Introduction

China is Brazil’s largest and fastest growing trade partner. Indeed, in just four short years (2000–2004) China jumped from the twelfth to the third largest market for Brazilian products. Accompanying the surge in bilateral trade are deepening commercial and political ties between the two states, characterized by mutual direct investments and greater bilateral policy coordination in international fora.

This article examines the bilateral relations between China and Brazil during the last decade. It evaluates the factors that have fueled the budding relationship, analyzes the structure and composition of commercial relations between the developing world’s two giants, assesses the impact of bilateral trade on the Brazilian economy, and identifies factors that likely will impinge on both countries’ ability to cooperate in the future. The conclusion highlights the implications of this expanding bilateral relationship for the United States.

There is no question that China’s rise is reconfiguring the distribution of power in the international system. Less visible but just as significant, is China’s transformative effects on Latin America’s development prospects and foreign relations. Today China is the world’s leading consumer of many Latin American exports, including copper, soybean, iron ore, coal, and petroleum, and since the mid 1990s it has become the single most important dynamic factor in Latin America’s trade.¹ Brazil, in turn, is both China’s  

¹ On China–Latin America trade, see Hernán Gutiérrez (2003); and Economic Commission on Latin America and the Caribbean (2005a).
chief Latin American trade partner, and the spearhead of a fast growing trans-Pacific trade corridor between China and Latin America.

For Brazil, China’s significance extends beyond commercial exchange. Closer bilateral commercial ties have also produced closer political ties. In May 2004, Brazil’s president, Luís Ignácio (“Lula”) da Silva, traveled to China at the head of the largest single official delegation in Brazil’s foreign relations history. Lula’s visit heralded a major shift in Brazil’s commercial relations, for it did not include a stop in Japan—for decades its biggest Asian trade partner. In November 2004, Chinese President Hu Jintao reciprocated Lula’s visit. These state visits reflect more than political symbolism. Both governments routinely exchange ministerial level visits (including military officials), and high level summity has produced real results: a number of trade accords, fresh rounds of foreign direct investment, and important agreements that have opened the Chinese market to Brazil’s globally competitive agricultural exports.

China’s increasing ties with Brazil (and Latin America more generally) reflect the first substantive, post-Cold War extra-hemispheric challenge to the United States in the region. Yet, while China’s growing influence may not prove to be as dire as some in the U.S. government fear, the fact that Brazil–China commercial relations are embedded in a wider set of national strategic objectives for both sides will almost certainly affect U.S. interests in maintaining unipolarity and economic rules of the game that advantage U.S. private enterprise. In these ways, Brazil–China relations form part of a subtle but significant transformation in world politics.
**Growth in Bilateral Trade**

A walk along the streets of Shanghai and São Paulo reveals many similarities between China and Brazil. Both have emerged as sophisticated modern industrial economies that, at the same time, show classic signs of the dual economy and its social inequities. In both megacities the modern and the traditional occupy the same space. The streets are crowded with glimmering glass towers that shadow over dilapidated shacks, while cars, horse-drawn carriages, rickshaws, and street vendors compete for space in congested urban traffic. Thus, while much of the economy and society is plugged into the fast changing, information-intensive world of globalization, large chunks remain untouched, disconnected, and seemingly left behind. Both megacities serve as each country’s primary gateway to the world economy and to each other.

In important ways each country’s growth has benefited the growth of the other, particularly China’s gravitational pull on Brazil. China’s growth began with Deng Xiaoping’s 1978 reforms, and Brazil has been the fortuitous beneficiary of China’s seemingly inexhaustible demand for raw materials and foodstuffs. Central to China’s development strategy is securing a steady supply of these commodities, and Brazil is a reliable and experienced supplier. While Brazil–China bilateral trade has features not found in China’s trade with other developing countries, its core interest in commercial ties with Brazil and the region is to secure primary goods and energy.

A number of factors account for the rapid growth in bilateral trade. Expanded bilateral trade is a product of Beijing’s entry into the World Trade Organization (WTO). A number of concessions China made to the United States and the European Union in order to join the WTO covered many product areas in which Brazil is strong, and China
and Brazil have signed agricultural agreements that reduced Chinese tariffs on Brazilian exports like beef, poultry, soy, coffee, machinery and equipment, and automobile parts.

China’s growth is familiar, but Brazil’s export performance has been remarkable too. Between 1990 and 2004, exports grew an average of 8 percent per year,² with agro-business, automotive equipment and parts, electrical components, and mining leading the way.³ As a result, in the 1990s Brazil emerged as a competitor in world trade with diversified markets and products.⁴ It no longer sells only commodities and raw materials, but also high value added exportables like aircraft, vehicles and parts, software, and machinery. It has one of the most productive and competitive agri-business sectors in the world, and is a leading exporter of soy, beef, poultry, sugar, and orange juice. Its dominance in coffee, meanwhile, is legendary, and it is the world’s largest producer and exporter of ethanol.

Brazilian export performance reached record highs by 2005 (surpassing the $100 billion barrier). China has been at the center of Brazil’s strong export performance in recent years, even as Brazil’s import structure has changed: industries formerly dependent on imported inputs have become exporters themselves,⁵ and now constitute huge players in the China trade. Volkswagen-Brasil, for example, already has an important foothold in the Chinese market (and its taxicab fleet).

A final factor behind the rapid growth in Brazil–China trade has been Brazil’s stress on aggressive export promotion. Over the last several years the government has provided exporters new credits, developed a sophisticated electronic government

² FUNCEX (July 2005).
³ See Ribeiro and Pourchet (2002).
⁴ To be sure, Brazil’s global branding is non-existent and its producers tend to focus on lower quality or unfinished product categories, even in capital sectors like steel.
⁵ Ribeiro and Pourchet, op. cit., pp. 80-81.
infrastructure with multiple portals for export-related business, and tasked federal agencies with export promotion, including web-based export service portals on their websites. Government-sponsored trade missions to China, along with other key markets like India and Russia, are now routine in Brazil. The government also is institutionalizing a global structure of support services and advocacy for Brazilian exporters, including the newly reconstituted Brazilian Agency for Export Promotion to organize trade missions and expositions.

Agriculture has the largest growth potential in Brazil’s exports to China, and Lula’s 2004 state visit to Beijing produced a series of protocols and agreements on the import of Brazilian agricultural products. Nearly all of Brazil’s leading agricultural exports to China have shown rapid growth trends (increasing by 93.4 percent during 2003–2004 alone). Within this group, soy, soy oil, sugar, and ethanol showed triple digit increases. Foods and beverage exports also grew considerably, along with strong gains by poultry, beef, and wine.

In terms of future trade growth, two sectors stand out: bio-fuels and transportation equipment. Brazil is a world leader in ethanol production, and China’s growing auto market, middle class, and pollution problems position Brazil to supply China substantial quantities of cleaner burning fuel. Moreover, a 2004 bilateral accord has set the stage for further cooperation in bio-fuel development. Even if China only uses these products as additives, Brazilian exporters will gain enormously. Transportation machinery and parts also are best poised for expansion in the China market. Currently, automotive equipment and parts comprise only a tiny portion of Brazilian sales to China, but several factors position Brazil to achieve a larger share of China’s automotive import market, beginning
with the vertical integration strategies of the transnationals. Volkswagen and General Motors, for example, have already established a presence in China, and will likely merge the two countries into a single global integration scheme.\(^6\) Aircraft too, is a growth sector for Brazil, and the Embraer aviation firm is well equipped to provide China a fleet of regional jets.

**Growth in Bilateral Investments**

An important but under studied aspect of current trade figures is the substantial direct investments underway that involve some of the largest companies in both countries. Nearly four hundred Brazilian entrepreneurs accompanied Lula when he visited Beijing in May 2004. They left China with nearly a dozen joint venture agreements with some of China’s own conglomerates. To cite just one example, Brazil’s top aviation firm, Embraer, has emerged as a big winner, through its joint venture with Harbin Aircraft Industry and Hafei Aviation, to manufacture the firm’s top selling ERJ-145 regional jets. The Harbin Embraer Aircraft Industry has begun production for two clients, Sichuan Airlines and China Southern. Another major Brazilian manufacturer, the Empresa Brasileira de Compressores (Embraco), has entered into a joint venture with China’s Snowflake to produce refrigerators in China. A true transnational, Embraco has production capacity on four continents, and is a world leader in refrigeration equipment (with 25 percent of the world market). It aims to produce for the Chinese market, and to use China as an export platform to the rest of Southeast Asia.

\(^6\) One particular niche that Brazil could readily fill is the large transport sector (buses and trucks), where Brazilian producers like Marcopolo and Scania have a competitive advantage in terms of technology and experience.
Over the next few years Chinese investments in Brazil will likely reach $5–10 billion—especially since China has entered negotiations to join the Inter-American Development Bank (the main regional multilateral lender), and is contemplating a preferential trade agreement with Mercosur—the Southern Common Market of which Brazil is a leading member. Meanwhile, the impediments to investment that Brazil’s regulatory regime once posed were cleared in December 2004 when the Brazilian Congress passed the public–private law (Parcerias Público-Privadas) to govern investment in public infrastructure like ports, railways, and roadways.

Not surprisingly, mining and steelmaking are the sectors drawing the greatest investment attention in both directions. For example, in 2004 Brazil’s mining juggernaut, the Compania Vale do Rio Doce (CVRD) and China’s Baosteel agreed to build a $2.5 billion steel complex in the Brazilian state of Maranhão. CVRD also has entered several other joint ventures with major Chinese parastatals, including a multi-billion dollar agreement with Chalco to build a jointly-operated aluminum refinery in Pará state, a CVRD and Yankuang Group agreement to produce coke in China, and a CVRD, Baosteel, and Yongcheng Coal and Electric agreement to produce anthracite and coal in Henan province.

China also has targeted investments toward upgrading Brazil’s transportation infrastructure to help connect production to ports (thus reducing commercial transportation costs). This investment pattern both replicates and reinforces its general investment pattern throughout the region, geared toward modernizing Latin America’s infrastructure. [Brazil’s poor transportation infrastructure is the greatest impediment to expanding production and ensuring its exports are price competitive, and it stands to
benefit handsomely from China’s infrastructure upgrades.] The downside of Chinese investments, of course, is that they further harden the region’s traditional location in the world economy as a supplier of primary products. They also ossify the historical pattern of global investments in the region which—in sharp contrast to the nature of investments in China itself—have never been oriented toward efficiency-seeking, capital- and technology-intensive sectors, but rather toward traditional, low value added, and semi-processed sectors.7

**Bilateral Science and Technology Coordination**

The larger and more intricate the bilateral relationship becomes, the more likely it is to place both countries on a collision course with the United States. Science and technology are the area of the deepest and longest bilateral cooperation, especially nuclear technology and aerospace research and development. These are also the area most likely to raise flags in Washington. Brazil has restarted its nuclear technology research along with its nuclear power sector. It also has declared its intention to cooperate with others in this area, and to begin exporting enriched uranium. China and Brazil, meanwhile, are negotiating peaceful nuclear technology cooperation, and Brazil’s state-owned nuclear enterprise hopes to build several nuclear power plants in China. From the U.S. perspective, the most controversial aspect of Brazil’s nuclear technology cooperation with China is its May 2004 decision to sell enriched and pure uranium to Beijing. This, coupled with Brazil’s renewed nuclear program, has alarmed Washington and generated friction with the International Atomic Energy Agency.

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7 Economic Commission on Latin America and the Caribbean (2005b).
Besides nuclear technology, Brazil and China are cooperating more closely on satellite research and development. Since 1988 they have signed five such bilateral agreements and have jointly produced remote sensor satellites, including the China–Brazil Earth Resource Satellite, or CBERS (designed primarily for space imaging and commercial use). The first two CBERS satellites were launched in 1999 and 2003; two additional CBERS were launched in 2006. While current bilateral cooperation in nuclear and space technology is directed solely at civilian use, it also has obvious military applications. To date, however, bilateral military ties remain negligible: the two have exchanged high level military visits, and signed several protocols pertaining to military cooperation, but these accords are either symbolic or serve as framework agreements calling for future cooperation.8

How should we interpret Brazil’s growing and multifaceted relationship with China? How is bilateral trade affecting Brazil’s economy?

There are two points worth noting about bilateral trade figures. First, the pace of growth in bilateral trade is impressive, but the overall scale and scope of trade remains modest. Both sides still account for only a small share of each other’s total business with the world. Second, the significance of trade between the two countries is strikingly imbalanced: China is far more important to Brazil’s total trade than vice versa (6 percent versus 19 percent respectively).9 Given its trade profile with China, Brazil runs the risks of concentrating its exports in basic goods and exposing itself to the political

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8 The 2004 accord calls for bilateral cooperation in various areas, including science and technology, logistics and procurement, military equipment, training, military exchanges, and the development of military application technology and naval warship construction.

9 Although China’s trade with Latin America appears to be more balanced, when disaggregated by individual countries, the same striking trade imbalance appears with respect to China’s commercial relations with Argentina, Chile, Cuba, and Peru.
vulnerability this entails. These risks are even greater since Brazil must compete for China’s market (in sectors like soy, steel, petroleum, iron ore, or leather products) against other developing countries, and with Australia, Japan, Russia, and the United States.

**The Risk of Export Concentration**

Like all of Latin America, Brazil’s exports to China display multiple concentrations. First, primary and semi-manufactured products dominate exports, totaling 82 percent of total sales in 2004. Moreover, Brazil’s top ten exportables to China—which make up 73 percent of its China sales—are all basic products. Second, while agriculture dominates Brazil’s exports to China, its agricultural sector sales to China are further concentrated among only a handful of goods: soy, non-agglomerated mineral ore, soy oil, and agglomerated mineral ore. Finally, only a handful of firms dominate bilateral trade on the Brazilian side, many of which are multinationals. The concentration by firms itself reflects industry concentration, where a handful of local and transnational oligopolies—CVRD, Bunge Foods, Cargill, and Arthur Daniels Midland—dominate the mining and agro-industries. Other major participants include the electronics giant, Phillips, and the automakers General Motors, Ford, and Volkswagen. Only two noteworthy national firms engage in Brazil–China trade: CVRD and Embraer. Reliance on multinationals brings all the usual advantages and risks for Brazil, especially since the vertical strategies by Brazilian-based multinationals stand to alter the economy from inward market-seeking orientation, to an outward orientation focused on efficiency and technology-intensive global competition.
Although Brazil’s imports from China reflect a classic Ricardian exchange (Brazil sells China primary materials while, in turn, China sells Brazil finished goods), they also display a noteworthy type of concentration. Many of China’s imports consist of import-competing goods (textiles, toys, consumer electronics), and are heavily clustered within the electronics and telecommunications sectors. Indeed, over 80 percent of its top ten exports to Brazil fall into this category. By contrast, China’s imports from Brazil boast a greater spread in composition of Chinese, and no one product reaches double-digit shares. Brazil’s purchases from China, therefore, are primarily consumer electronics, and electronic equipment and parts; the individual import items—everything from televisions and other consumer electronics, to electric motors and automatic data machines—are goods that Brazil had traditionally imported from the United States, Japan, Taiwan, and South Korea.

**Brazil and China as “Strategic Partners”**

The Brazil–China relationship extends well beyond trade. In fact, both sides have labeled it a “strategic partnership.” Each state seeks to change the rules and institutions governing world politics, and each sees the other as serving strategic, not just commercial, interests. For its part, China draws Brazilian support for key foreign policy issues. In 2004, for example, Brazil recognized China as a market economy (a designation required for China’s entry into the WTO). This decision was the price Lula had to pay in order to trade with China (a condition Beijing imposes on all its smaller trade partners). China’s drive to develop closer ties with Brazil, and Latin America more generally, is also geared toward providing greater long-term economic security and stable
supply markets for the primary inputs and foodstuffs it needs. Finally, China’s objectives rebound back to its obsession with Taiwan and its diplomatic offensive to secure support for its positions on Taiwan and Tibet.

Political interests invariably follow commerce, and China’s growth necessarily entails an expanding political orbit. Given the Chinese leadership’s historic foreign policy rhetoric of “anti-hegemony,” it is no surprise that Beijing would seek to expand its political orbit against U.S. efforts to contain China and prevent it from becoming a peer competitor.10 Thus, China has used its relationship with Brazil to diversify its trade away from the United States and decrease its political vulnerability.

Similarly, Brazil also has cultivated Sino–Brazilian ties to pursue a much broader geoeconomic and geopolitical strategy, geared to fortify the country against external economic and political vulnerabilities, and enhance its leverage on the world stage. While promoting this new order necessarily entails a firmer, more mature stance in its relations with the United States, Brazil’s foreign policy is not truly anti-U.S. Tensions between the two are more symptomatic of the broader global order that Brazil deems unfair. In this context, Brazil’s “China card” is meant to serve a broader strategic goal. In short, Brazil’s global foreign policy strategy, the core of which is commercial, is as much about power as it is about plenty.

Respecting economic plenty, China offers Brazil an opportunity to pursue sustainable growth via macroeconomic stability, export market diversification, and thus immunization against external shocks and disruptions (following its prior efforts to develop Mercosur and expand trade with the European Union, South America, India, and

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10 There is no other way for China to interpret the United States’ new national security strategy. See United States National Security Strategy (2002).
South Africa). In terms of power and political leverage, Brazil views tighter bilateral ties with China as a means to enhance its bargaining power, bolster its position on international trade negotiations, and forge a political counterweight to hemispheric and global trade regimes that might threaten Brazil’s national interests. Finally, Brazil is actively courting China’s support on two important diplomatic fronts: its bid for a UN Security Council seat and its position on negotiations at the WTO. Brazil has emerged as the most outspoken and assertive advocate of fairer trade rules in the current Doha Round of WTO negotiations. The collapse of the Cancun talks is mistakenly blamed on Brazil, rather than on the underlying dissatisfaction of the larger developing countries with current trade rules, especially in agriculture. Since the early 1990s Brazilian foreign policy has sought to garner support from, and unify, the larger developing countries in international trade negotiations, while at the same time diversifying its economic ties away from its historical orientation.

Thus, a salient feature of recent Brazilian foreign policy is a concerted effort to pursue more independence from the United States in its foreign relations. It has followed this path by developing a web of political counterweights to Washington’s influence, that range from its own neighbors, the European Union, and China, to other large developing countries. While this push for independence dates back to the military regime of the 1970s, the civilian democrats have consolidated and deepened the prior dictatorship’s foreign policy strategy.
The Limits of Cooperation

What limits, if any, are there to Brazil–China cooperation? Currently, Brazil and China are in a honeymoon period. Although trade remains largely complementary, the budding relationship confronts three important limitations: tensions in bilateral trade, competition over third markets, and divergent diplomatic interests.

Trade Tensions and Domestic Politics

Trade disputes between China and Brazil are inevitable. One likely source of dispute is China’s market access practices. A second is the domestic dislocation in Brazil caused by low-cost competing Chinese imports—and the domestic political fallout it gives rise to. China’s trade policy with all its partners is often fickle and prone to unexpected turns. The early 2003 ban on Brazilian soybean imports (for reasons the Brazilians found arbitrary) was not a lone example. Chinese market access practices, such as the use of health, certifications, and other regulatory mechanisms to limit access or discriminate against imports, have and will continue to frustrate Brazil.

China not only has a restrictive tariff structure, but also a dense web of non-tariff barriers to protect against imports.11 Brazilian exports in automotive parts, machinery, vegetable oil, steel, aircraft, and heavy transport all face stringent import licensing requirements. Other complaints revolve around the lack of transparency and consistency in how China applies these regulations and technical requirements. Cartel pricing is another practice deemed unfair by its trade partners. A number of product categories—nearly all them among the leading Brazilian exports—are slated for import by only state-

11 These barriers include import quotas, import substitution measures, import licensing, pre-shipment inspections, domestic content and supplier requirements, quarantine stipulations, quality standards and product testing, and restrictive certifications.
owned firms. Imports in aircraft, mining, textile and clothing, and energy sectors are state controlled.

There is no doubt that questionable market access practices on both sides will strain relations. Trade will continue, and relations are unlikely to collapse as a result. The problem will be Brazil’s high exposure, given its export concentration.

The second, more serious source of trade tensions will be the political impact of Chinese imports on Brazil’s domestic market. Brazilian officials already have begun to press Beijing to adopt voluntary restrictions on exports to Brazil. What alarms Brazil most is the rate of import growth in its trade with China (an astronomical 200 percent growth between 2000 and 2004). Because this pace outstrips Brazil’s capacity to make adequate domestic adjustments, it will likely trigger intense domestic political pressures on the government to adopt restrictive trade practices. The widespread fear in Brazil—among workers, industrialists, and the government—is that China’s low-cost imports will wipe out local industries and lead to job losses. At present, protectionism is not part of domestic political debate in Brazil, but politically potent groups already have signaled their worries. The Lula government’s November 2004 decision to recognize China as a market economy played into these concerns because it limited the government’s ability to initiate anti-dumping or compensatory measures against China outside of WTO rules.12

As noted, save for the automotive and aircraft sectors,13 Brazil’s comparative advantage in industry and commerce lies in labor- and natural resource-intensive

12 Rubens Ricúpero, head of the trade division for the powerful Federation of Industries of the State of São Paulo, for example, has warned that the government’s decision would turn Brazil’s trade surplus with China into huge deficits, and that if China engages in unfair trade practices, Brazil will be unable to adopt effective safeguards. See O Globo, 19 November 2004.

13 On the competitiveness of Brazilian industry see study by Brazil’s national development bank, see Nassif and Pimentel Puga (December 2004). See also Villarim de Siqueira (December 2000); and Ministério do Desenvolvimento, Indústria, e Comércio Exterior (2005).
industries like agriculture and mining. China, however, is a low-cost producer in many competing labor-intensive industries in Brazil, and in these realms China will necessarily have a competitive edge given its comparatively lower labor costs.

Industries that will face the stiffest assault from Chinese imports are footwear, leather, textiles, clothing, furniture, and electronics equipment and materials. To cite just one example, China competes in both Brazil’s domestic and export footwear markets. Brazil’s footwear and leather industry employs over half a million workers. Many are centered in politically powerful states like São Paulo and Rio Grande do Sul, and many of these jobs will be threatened by Chinese competition.

**Competing for Market Shares**

A second area of potential friction is the intense competition between Brazil and China for shares of the same leading markets: the United States, the European Union, and now increasingly Latin America. Despite such competition there are some bright spots for Brazil. Its fastest growing high-end exports to the United States (aircraft equipment) do not face any competition from China, nor do its automotive parts and equipment exports (at least at present). Still, among Brazil’s top twenty exports to the U.S. market, half face stiff competition from China’s own top twenty exports. Direct Chinese competition for U.S. market share in nuclear reactor parts and equipment, vehicles, footwear, electric machinery, and furniture will tend to concentrate Brazil’s losses in the U.S. market in these few, but significant areas (and again, Brazil’s second biggest export to the United States, footwear, is likely to be the biggest victim).
The danger China poses to Brazil’s U.S.-bound exports is not limited to lost market share. Brazil also risks becoming the unintended victim of any U.S. (and EU) protectionist backlash that the flood of Chinese imports could produce. Brazilians are rightly concerned that any protectionist response that develops—even though provoked by Chinese imports—will not discriminate. For Brazil, the competition’s scope and intensity will depend on the outcome of trade negotiations underway with the European Union and the United States (the Free Trade Area of the Americas). If successfully negotiated, they would give Brazilian imports a competitive edge via lower tariffs. Even so, Brazil’s footwear industry still stands to lose more from free trade with the European Union, given the strength of Italy’s footwear industry.14

Diplomatic Sources of Divergence

Despite their shared interest in changing the rules and redistributing the decision making power in global governance, Brazil and China are likely to clash diplomatically even as they pursue these apparently common goals. The most significant area of divergence is their conflicting positions on UN Security Council reforms. The problem is not simply that China is already a permanent member and Brazil wants the same. Rather, it is the current configuration of states clamoring for representation—Brazil, India, Germany, and Japan—and the fact that Brazil has chosen this so-called Group of Four as the main vehicle to push for a Security Council seat. Not surprisingly, granting Japan a permanent seat in the Security Council is a non-starter for China, and Brazil’s decision to tie its Security Council fate to that of Japan’s puts it in direct collision with China, risking much of its wider global strategy. Each time Brazil and other Group of Four members

have put forward their candidacy, China’s reaction was intensely negative. Consequently, it is difficult to imagine a scenario in which Brazil’s candidacy under the Group of Four would receive Chinese support and Brazil has given little indication of abandoning its Group of Four strategy.

Looking ahead, then, the biggest challenge for bilateral relations (and Brazil’s biggest source of frustration), will be the commercial and political imbalance in the relationship. China will continue to be far more important to Brazil, and weigh more heavily in its trade, than vice versa. In the end, the realities of power and the asymmetry of trade will mean that Brazil—the partner more exposed in the trade—will be the one to yield and bear the greater costs. From China’s standpoint, none of Brazil’s exports are essential or irreplaceable, since it mainly exports raw materials and semi-processed goods, not higher valued added and strategic items. Moreover, Brazil is not the only supplier of these low value added goods: in nearly every export category it competes with the main industrial powers for a share of China’s market. Put simply, for Brazil, the limits of its China card are both domestic and international. To maintain stable, prosperous bilateral relations, Brazil must navigate successfully the three areas of potential friction and divergence in relations with China.

Conclusion

What does the growing Brazil–China relationship mean for the United States and, more broadly, world politics? Although at present, the prospects of a serious security or commercial challenge to Washington seem remote, the objective of both developing giants (especially Brazil) is to leverage the relationship in ways that bolster their position
vis-à-vis the United States. Thus, given today’s unipolar order, any substantive change in the structure of world politics will undoubtedly affect American interests. Such changes are now on the horizon.

The evolving Brazil–China relationship is one of a series of developments in Latin America over the last decade that concern U.S. policymakers. First, beyond its ties to Brazil, China is increasingly affecting the region’s economic and political orientation in the world. From the U.S. standpoint, China is a strategic adversary (notwithstanding public declarations of U.S. policymakers to the contrary), and is predicted to surpass the United States as the world’s dominant economic power within the next few decades. Its growing presence in Latin America, therefore, constitutes the first post-Cold War challenge to U.S. dominance in a region that Washington historically considered its exclusive preserve.

Second, Brazil–China ties have arisen against a regional backdrop of dramatic political change. In Argentina, Bolivia, Brazil, and Chile, democratic elections have brought left-of-center leaders to power, several of whom Washington perceives to be antithetical to U.S. interests (i.e., Bolivia’s Evo Morales and Venezuela’s Hugo Chávez). Meanwhile, some neoconservatives inside and outside the U.S. administration suggest that the region’s growing leftist trend constitutes a mini axis of evil.\textsuperscript{15} The fact that China is forging ties with all these countries will preoccupy U.S. policymakers for years to come.

Finally, China’s expanding commercial presence in Latin America can only come at Washington’s expense. On the one hand, by virtue of its growing commercial ties,

\textsuperscript{15} Menges, (July 22, 2002), pp. 20-22.
nuclear and aerospace cooperation, and large-scale infrastructure investments, China is poised to become an important physical presence in a region that Washington has long considered to be its “backyard”; on the other, China also hopes to use any hemispheric free trade agreement that might be negotiated as a backdoor entrance into the U.S. market, should Washington eventually decide to restrict Chinese exports.

To be sure, the United States will continue to be the hemisphere’s principal gravitational force, and U.S. corporations will retain a strong position in the region. Yet the greater China’s commercial and political relations become in Latin America, the more diminished will be the U.S. role. If current trends continue, China’s commercial relations with Brazil and other Latin American countries will likely shift the region’s historic commercial orientation, and dilute its traditional dependence on the U.S. market. To the extent that political influence follows commercial ties, Latin America’s political vulnerability to the United States will diminish too.
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