

Oranjestad, May 31, 2013 - There is a brewing tension between China and Brazil that people do not fully appreciate. China and Brazil are two countries with steady growth, activist state sectors and hugely popular governments. They will be in the same corner of the world stage for decades. Both argue for a more multipolar and equitable world order - one that is less US-driven.

But when you compare the Brazilian and Chinese visions of what this new order should look like, it is clear there is a very small common denominator on most issues, from currency to climate change to human rights.

On the surface, there is ample reason for co-ordination between the two countries. Brazil is a huge exporter of commodities; China is a big consumer. They don't share a border, and they invest in each other's economies.

The Chinese government and state-owned enterprises, always in need of food for China's 1.3 billion people, are buying up Brazilian land and investing in Brazilian companies. China is Brazil's biggest trade partner, "with imports and exports between the two countries reaching US\$75.5 billion last year," according to Bloomberg.

But beneath the surface are growing pressures, even if neither power will publicly admit it. Brazil shies away from criticising China directly, but that does not mean tensions aren't growing. Brazil's hesitancy is symptomatic of the countries' increasingly complex relationship.

Take Embraer, the Brazilian aerospace conglomerate. A decade ago, the Chinese promised that a deeper investment in the country would increase production and sales. Although Embraer still makes money and sells jets in China, plans to expand never got off the ground. The Chinese government was slow to deliver on its promises, like its pledge to give local airlines incentives to buy Embraer's jets. On top of that, Embraer's joint venture with China's state-controlled company China Aviation Industry Corporation II (AVIC II) inspired a sister company, AVIC I, to develop a regional jet that was eerily similar to the Brazilian firm's model. Embraer saw first-hand how intellectual property can be siphoned and investment treaties can be disregarded in China.

The deepest point of tension is that Brazilian manufacturers are getting killed by cheap

Chinese imports that make Brazil's industry uncompetitive in the global marketplace and at home.

President Dilma Rousseff's administration has responded by levying import tariffs on some industrial goods. Without naming China, the bill is clearly aimed most at Chinese imports. Rousseff has also put in place local content rules in areas that hit the Chinese hardest, such as car plants.

These tensions do not just play out in Brazil's and China's backyards. In Africa, the headlines focus on China's increasingly dominant investments across the continent. But less attention is given to Brazil's expanding ties, particularly in fellow Portuguese-speaking countries such as Angola, Mozambique, Guinea-Bissau, Cape Verde and Sao Tome and Principe. Brazil's Petrobras is a key player in Angola's oil sector and Vale has the world-class Moatize coal project in Mozambique.

As Brazil challenges China's role as investor-in-chief in Africa, it is creating a growing rivalry between the two powers. Since the Chinese have far more financial resources, Brazilian companies and many government officials see Chinese chequebook diplomacy as a potential threat to Brazilian investments in the region. Rousseff has also undertaken a subtle shift in foreign policy, focusing on economic issues. This exacerbates all of the above, as it is clearly in the economic plane rather than security concerns that put Brazil and China most at odds.

The BRICs, even with their new development bank, are not a happy family, nor have they ever been. In a globalised world, there is too much competition, and their interests and priorities are too diverse.

For Brazil, the BRIC label brings prestige; it is a stepping-stone to a more prominent global role. Brazil wants to be a player; India wants to catch up; Russia wants to be a bully; China wants to be the boss. Conflict, in other words, is inevitable. But that the most underappreciated tension is between Brazil and China? That is a surprise.

Source:

<http://www.scmp.com/business/economy/article/1249235/china-and-brazil-tension-building-between-bric-duo>

