges, however, still persist in such areas of bilateral relations, which will be studied below.

3.1. Political and diplomatic relations

Diplomacy was one of the dimensions that most advanced in Brazil-China relations. Since the resumption of diplomatic relations in 1974, more than a hundred
bilateral acts were signed between the two partners. Since that, mutual visits are becoming more frequent and numerous.

The meetings and strategic planning documents received more attention, however, only in more recent years. It was from the second half of the 2000s that the two states have devoted themselves more fully to the publication of common documents for the expansion and reorientation of these relationships.

In order to promote a high-level dialogue and produce guiding documents, Brazil and China have jointly created, among others, the following institutions: Sino-Brazilian High-level Commission for Consultation and Cooperation (COSBAN), responsible for the coordination of various sectors of bilateral relations (having occurred two meetings between heads of state in 2006 and 2012 respectively); Strategic Dialogue (2007); Brazil-China Financial Dialogue (2008), and Dialogue between various business actors since the creation of the Brazil-China Business Council (CEBC), bringing together the most important Brazilian and Chinese companies present in both markets.

3.2. Brazil - China trade relations

During Luiz Inacio Lula da Silva term (2003-2010), Brazilian goals towards China were constant and focused on economic aspects of the relationship. Among such goals, it can be highlighted: i) increase Brazilian exports to China, ii) attract direct and indirect investments from China iii) exchange information on science and technology sector and develop cutting-edge technologies through joint projects iv) use the partnership to reduce dependence towards traditional partners, v) and increase the Brazil’s margin for maneuver and bargaining power in multilateral forum.

In general, China’s trade with Latin America, and particularly with Brazil, increased significantly in the last two decades. The participation of Latin America in the total Chinese trade increased from 1.9% in 1996 to 4.1% in 2008 - but is still considered marginal in Chinese businesses. In 2008, only 4% of Chinese exports went to Latin America, while 50% of its exports were destined for Europe, United States and Japan and 30% for Southeast Asia (Barbosa, 2011).
Brazil’s exports to China increased significantly in the last ten years, with positive results for Brazil trade balance during most of the period, making China the first trading partner of Brazil since 2009. At the end of 2001, bilateral trade between the two countries reached the level of $ 77 billion, with a surplus for Brazil of U.S. $ 11 billion (MDIC, 2012).

Despite the gains in Brazil’s favor, it was observed since 2004 a change in trade orientation with China, with a reduction of Brazil’s surpluses and increase in the space occupied by China in the Brazilian manufactured market.

At the end of the first decade of this century, the main criticism about the Sino-Brazilian trade was about the great difficulty faced by Brazil to diversify its exports and add value to their sales to China, which are mainly composed of raw materials and food, situation that sharply contrasts with the general profile of Brazilian exports. In 2008, 7% of Brazilian products exported to China were manufactured, 16% were semi-manufactured goods and 77% were basic products (SISCOMEX, 2009).

The reasons for the low dynamism of high value Brazilian exports to China are linked in large part to the high costs of transportation and logistics, the excessive tax burden in Brazil, a deficient infrastructure, and an incipient medium and long term insertion planning into the Chinese market.

The Brazilian challenge is even greater if we list imbalanced aspects between the two countries development model. While China chose a model based on external demand, with priority given to exports of manufactured goods, Brazil has put the focus on the growth of domestic demand, making international trade a less important one. In China, there is a clear industrial policy to support production, export and development of technology. In Brazil, such a policy has not been clearly determined, emphasis being given to inflation control (Thorstensen, 2011).

According to Sergio Amaral, former Minister of Industry and Foreign Trade of Brazil, the reasons for the asymmetries in trade relations with China are also attributed to Chinese attitudes, like: i) tariff escalation practices in certain sectors, ii) unjustified sanitary restrictions, as applied in the case of Brazilian chicken, iii) preference given to Asian partners, through the use of Asian integrated supply chains, iv) government aid given to Chinese companies, creating unfair competition (Amaral, 2011).
Moreover, it was found that Brazil was timid in the use of trade defense instruments authorized by World Trade Organization (WTO) rules. In this sense, Brazil would have to better imply tools to defend its rights and commercial interests not only at the bilateral but at the multilateral level as well. (Thorstensen, *apud* Acioly, Pinto, Cintra, 2011).

### 3.3. Chinese investments in Brazil

Since 1999, the Chinese government has structured a policy named "Going Global", which explicitly presented China’s interest to intensify its foreign direct investment (FDI). This policy encouraged investment projects with the potential to: i) enhance natural resources in China, ii) promoting exports iii) ensure the acquisition of specific assets such as technology and management tools iii) strengthen the competitiveness of Chinese enterprises, as well their insertion in international markets (Unctad, 2006 *apud* Apex, 2012).

Despite methodological difficulties and disagreement between sources, it can be said, according to the Brazilian Agency for Exports (APEX, 2012), that the cumulated flows of Chinese investments in the period from 2005 to 2010 exceeded $200 billion and the stock of Chinese FDI in early 2012 was approximately of $300 billion.

The Chinese government chose to draw plans for internationalization of domestic capital in line with its development strategy. In this sense, the search for natural resources and access to strategic assets and consumer markets were the main drivers of Chinese FDI. From a regional perspective, Chinese investments were most intense in the richest regions in natural resources, especially Africa, Latin America and the Middle East. The sectors that received most attention were the energy and minerals, as well as metallurgy and steel.

The presence of Chinese FDI in Latin America has become very important stating 2009. Furthermore, in early 2012, were expected investments between $ 12 and $ 17 billion in Brazil, especially in sectors linked to natural resources such as oil and steel.
Brazilian and Chinese official sources and independent research centers inferences showed very contrasting data about the presence of Chinese FDI in Brazil. According to APEX - Brazil, the Brazilian and Chinese governments have very close data that indicated that the China’s stock of FDI in Brazil, accumulated between 2006 and 2011, was approximately $ 800 - $ 900 million, a little over 1% of total IED located in Brazil. However, according to the Heritage Foundation, Chinese investments in Brazil were $ 16.7 billion, or five times more than was recorded by the Brazilian and Chinese governments (APEX - Brazil, 2012).

3.4. Cooperation in Science and Technology

The Sino-Brazilian Earth Resources Satellite program (CBERS), launched in 1988, is considered till now the most successful project of bilateral cooperation in science and technology between the two countries. The main objectives of this project were: i) break the monopoly of the great powers in the production and use of satellite imagery, ii) obtain knowledge in the area of distant sensing at low cost, iii) and promoting sustainable development through the use of high technology from space area.

Three CBERS satellites have been launched and two more are expected for 2012 and 2014. However, we must point out that the CBERS program did not allow the transfer of technology between the two countries, nor generated spillover effect, and other similar projects have not yet been transformed into agreements, as was expected in this area.

The development of other sectors of cooperation in science and technology is still nascent. Nevertheless, it is possible to perceive a huge potential of bilateral cooperation between China and Brazil in S & T, from the following three examples.

The "China - Brazil Climate Change and Energy Innovative Technologies Center" was created in January 2009 through the academic and technological cooperation between the Federal University of Rio de Janeiro (COOPE / UFRJ) and Tsinghua University, in China. The partnership is focused on the study of climate change and
technologies applied to energy. The projects are related to biofuels, the carbon capture and storage, and to technologies to deepwater (BRAZIL, 2012).

At the end of 2011, Brazil and China agreed to create the Bilateral Center for Nanotechnology. To start its virtual activities of research, each country agreed to initially invest $10 million (Righetti, 2011). In February 2012, the Brazil-China Centre of Research and Innovation in Nanotechnology was officially established under the name CBC-NANO. The Center will have the collaboration of four laboratories of the Brazilian states of São Paulo, Minas Gerais and Rio de Janeiro. One of the centers already chosen for the project was the National Center for Research in Energy and Material (CNPEM) from the city of Campinas, state of São Paulo (Anpei, 2012).

In April 2011, the Brazilian Agricultural Research Corporation (EMBRAPA) opened in Beijing its fourth virtual laboratory abroad (the other three are in the United States, South Korea and Europe). The LABEX China is coordinated by the Embassy of Brazil in Beijing and its main purpose of research is the investigation of resource sectors and genetic variations, biofuels, agro-energy, food processing, livestock, agro-ecology and pasture (EMBRAPA, 2011a).

According to EMBRAPA, Brazil and China are at similar stages of scientific development in the agricultural sector, which in practice can be translated into gains for research between the two countries. Thus, in the medium term, the partners have the intention of building wider bases to allow permanent and continuous exchange of agricultural research and techniques (EMBRAPA, 2011b).

**Final remarks: reactions and adaptations to Chinese plans**

At the end of the first decade of this century, there is no doubt that Chinese growth has produced the opening of new business with Latin Americans, especially in the energy, mineral and agricultural products. Chinese investments in Brazil in such areas have become increasingly abundant and diverse, even if in bases much more modest than those desired by Brazil in particular.
However, even under the record of progress in Sino-Brazilian relations, particularly over the past ten years, various points of weakness persist in the conduct of bilateral relations, provoking permanent analysis from academic and business views.

Thus, after the establishment of a large number of agreements, the exchange of frequent senior officials visits and the China’s rise as main Brazilian trading partner, the relationship is still deprived of a strategic project, based on a solid program of joint action and structured management of various areas of common interest. China-Brazil’s relations, in this sense, seems more to be the result of China’s pragmatic capacity of obtaining basic raw materials and energy, fundamental for its own continued existence, in one hand, and of Brazil’s capacity of immediate reaction to China’s externalities, in positive and negative sense, in the other hand, than the culmination of a well planned strategic relationship aimed to develop complementary national projects.

In speeches delivered during his first visit to China in 2011, Brazilian President Dilma Rousseff reiterated the interest of elevating the bilateral relations to a higher level, based not only on commerce, but especially in joint investments, scientific research of mutual interest and exchange of goods, including Brazilians high value added ones (Salek, 2011). Due to frequent and increasing trade imbalances with Beijing, the difficulty of attracting investments fundamental to national growth and developing joint C&T cooperation, able to generate high-tech knowledge and products, the current posture of the Brazilian government became more firm or even more protectionists, according to some analysts.

It is true that China has become an indispensable partner for Brazil and that in the near future not only Brazil but all the other Latin American countries will continue to answer to Chinese short term demands of raw material and energy.

The question now is whether those countries will be able to transform these relations in a tool to generating positive reciprocal effects of long term, creating the foundation for global south relations based on trust and legitimacy. More realist view would affirm that the future of China - Latin American relations in the next years will be more of the same, but with more realist measures being implemented towards each other with the help of soft power measures, in order to support national priorities first,
especially in the presence of growing number of short and medium term adversities and crisis in internal and external arenas.

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