

Original Paper

Research on the Development of China-Brazil Trade Relationship under the Lula Administration—Based on the Comprehensive Strategic Partnership

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Abstract

During President Lula's visit to China, the two sides issued a joint statement on deepening the comprehensive strategic partnership, which made clear the common will to continuously promote economic and trade cooperation. The trade structure of China and Brazil is highly complementary, and the trade relationship has been stable. Due to Brazil's good agricultural development and rich natural resources, the commodities exported to China are mainly soybeans, crude oil, and iron ore, and there has been a trend of gradually enriching commodity structure in recent years. The continuous positive development of China's trade relations is reflected in the following aspects: On the one hand, from the data of the first three quarters of 2023, it can be seen that Brazil's trade surplus with China has a trend of continuous expansion, which plays a positive role in the recovery of Brazil's national economy; On the other hand, from the perspective of internal affairs and multilateral mechanisms, the future development of China-Brazil trade relationship can generate more possibilities and convenience under the multilateral framework, and improve the "common integration" of developing countries trade.

Keywords

Comprehensive strategic partnership, China-Brazil trade, Lula administration

1. Introduction

With the end of the Brazilian presidential election in 2022, the return of Lula, the "son of Brazil", has ended the right-wing government, and Brazil, with the widening gap between the rich and the poor and the food problem, has seen the future and hope. Internal affair is a continuation of diplomacy. Lula's return to power has also brought new opportunities for China-Brazil relationship and cooperation in various fields. 2023 is a turning point for Brazil, because it ushered in the return of the "son of Brazil" Lula, which is of great significance to solve the predicament caused by Brazil's basic national conditions. At the same time, 2023 is an "accelerator" for the China-Brazil relations, not only because this year marks the 30th anniversary of the establishment of the China-Brazil strategic partnership but also because 2024 will be the 50th anniversary of the establishment of diplomatic relations between the two countries.

This research is divided into three parts to discuss the development of the China-Brazil trade relations after Lula came to power. The first part, from the perspective of the establishment and deepening of the China-Brazil comprehensive strategic partnership, explains the relationship between political relations and economic and trade cooperation and clarifies the common will of the two countries to further promote economic and trade cooperation in combination with the joint statement on deepening the comprehensive strategic partnership issued by the two sides during President Lula's visit to China. The second part, through the comparison of trade data at different time nodes, defines the characteristics of the China-Brazil trade, the changes in product categories, and the proportion and fluctuation of trade volume. At the same time, based on the newly released data for the first three quarters of 2023, it analyzes the development status and advantages of the China-Brazil trade. The third part, combined with the internal needs and the multilateral mechanism of trade development promotion, affirms the prospect that the China-Brazil trade relations will continue to move forward.

2. Establishment and Deepening of China-Brazil Comprehensive Strategic Partnership

2.1 China-Brazil Political Relations Promote Economic and Trade Cooperation

From the historical development of bilateral political relations, China and Brazil have experienced three stages of changes in relations. With the help of frequent exchanges between the two governments, China established diplomatic relations with Brazil on August 15, 1974. A strategic partnership was established in 1993, and the relationship was upgraded to a comprehensive strategic partnership in 2012. In July 2014, on the occasion of the BRICS Summit, China and Brazil issued a statement on further deepening the China-Brazil comprehensive strategic partnership.

Political relations are the cornerstone of economic and trade and people-to-people cooperation. Since the establishment of the comprehensive strategic partnership, the two countries have been consolidating bilateral relations under the three pillars of politics, economy and trade, and people-to-people relations. On the basis of improving political relations, economic and trade exchanges between China and Brazil have also benefited a lot. In recent years, the trade cooperation between China and Brazil has been limited by Brazil's rich mineral resources and good agricultural development, but its equipment and technical tools are not advanced enough. China's trade with Brazil is mainly carried out through the import of soybeans, iron ore, and crude oil and the export of electrical and electronic communication equipment, power equipment, and medical products.

2.2 Specific Measures on Economic and Trade Cooperation in the Joint Statement

In April 2023, Brazilian President Lula paid a four-day state visit to China, which clarified the attitude of Lula's third term to actively promote China-Brazil relations. On this occasion, the two sides issued a joint statement on deepening the comprehensive strategic partnership.

The joint statement, on the one hand, made clear the common will to deepen cooperation in various fields based on political relations, "to continue to promote exchanges of visits between the two governments and inter-departmental dialogue and exchanges, enhance political mutual trust, consolidate the political foundation of bilateral relations, and jointly deepen the China-Brazil comprehensive strategic partnership characterized by openness, inclusiveness and win-win cooperation. Deepen cooperation in poverty reduction, social development and scientific and technological innovation, and expand cooperation in environmental protection, climate change, low-carbon economy and digital economy".

On the other hand, the two sides also positively affirmed the excellent momentum of bilateral trade and agreed to “continue to expand trade exchanges, actively promote trade diversification, promote trade facilitation, promote trade in services and agricultural products, and improve the resilience of industrial chains and supply chains”. It also pledged to “create conditions for bilateral trade to cover more competitive and high value-added products”. In addition, the two sides also put forward clear directions for economic and trade cooperation, especially in agriculture and agricultural products trade, beef import and export trade, fish trade, and other fishery products trade, promote trade development through e-commerce, promote cooperation in the field of digital economy and infrastructure investment, and encourage the communication between Chinese and Brazilian enterprises.

From the joint statement issued by the two countries, it can be seen that the Lula government has made clear its intention to jointly deepen the comprehensive strategic partnership, and the two sides have reached a clear consensus on promoting economic and trade cooperation to a higher level. From this point of view, the future of China-Brazil economic and trade cooperation will face more possibilities and opportunities.

3. The Development Status and Advantages of China-Brazil Trade Cooperation

Trade cooperation between China and Brazil has always been stable and close. For more than a decade, China has been the largest trading partner of Brazil and has played a key role in promoting Brazil's own economic development. Focusing on the Latin American region, Brazil has also become the first choice for Chinese foreign investment. Between 2010 and 2020, China's cumulative total investment in Brazil exceeded 60 billion US dollars, making it the largest destination country for Chinese investment in Latin America (Zhang & Jiang, 2022). Under the situation of sound development of economic and trade cooperation between China and Portuguese-speaking countries, Brazil, as the largest trading partner of China's Portuguese-speaking countries, accounted for 81.7% of the total trade volume of Portuguese-speaking countries in 2021 (Wu, 2022).

Although Brazil's domestic economic situation is not optimistic, facing serious problems such as falling unemployment and rising prices, it has not had a negative impact on China-Brazil trade. In the context of the weak global economic situation, data from Brazil's Instituto de Pesquisa Economica Aplicada (IPEA) showed that the trade volume between China and Brazil reached 125 billion U.S. dollars in the first three quarters of 2021, an increase of 44% year-on-year. Among them, China's import volume reached 87.30 billion US dollars, an increase of 36.7%, mainly imported Brazilian agricultural products, iron ore, soybeans, and cotton. The relevant research of the Institute pointed out that the bilateral trade cooperation between China and Brazil has been continuously strengthened since 2007. From 2007 to 2020, Chinese enterprises invested 66 billion US dollars in Latin America, accounting for 47% of the investment in Brazil. Major investments are made in electric energy, oil and gas extraction, metal and mineral extraction, manufacturing, infrastructure, agriculture and related services, finance, and other fields (Figure 1).

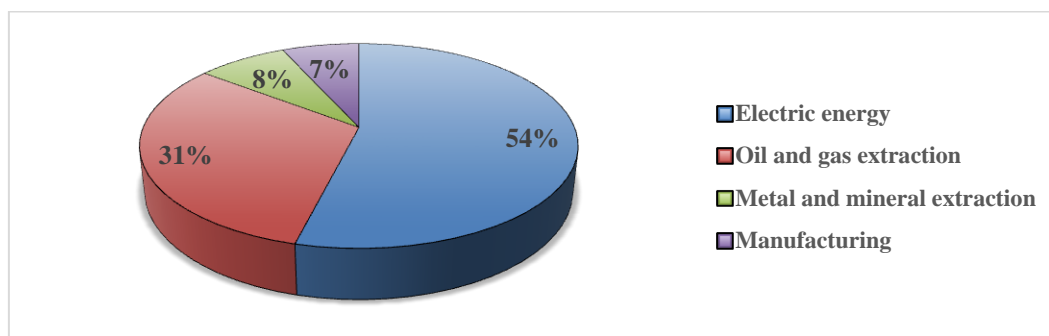


Figure 1. Main Areas of Chinese Investment in Brazil, 2007-2020

Source: IPEA.

Regarding the current status of China-Brazil trade, according to the latest data updated by Secretaria de Comercio Exterior (Secretariat for Foreign Trade of Brazil) on the government website on October 1, 2023, Brazil's main export industries include agriculture, extractive industries, and manufacturing, with an export growth rate of 0.4%, reaching 253.01 billion US dollars, which is mainly contributed by agricultural products. Specifically, agricultural exports rose 8.3% to a total of 63.90 billion US dollars, extractive exports fell 1.9% to 55.55 billion US dollars, and manufacturing fell 2.4 % to 131.88 billion US dollars.

From the data statistics during this period, the increase in Brazil's export trade was mainly provided by China and Argentina. Among them, Brazil's total export trade to China was 78.2 billion US dollars, an increase of 11.2%, Argentina increased by 15.4%, a total of 13.64 billion US dollars, mainly as a major trading partner of the European Union decreased by 11.2%, a total of 34.24 billion US dollars, the United States decreased by 3.9%, a total of 26.64 billion US dollars. The analysis shows that on the one hand, Brazil's trade exports to China are far more than other trading partners, and on the other hand, although Argentina's growth is more obvious than China's, the total trade gap is large. It can be seen that in the first three quarters of 2023, the main reason for the increase in Brazil's foreign trade is the stable trade relationship between China and Brazil.

In terms of import trade, in the first three quarters of 2023, Brazil's import trade volume was 181.7 billion US dollars, showing a more obvious downward trend. Among them, the import value of agriculture was 3.42 billion US dollars, the import value of the extractive industry was 12.34 billion US dollars, and the import value of manufacturing was 164.52 billion US dollars, all of which showed varying degrees of decline. From the import trade statistics of various trading partners, the import of China was 40.13 billion US dollars, the import of the EU was 34.97 billion US dollars, the import of the United States was 28.91 billion US dollars, and the import of Argentina was 9.05 billion US dollars. Except for the import from the EU, it can be seen that the overall situation of Brazil's import trade shows a downward trend, in which the decline is a more obvious trading partner, the United States, followed by China.

According to the latest trade data for the first three quarters of 2023 released by Secretaria de Comercio Exterior, Brazil's trade surplus reached 38.07 billion US dollars, and trade flows increased by 1.8% to 118.34 billion US dollars. Compared with the same period, from 2022 to 2023, Brazil's export trade with China increased significantly, while its import trade with China decreased. That is to say, the trade surplus further expanded and limited to Brazil's economic and financial situation is not optimistic,

severe livelihood problems, and weak economic recovery, the future trade surplus is possible to further expand.

By comparing the product categories and trade volume of Brazil's exports to China in 2022 and the first three quarters of 2023, we can see that in the bilateral trade between China and Brazil, the main product of Brazil's exports to China is still dominated by soybeans, and the comparison in the same period found that this percentage continues to grow, and far exceeds the proportion of other products. In addition, the percentage of iron ore and beef has also increased significantly, although the proportion of cellulose (plant products) has declined slightly, but from the perspective of trade volume, it still shows a growing trend. By contrast, however, the share of crude oil exports fell significantly (Table 1).

Table 1. Comparison of the Volume of Brazil's Exports of Major Products to China in 2022 and the First Three Quarters of 2023 (Unit: millions of US dollars)

Product	2023	2022	Percentage (%)	
	Volume of trade	Volume of trade	2023	2022
Soybeans	32278.35	27877.71	41.27	39.43
Crude oil or bituminous mineral oil	13797.64	11231.57	17.64	15.88
Iron ore and concentrate	13516.76	14271.63	17.28	20.18
Fresh, chilled or frozen beef	4305.06	6319.72	5.50	8.94
Cellulose	2941.20	2304.24	3.76	3.25

Source: Secretaria de Comercio Exterior.

By analyzing the product categories and trade volume data of Brazil's exports to China during the same period in September 2022 and 2023, it can be found that, on the one hand, soybeans, iron ore and crude oil are still the main products of Brazil's exports to China, and compared with the same period last year, the average daily trade volume has an upward trend; on the other hand, the average daily trade volume and the total monthly trade volume of Brazil's exports of beef to China have significantly decreased. In addition, in terms of export product categories, unground corn (excluding sweet corn) became one of the main products exported from Brazil to China (Table 2).

Table 2. Comparison of the Trade Volume of Brazil's Main Exports to China in September 2022 and September 2023 (Unit: millions of US dollars)

Product	2023	2022	Percentage (%)	
	Volume of trade	Volume of trade	2023	2022
Soybeans	2625.12	1570.40	27.84	22.81
Crude oil or bituminous mineral oil	1831.40	1835.78	19.42	26.67
Iron ore and concentrate	1743.35	1070.56	18.48	15.55
Unground corn (except sweet corn)	724.16	0.00	7.68	0.00
Fresh, chilled or frozen beef	615.65	885.79	6.52	12.88

Source: Secretaria de Comercio Exterior.

As can be seen from the above, the trade relationship between China and Brazil is relatively stable, and it can reverse force against the background of the global economic downturn. The continuously expanding trade surplus can promote the growth of Brazil's own economy, help solve the basic livelihood problems in Brazil, and give Lula a strong point to realize his promise during the presidential election. And the recovery of Brazil's own economy will largely continue to rely on the continued stability of export trade to China, whether from the trade volume or from the product category. There will be many possibilities for China-Brazil trade in the future.

4. The Factors Driving Forward China-Brazil Trade Relations

4.1 The Need for Stability in Brazil's Internal Affairs

Although 2023 is Lula's third term as president of Brazil, the outbreak of Brazil's version of the "Capitol Hill riot" in January 2023 means that Brazil's internal affairs are still unstable. During the 2022 Brazilian presidential election, Lula was not dominant in the votes of high-income groups, but it is necessary to solve the livelihood problems of low-income and middle-income groups, so it is fundamentally necessary to promote national economic development through trade.

During President Lula's visit to China, the presence of important business people in his delegation, on the one hand, showed Lula's recognition of the existing achievements of China-Brazil trade relations, and on the other hand, also expressed Brazil's strong willingness to continue to further promote China-Brazil economic and trade exchanges. On the agenda of many strategic economic and industrial talks, China and Brazil promoted the establishment of partnerships between commercial institutions and enterprises in various industries and signed more than 20 cooperation agreements.

When Lula won Brazil's presidential election in 2022, he put forward a strong desire to change people's livelihood issues, revive the economy, and continue to promote trade relations with China, which is not only a diplomatic choice but also the need for domestic stability.

4.2 China-Brazil Trade Relationship Based on Multilateral Mechanisms

The BRICS cooperation mechanism has become an important force for sustained world economic growth. China and Brazil are both members of BRICS and have conducted long-term and effective trade cooperation in the BRICS organization. According to the current status of Brazil's export trade, in Central America and the Caribbean, as a member of the BRICS, Russia is Brazil's second largest trading partner after the European Union. Not only that, India is Brazil's largest supplier of cotton yarn, and Brazil is India's largest trading partner in Latin America. It can be seen that Brazil has developed relatively positive trade relations with several member countries. With the continuous advancement of the "BRICS +" cooperation mechanism, Argentina, as an important trading partner of Brazil, has also joined it.

Based on the existing trade relations among BRICS members, and the possibility of more trade integration after BRICS expansion, trade relations relying on multilateral mechanisms will also help China-Brazil trade development continue to move forward steadily. More importantly, Lula actively promoted local currency settlement between China and Brazil after taking office, and made clear his position on "de-dollarization" during his visit to China, believing that BRICS countries can consider establishing a currency to provide a more secure and stable monetary system for trade between China and Brazil, as well as Brazil and other BRICS members, and truly realize BRICS countries' participation in global economic governance. Jointly maintain the stability of the international monetary system.

5. Conclusion

China has surpassed the United States to become Brazil's largest trading partner. In the context of strategic competition between China and the United States, it is necessary and important to continue to stabilize China-Brazil trade relations and consider how to develop China-Brazil trade relations. The trade cooperation between China and Brazil has broad prospects, which can not only expand the commodity structure and improve the diversity of commodity categories based on the existing bilateral trade foundation but also take the "free ride" under the multilateral mechanism to promote bilateral trade. Based on the establishment of the comprehensive strategic partnership and the joint statement on deepening the comprehensive strategic partnership, we should grasp the common will of China-Brazil trade to move from the "overtaking lane" to the "fast lane", combine the advantages in areas, respond to the needs of The Times, and help China-Brazil trade relations continue to move forward and improve.

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