

China diplomacy and trade in Latin America

Diplomacia chinesa e negócios na América Latina

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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, especially Brazil's. 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.

Keywords: China - Latin American Relations; China - Brazil Relations; Chinese Foreign Policy.

RESUMO

Este artigo tem como tema central a análise das relações China - América Latina durante a primeira década do século XXI. Em particular, o artigo analisa a atuação estratégica chinesa e as reações dos países latino-americanos nos domínios econômicos e diplomáticos, especialmente do Brasil. O trabalho apresenta a hipótese de que os benefícios de curto prazo oferecidos pela China foram muito importantes, mas desigualmente distribuído entre os países da América Latina, enquanto que o impacto da China sobre o desenvolvimento latino-americano, em médio prazo, ainda é incerto e apresenta um risco substancial de desindustrialização em alguns países. Finalmente, considera-se que a parceria sino-brasileira é moldada na forma de interdependência, com ganhos positivos para ambas as partes, mas com assimetrias desfavoráveis ao Brasil.

Palavras-chave: Relações China - América Latina; Relações China - Brasil; Política externa chinesa.

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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.

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, on 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 due to the fall of the former Soviet Union and the end of the Cold War, but also through China's accelerated 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 in 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 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 also rearranged the international division of labor, chiefly by imposing new structural challenges in Latin American countries, with impacts on its development agenda (Barbosa, 2011, p. 1). It is in regard to this last point that the present analysis intends to address its comments in the following 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 crises, 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, especially 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, especially at the end of the first decade of this century, in a way that has 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 on China's raw material and energy provisions.

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 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 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 the country 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 parts 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 viewpoint discourages 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 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 the formation of bilateral partnerships and multilateral relations is subordinated to the strengthening of national interests.

Some groups of Chinese analysts can be identified as belonging to the school of “Major Powers”. Members of this school of thought tend to argue that a country should focus its diplomacy on having 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 to 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 relations with neighbors that immediately surround it and countries belonging to its own region. It believes that a stable and prosperous neighborhood is vital to generate security and national development, 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, however, it would be crucial 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 “Global South” school explains that China should give preference to regions or group of countries with which the country more closely identifies or has 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 the country has business relations, and that advocate coincident or complementary interests. Relations can arise, for example, due 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, the “selective multilateralism” perspective 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, more important, responsibilities in global governance, according to the size, power and influence of the country. In this school, the emphasis on principles such as sovereignty and non-interference is smaller when compared to 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 following sections, empirical and analytical tools based on a case study of China and a comparison of 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 for the conclusion that Latin American countries are gaining importance in China’s foreign policy, but only in relative and limited terms. On one hand, the school of “Global South” explains that China should give preference to regions or group of countries with which the country identifies itself more closely, has greater interests or with whom the country has business relations or advocate coincident or complementary interests. Despite the small presence of common cultural or historical elements, relations with Latin America could grow, in this sense, thanks to the common or complementary economic interests.

On the other hand, 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 devel-

oped in the Latin America region for effective coordination. The guiding methodology to study China's bilateral relations with some selected Latin American countries will be based on an inquiry about qualitative aspects of those relations, such as guiding principles, capacity development, enhanced communication and collaboration.

China's foreign policy in Latin America: general principles and objectives

In recent years, some principles on China's foreign policy 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) 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 for 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 medium term, respectively.

Through an international performance increasingly refined by 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 dimensions that were mainly used were the political-diplomatic and economic-commercial ones, (Shambaugh, 2009), as will be seen below.

Beginning in 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), regarding the defense of 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 decided to include Latin America in its going global goals and strategies.

With regard to the economic and commercial dimension, it was observed that the need to develop the country, bring prosperity to the people and maintain internal stability was continuously valued by Chinese leaders over the past few years. Thus, the decision by 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 to transform 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. However, with the advance of modernization, energy and raw materials have come to be considered key elements to the Chinese development (Bader, 2009, p. 11). To the extent

that the dependence on resources from abroad has increased, geostrategic calculations were amplified to include commodities as key sources of Chinese foreign policy.

In this sense, the economic - commercial dimension was used by China in its relations with Latin America primarily with goals of exploring markets rich in raw materials and energy, but also to avoid any form of dependency, making the option for a 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 cooperation, investments and the sale of manufactured goods in the regional market.

The results of China – Latin American relations in 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 import of Chinese manufactured products and by 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; by the end of that decade they became larger, and were based essentially on energy and infrastructure projects, needed 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 benefactor 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. Additionally, 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.

Critiques about the positive role of China in the region did not take long to be heard. They accused China of transforming Latin America into a regular region of raw material exploitation 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 the Latin American economic sector, which has a tendency to accentuate a frame of asymmetric interdependence (BARBOSA, 2011). In this view, China would not affect the different Latin American countries and its various commercial and investment sectors on the same way. These aspects will be discussed in the following section.

Opportunities and risks in Sino-Latin American relations

According to Barbosa (2011), there are four types or groups composed of different Latin American countries, 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 Agreements (FTA) with China that are also exporters of commodities (such as Brazil and Argentina). Type C is made up of exporting economies and industrialized countries that have a FTA with the U.S. (Mexico and several Central American countries). Finally, type D is formed by small countries that are potential commodity exporters (Ecuador and Uruguay).

In general, type A countries (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 due to the fact that there is no significant competition between the products exported by these countries and those exported by China in international markets. The effects of Chinese foreign investments in Chile and Peru were positive, especially in the primary sectors and infrastructure. In turn, the effect of trade with China 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 ability to divert foreign investment into its own market.

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

But the macroeconomic effects may also be negative, since there is a 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. Competition in foreign markets can be very important and negative with a loss of space for Brazilian exporters of manufactured products both in Latin America and the United States, as well as a diversion of trade within Mercosur in various industrial sectors at the expense of Brazil and Argentina.

The effect of foreign investment can be positive as it increases the investments of Chinese enterprises, even if they are concentrated in commodities and infrastructure; they could gradually conquer other sectors, such as the electrical / electronic and automobile sector. 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 exportation 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 / electronic and textiles. On the other hand, there was a strong substitution of Mexican exports by Chinese ones due to the great similarity between the profiles 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. With regard to the effects in terms of foreign investment, there were more Chinese investments in the area of textiles in order to supply the U.S. markets, while at the same time, displacements pushed production centers of Mexican multinational companies towards China.

For countries of type D (Ecuador and Uruguay), the positive macroeconomic effects depend both on the export supply and sensitivity to Chinese demand. The import of industrial products with the 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 of its relations with China in the diplomatic, economical and cooperative realms.

Profile of the 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. 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, seeks 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) to establish a privileged relationship, increasing the feeling of mutual trust through bilateral consultations and coordination; iii) to strengthen bilateral cooperation in sensitive areas at the global and regional levels; iv) to increase the status of the partner, recognizing their growing importance and influence, as well as their responsibilities and obligations as a global partner; v) to intensify, diversify and multiply institutions that are common 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. Global strategic objectives can also be tailored, putting the emphasis, for example, on promoting global financial stability, sustainable development or the improvement of United Nations' mechanisms of crisis management.

China's political interest in Brazil, which began 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 as well as bargaining power in multilateral forums. In relation to 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 since the 1990s. China was also considered to be a good partner with which to share information, especially as far as science and technology and the production and acquisition of advanced technologies in the aerospace area.

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

With regard to economic goals, China chose Brazil as a privileged space to acquire ores, agricultural and energy products, in particular; the country 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 positive results in economic and political areas (trade and investment) as well as in scientific and technological cooperation. Some challenges, however, still persist in those areas of bilateral relations, which will be studied below.

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.

However, meetings and strategic planning documents have only begun to receive more attention in recent years. It was in 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 follow-

ing 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.

Brazil - China trade relations

During the administration of Luiz Inácio Lula da Silva (2003-2010), Brazilian goals with reference to China were constant and focused on economic aspects of the relationship. Among such goals, it is possible to highlight: i) increase Brazilian exports to China; ii) attract direct and indirect investments from China; iii) exchange information referring to the 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 maneuvering and bargaining power in multilateral forums.

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's trade balance during most of the period, making China the foremost 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 (BRASIL, 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 an 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 as far as the diversification of its exports and added value to their transactions with China, which are mainly composed of raw materials and food, a 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 is 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 take into account unbalanced aspects between the development models of both countries. While China chose a model based on external demand, with priority given to exportation of manufactured goods, Brazil put the focus on the growth of domestic demand, making international trade a less important goal. In China, there is a clear industrial policy that supports production, export and development of technology. In Brazil, such a policy has not been clearly determined because of the stress on 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 can also be attributed to Chinese attitudes, for instance: i) tariff escalation practices in certain sectors; ii) unjustified sanitary restrictions, as applied in the case of Brazilian chicken; iii) preference given to Asian partnersthrough the use of Asian integrated supply chains; iv) and government aid given to Chinese companies, which creates unfair competition conditions (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 implement tools in order 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).

Chinese investments in Brazil

Since 1999, the Chinese government has structured a policy called “Going Global”, which explicitly presents China’s interest in intensifying its foreign direct investment (FDI). This policy encouraged investment projects with the potential to: i) enhance natural resources in China; ii) encourage exports; iii) ensure the acquisition of specific assets such as technology and management tools; iv) strengthen the competitiveness of Chinese enterprises, as well their insertion in international markets (Unctad, 2006 *apud* Agência de Promoção de Exportações, 2012).

Despite methodological difficulties and disagreements 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 of approximately \$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 regions that are richest in natural resources, especially Africa, Latin America and the Middle East. The sectors that received most attention were the energy and mineral sector, as well as metallurgy and steel.

The presence of Chinese FDI in Latin America has become very important, especially since 2009. Furthermore, in early 2012, investments

were expected to be 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 of 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 (Agência de Promoção de Exportações, 2012).

Cooperation in Science and Technology

The Sino-Brazilian Earth Resources Satellite program (CBERS), launched in 1988, is considered until now the most successful project of bilateral cooperation in science and technology between the two countries. The main objectives of this project were to: 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 promote sustainable development through the use of high technology from space.

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 did it generate a 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's 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, carbon capture and storage, and deep water technologies (Brasil, 2012).

At the end of 2011, Brazil and China agreed to create the Bilateral Center for Nanotechnology. To begin their virtual activities of research, each country agreed to initially invest \$ 10 million (Riguetti, 2011). In February 2012, the Brazil - China Centre of Research and Innovation in Nanotechnology was officially established under the name CBC-NA-NO. 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 is the National Center for Research in Energy and Material (CNPEM) in the city of Campinas, state of São Paulo (Anpei, 2012).

In April 2011, the Brazilian Agricultural Research Corporation (EMBRAPA) opened its fourth virtual laboratory abroad in Beijing (three other ones are located in the United States, South Korea and Europe). The LABEX China is coordinated by the Embassy of Brazil in Beijing and its main purpose is to investigate 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 in research between the two countries. Thus, in the medium term, the partners have the intention of building wider bases to allow for the 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 inauguration of new business with Latin Americans, especially as far as energy, mineral and agricultural products. Chinese investments in Brazil in such areas have become increasingly abundant and diverse, even if the results have been more modest than those desired by Brazil in particular.

However, even with 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 perspectives.

Thus, after the establishment of a large number of agreements, the exchange of frequent senior officials visits and the China's elevation to Brazil's main 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 interests. Relations between China and Brazil, in this sense, seem more to be the result of China's pragmatic capacity of obtaining basic raw materials and energy, fundamental for its own continued existence, on one hand, and Brazil's capacity of immediate reaction to China's externalities, in a positive and negative sense, on the other hand, than the culmination of a well planned strategic relationship aimed to develop complementary national projects.

In speeches delivered during her 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 the exchange of goods, including Brazilian high value added products (Salek, 2011). Due to frequent and increasing trade imbalances with Beijing, the difficulty of attracting investments fundamental to national growth and developing joint S&T cooperation, able to generate high-tech knowledge and products, the current posture of the Brazilian government became more strict or even more protectionist, 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 Ameri-

can 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 into a tool for generating positive reciprocal long term effects, creating the foundation for global south relations based on trust and legitimacy. A 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 by both countries in relation to each other with the help of soft power measures, in order to prioritize national interest goals, especially in the presence of growing number of short and medium term adversities and crises in internal and external arenas.

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