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# RSIS COMMENTARIES

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## **The Dragon and the Anaconda: China, Brazil and the power balance in the Americas**

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*In April 2009 China surpassed the United States by \$400 million as Brazil's largest trading partner. This development signifies the changing balance of power in the region, with implications for Brazil, which is a major player in the Americas.*

THE SINO-BRAZILIAN strategic partnership signed nearly two decades ago has in recent years begun to produce some impressive results. In 2007 trade between the two giants reached US\$29 billion and grew to an impressive US\$43 billion by the end of 2008. This expanding economic relationship is being complemented with a corresponding growth in their political and diplomatic partnership.

### **Defence technology ties**

Both countries have cooperated in very sensitive areas such as space technology, aviation and military-related technologies. Since the early 1990s the two countries have launched three jointly-developed satellites and are co-producing a medium range commercial jetliner. American defence and intelligence officials have expressed concern over such ties, claiming that Brazil was passing to China sensitive satellite and remote sensing technology in exchange for Chinese ballistic missile know-how.

Brazil is indeed a very important source of technology for a China that has been restricted by arms sanctions by the West following Tiananmen. Brazilian weapons have reached as far as Southeast Asia when Malaysia acquired 18 *Astros* multiple rocket launchers (MRLS), causing concern in Singapore in the early years of the current decade. Brazil is not just a major military technology provider, but also a supplier of civilian products. This was clearly demonstrated in August 2007 when it signed a US\$1.3 billion contract to sell commercial jetliners to Lufthansa and Japan Airlines.

An example of the closeness of Sino-Brazilian military ties came in May this year when Brazilian defence minister Nelson Jobim announced that Chinese fighter pilots would be trained in the Brazilian aircraft carrier *Sao Paulo*. Jobim's announcement came shortly after a senior Chinese military official publicly stated Beijing's intention to acquire an aircraft carrier in the near future. Bearing in mind that

very few countries in the world possess an aircraft carrier and that they are all close US allies, the Brazilian gesture no doubt attests to the importance of Brazil as a source of military technology and know-how.

### **Energy cooperation**

The energy sector is fast emerging as one of the most important areas of cooperation between the two nations. Brazilian national oil company Petrobras and China have signed several agreements for the construction of various sections of a massive US\$6 billion pipeline to transport Brazil's growing energy exports to China. In May this year the Chinese government signed a loan of US\$10 billion to Petrobras to assist it in developing the newly discovered *tupi* oil fields.

In exchange Brazil is to supply Chinese state-owned Sinopec with 200,000 barrels of oil a day for the next 10 years -- nearly 7 percent of China's oil needs. Petrobras is also reported to be transferring deep water drilling technology to Chinese state-owned companies -- an area where China has been rather unsuccessful. Most of its oil activities in China and throughout the world are on shore or in relatively shallow waters.

In the international arena both countries have assumed common positions on issues such as trade, agriculture subsidies, environment and global warming. China has enthusiastically supported Brazil's ambition to become a permanent member of the United Nations Security Council. Both countries are members of the so-called BRIC -- a loose grouping of four emerging economies that also includes Russia and India.

### **Geostrategic Impact**

The effects of the growing Sino-Brazilian partnership are being felt well beyond Latin America. For instance in the oil-rich former Portuguese territory of Angola, Brazilian and Chinese companies have been cooperating in oil and mining ventures. This year Angola became Africa's largest oil producer. Since 2007 Angolan oil accounts for nearly 15 percent of China's oil imports, making Angola China's number one oil supplier. China is already Angola's largest trading partner in the continent with trade between the two nations reaching US\$49 billion in 2008. Brazil is Angola's fourth largest trading partner. Therefore the ever-growing partnership between the two giants can also have significant consequences for the balance of power in Africa.

China's presence in South America has been on a rapid rise since the beginning of the decade. China is now the second largest trading partner for Cuba and Uruguay, and third for Costa Rica, just to mention a few. Overall China is now South America's second largest trading partner after the United States.

In less than a decade of active Sino-Brazilian ties, and after more than 80 years, Brazil's largest trading partner, the US, has seen its position being overtaken by China. A sign of China's growing influence in the region was the announcement early this year that the central banks of Brazil and Argentina -- the two largest countries in the region -- were in negotiations with the Chinese government to replace the US dollar as the mode of transaction in their growing trade relations. They will instead use their respective currencies.

The expanding Sino-Brazilian strategic partnership reflects a clear change in the balance of power in the Americas. It demonstrates that alliances between developing nations can now have a far greater impact on world affairs than the Atlantic alliances of the past. While the US remains the dominant power in the Americas, the continent is no longer its exclusive sphere of influence.

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