

One Belt One Road: trade relationship of the Chinese economic initiative with Brazil

Luisa Litwak

Abstract: this article takes the view of what economics and political points are benefits and harmful between Brazil and China during the "One Belt One Road" initiative. In the recent decade, the 2nd world power is searching for a biggest cooperation between the Asia Pacific countries, Europe and Africa. Looking for economic growth, infrastructure and technology, the "Belt and Road" initiative presents amazing data. The initiative is already able to reach a total of 30% of the global GDP, a relevant number that reaches a total of 65 countries, and China doesn't want to leave Brazil out. China and Brazil are currently together in the BRICS, which allows them to have a closer approach, with China being paramount in the Brazilian economic sector. It is important to emphasize that Brazil has a very important role in the Chinese economy as well, being the biggest exporter of products to China. According to EBC portal, "China has been Brazil's main commercial partner since 2009", in 2018 Brazilian exports to the Asian country totaled US \$ 64.2 billion. Integrating Brazil into the Belt and Road initiative can bring economic, structural and cultural growth, not only for Brazil, but also for China as well.

Key-words: Belt and Road, Brazil, China, Economic, Cooperation.

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1 - Silk Road- The lifeblood of international trade

Made up of almost 7,000 km, the Silk Road was not a simple one and any one, it was a vast route, full of dangers and various adventures that led several caravans with many different goals. The path was crucial to ensuring the Eurasian trade, but not only that, it was essential to ensure the building of countries, cultures and people.

The silk route began in the ancient capital of China, Xi'an and ended in the Islamic city of Kashgar. Due to the silk route, Xi'an, has a huge Islamic influence, approximately 100,000 Xi'an population are Muslim. This was because the caravans coming from the Islamic cities along the Silk Road and decided to stay in the Chinese city.

Why is it called the Silk Road? Among the vast products traded on the route, silk from China was one of the most important and most traded. But beyond the silk, China

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had a vast arsenal of products were also marketed as salt, tea, herbs. Such products were regarded as "expensive luxury goods." In return, the European territories transported to China products such as glass, gunpowder, precious stones, gold and silver. The transport by the silk route was always done in caravans to make it easier to defend against bandits who used to loot the products. Transport was mostly camel because they were more resistant to the dry, hot desert (most of the route was by the deserted).

With an expansion of the Mongol empire, the Silk Road has prospered, expanded and reached its peak. But just like the good things, the Silk Road also brought evils. Spices and luxury products were not the only things traded on the silk route. An example would be the bubonic plague that killed 1/3 of the European population in the 14th's. With a discovery of maritime trade in the late 15th century, it was realized that sea trade could be more advantageous, so the silk route declined.

Now, with globalization, the Chinese government wants to lift up the empire from the Silk Road and refine it to meet the satisfactions of China and the countries involved in this new big investment that will bring world trade a boom.

2 - The relationship between China and Brazil in the BRICS

BRICS was created from an informal union between Brazil, China, Russia and India in 2006, until then called BRIC. In 2009 it was officially constituted as an economic bloc. In 2011, South Africa joined the group, changing its acronym to BRICS. But what is the BRICS about? The block aims at development. Formed by the union of emerging countries, BRICS aims to strengthen the economies of its member countries.

But the Sino-Brazilian trade relationship is not a recent event. Although they are geographically distant countries, the relationship between the two began decades ago. In the late nineteenth century, Brazil was at the height of coffee production, but had a large labor deficit. For this reason, the government intended to import Chinese labor to work in the fields. Without success, other people like Europeans and Japanese were brought to perform the work.

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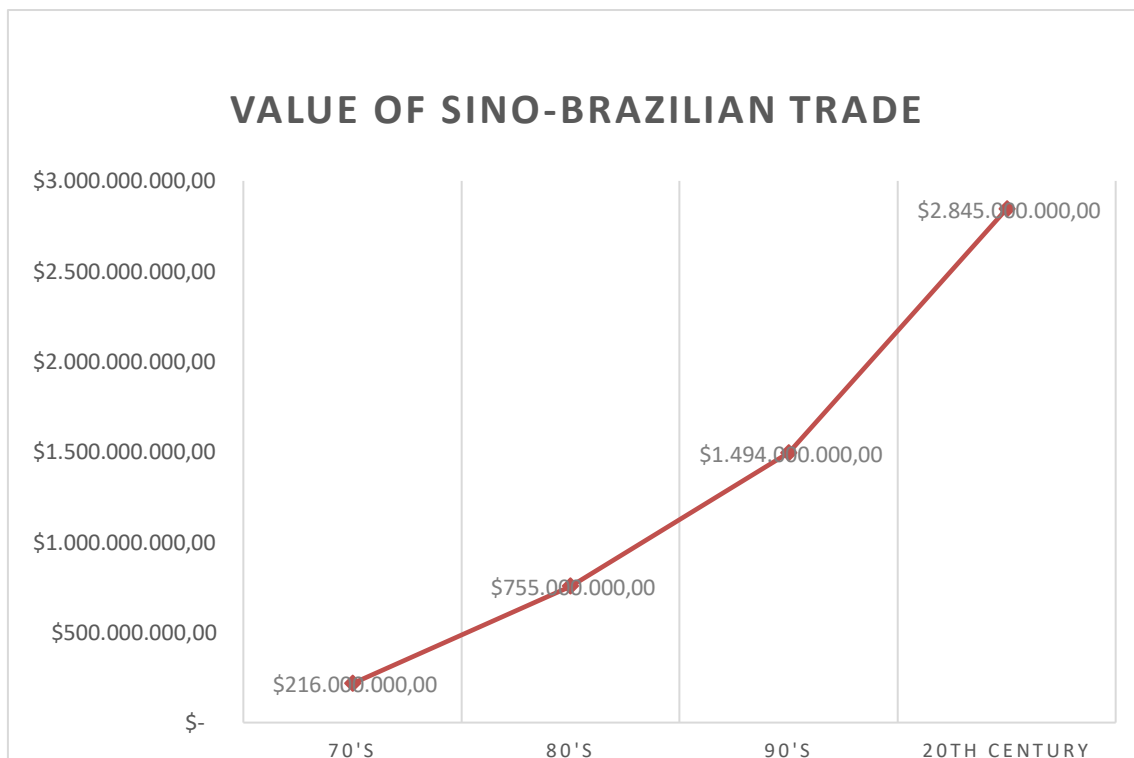
The result of the union at that time was unsuccessful, due to the fact that Brazil was still very bad seen to its slave labor. For this reason, China did not have a confidence and was afraid that her labor was mistaken for slave labor. In the early 1990s, Brazil began to open its international market along with economic reform in china.

It was during this period that both countries began to do well economically, beginning bilateral economic growth between China and Brazil. Since then, the bilateral economic and cultural relationship between the two countries has continued to grow.

2.1 - Sino-Brazilian Business Relationship

It is notorious that the growth of the economy of China and Brazil is interconnected. Nowadays, Brazil is the largest exporter of products to China, but until reaching this level, both countries went through moments of disagreement as already mentioned.

Nowadays, the US has been struggling with the second world power in terms of trade. This can be noticed even in news reports commenting on the US-China trade war.



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In 2012, according to the EBC, Brazil decreased the amount of imports of American products and increased the amount of imports of Chinese products.

The result was a 4% difference in cumulative value from China and the US in 2012.

In addition, China today is the main destination of Brazilian exports according to the Ministry of development, industry and foreign trade.

The graph above was built with data from the embassy of china. It can be seen that from the 1970s to the present times, Sino-Brazilian trade relations have increased significantly. According to some experts, while trade between the two countries already has a large global influence, it is possible and expected to continue to grow due to their successful relationship.

3 - The future view of “Belt and Road”

In 2013, Xi Jinping, brought back the idea of the silk route, he called it the “belt and road initiative”. His idea is to revive one of the largest Eurasian trade routes and invest, above all, in transport, technology and infrastructure. The ambitious idea of the Chinese president was launched due to the fact that China today is one of the world's largest development investors. The new Silk Road as it is also called, is the brainchild of two routes, one terrestrial (belt) and maritime (road).

The initiative will link Europe, the Middle East, Asia and Africa by land. By sea it will connect the Pacific Ocean, the Indian Ocean and reach the Mediterranean Sea. Although good, the plan is bold. It has an investment that is up to 40 times the US Marshall plan to rebuild Europe after World War II. The value of Chinese investment will be of an initial capital of \$ 40 billion. The initial source of this investment was the silk road fund, but the Chinese government has already announced that will increase \$ 70 billion in the initiative. It is possible that this value tends to rise due to the countries of the new initiative, and will financially support their development.

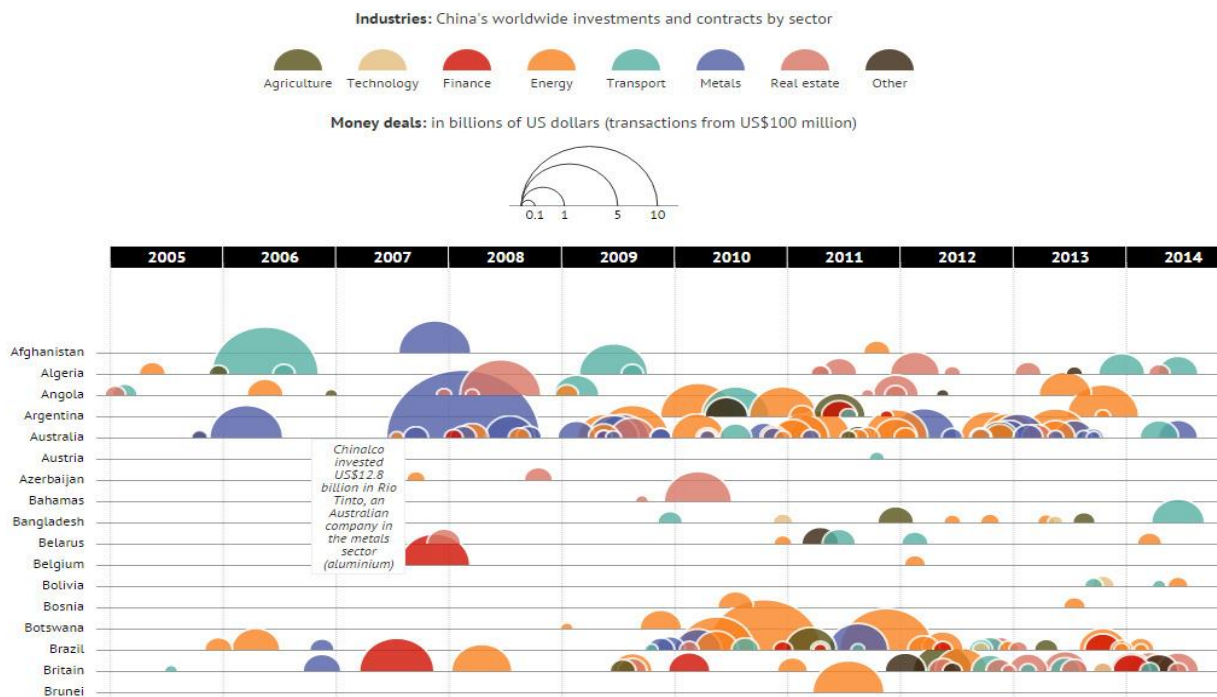
4 - Statistic points for Brazil in the economical initiative.

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It is well known that Brazil and China have strong trade relations and tend to grow over time. But will the initiative affect this relationship?

China's overseas investments



The table shows Chinese investment in some countries. In Brazil, it is notorious that investment in energy is one of the largest. (table from the American Enterprise Institute, The Heritage Foundation)

According to Brazilian Vice President Hamilton Mourão, yes, it will affect, and for the better. According to him, Brazil can integrate the silk route through the PPI (Programa de parcerias de investimentos, in english: Investment Partnership Program), that is, Chinese projects for the new silk route can be developed in Brazil, such as the construction of railways, roads and ports.

With the reactivation of COSBAN it is possible that the investment in technology will increase, and with the integration in Brazil to the initiative, it may be that this investment will be glad. Both countries already have a very friendly relationship in trade matters. Adhering to the silk route would give Brazil another opportunity to elevate this

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relationship, as China is now seeking to become the world power. Brazil has already been invited to join the economic initiative, but still evaluates the proposal.

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