

The Sino-Brazilian Model: The Correct Approach to Latin America and the Caribbean?

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OUTLINE



Half world apart




Two giants

- **Capital:** Brasília
- **Largest city:** São Paulo
- **Total area:** 8,515,767 km² (5th) or 3,287,597 sq mi
- **Population:** 201,032,714 (5th) / **Density** 23.7/km² (192nd)

- **Capital:** Beijing
- **Largest city:** Shanghai
- **Total area:** 9,596,961 km² (3rd/4th) or 3,705,407 sq mi
- **Population:** 1,350,695,000 (1st) / **Density** 144/km² (83rd) or 373/sq mi

Brazil-China

Key Characteristics

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- 47.73% White
 - 43.13% Pardo
 - 7.61% Black
 - 1.09% Asian
 - 0.43% Amerindian
 - 91.51% Han
 - 8.49% 55 minorities

Brazil-China Population

- GDP (PPP) 2014 estimate; Total \$2.523 trillion (7th)/ Per capita \$12,528(79th)
- GDP (nominal) 2014 estimate; Total \$2.170 trillion (7th)/Per capita \$10,773[5] (63rd)
- Gini (2012) positive decrease 51.9 high
- HDI (2012) Increase 0.730 high · 85th

- GDP (PPP) 2013 estimate; Total \$13.395 trillion (2nd)/Per capita \$9,844(92nd)
- GDP (nominal) 2013 estimate; Total \$9.182 trillion (2nd)/Per capita \$6,747 (82th)
- Gini (2012) 47.4 high
- HDI (2012) Increase 0.699 medium · 101st

Brazil-China Economics

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- 1974 reestablishment of diplomatic relations
 - 1993 both countries recognized the strategic characteristics of their partnership
 - 2004 Brazil recognize China as market economy
 - 2004 COSBAN was created
 - 2009 China become the first trading partner of Brazil
 - 2012 nature of both countries relationship was elevated to “global strategic”

Brazil-China In Perspective



Complementarity or Competition?

The Economist May 18, 2013



“The region is falling in behind two alternative blocks: the market-led Pacific Alliance and the more statist Mercosur”

The Wall Street Journal
January 3, 2014




“A Continental Divide Between One Bloc That Favors State Controls and Another That Embraces Free Markets.”




Why is Brazil and LAC so important for Beijing and what are its other interests?

- **First**, Latin America represents a huge market for Chinese companies looking to diversify its global markets.
- **Second**, and most important, the geographical distance between China and Latin America may play as a limitation for China's engagement in the region.

Beyond Investment, Trade & Economic Cooperation

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- Clearly, China's strategy was first focused on increasing its commercial participation in the region.
 - Chinese direct investment in the region needs to be used as an instrument to expand and strengthen cooperation into industrial and technological areas, which in long-term will take trade rates between China and Latin America to a relevant position.
 - Another benefit deriving from Chinese presence in LA is that it can also help local companies to expand into the Asian markets.

An Evolved Strategy

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- China-Brazil Business Council points out - contradicting the China bashers - that the greatest reason for Chinese investment entrance in the country is the search for new markets.
 - Among Chinese companies with presence in Brazil we can highlight three successful cases: Foxconn, Lenovo and, Huawei.

New Markets

- Foxconn the world's largest electronic contract manufacturing company that installed a factory in São Paulo state currently employs around three thousand workers and it's the only facility built outside China to produce iPhones and iPads.
- Lenovo one of the world's largest manufacturers of personal computers recently entered the Brazilian market adopting a very aggressive strategy by purchasing Brazilian computer manufacturer CCE. While Lenovo is opening it's a factory in the country, the deal with CCE gives Lenovo a share of 7% of the Brazilian markets for personal computers.
- Huawei, a leading global information and communications technology (ICT) solutions provider is one of the oldest Chinese companies established in Brazil and perhaps the most triumphant case. The company recently announced a USD300 million investments for the expansion of its R&D center located in Brazil and today employs almost four thousand workers, 87% locally hired.

Key Cases




**Towards a new world
system?**

- Strong regulatory presence of the central government in the economy , especially in strategic sectors ; and commitment to ensure basic goods for the population.
- Presence of a strong system of public development banks , which are able to make the transmission between planning and financing of medium-long term.
- Presence of strong strategic state-owned enterprises , with ability to apply planning decisions and exercise strong influence over the private sector.
- Commitment countercyclical fiscal policies , that is, expansionary in recession and contractionary in the boom.

BRICS: RIO CONSENSUS

- Capital control to prevent financial speculative waves.
- Economic integration policy strategically planned.
- Strong commitment to adopt strategies for sustainable development and establishment of standardization agreements for the respective results.
- Common search for technological development that allows the BRICS countries to become more competitive in global terms.
- Exchange of educational and cultural resources with the support of governments for the development of joint researches.

BRICS: RIO CONSENSUS

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- The BRICS governments need to work for a more balanced trade moving towards a greater balance in the domestic processing of raw materials.
 - Effective government commitment to put in place policies to combat poverty and economic inequality.
 - The Council of the BRICS should be ready to act towards implementation of all principles mentioned at any time it is required.

BRICS: RIO CONSENSUS



BRICS: Challenging the hegemony of the USD



**What is the missing piece for LAC
countries?**

**The Correct Approach to Latin
America and the Caribbean?**



**The biggest threat for
Brazil-China relations**



¡Gracias!

Thank You!

谢谢！

¡Obrigado!
