

“AGRICULTURE IN BRAZIL AND CHINA: CHALLENGES AND OPPORTUNITIES”

**Seminar “THE EMERGENCE OF CHINA: OPPORTUNITIES
AND CHALLENGES FOR LATIN AMERICA AND THE CARIBBEAN”
China Development Research Foundation (CDRF), Asian Development
Bank Institute (ADBI), Inter-American Development Bank (IDB)**

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Outline

- 1. Introduction**
- 2. Importance of Agriculture**
- 3. Trade Policy and Negotiations**
- 4. Conclusions**

IMPORTANCE OF AGRICULTURE IN BRAZIL AND CHINA

Agriculture GDP

Year	BRAZIL		CHINA	
	Agriculture GDP (US\$ billion)	% of total GDP	Agriculture GDP (US\$ billion)	% of total GDP
1994	47.0	8.6%	117.2	21.6%
1995	59.1	8.4%	145.6	20.8%
1996	61.4	7.9%	166.5	20.4%
1997	61.0	7.6%	164.4	18.3%
1998	63.0	8.0%	170.3	18.0%
1999	41.6	7.9%	174.5	17.6%
2000	45.3	7.5%	177.2	16.4%
2001	39.7	7.8%	185.8	15.8%
2002	38.7	8.6%	183.6	14.5%
2003	47.7	9.6%	n/a	n/a

n/a: not available.

Sources: CEPEA-USP, CNA, Brazilian Central Bank, China Agricultural Development Report, China National Bureau of Statistics and IMF.

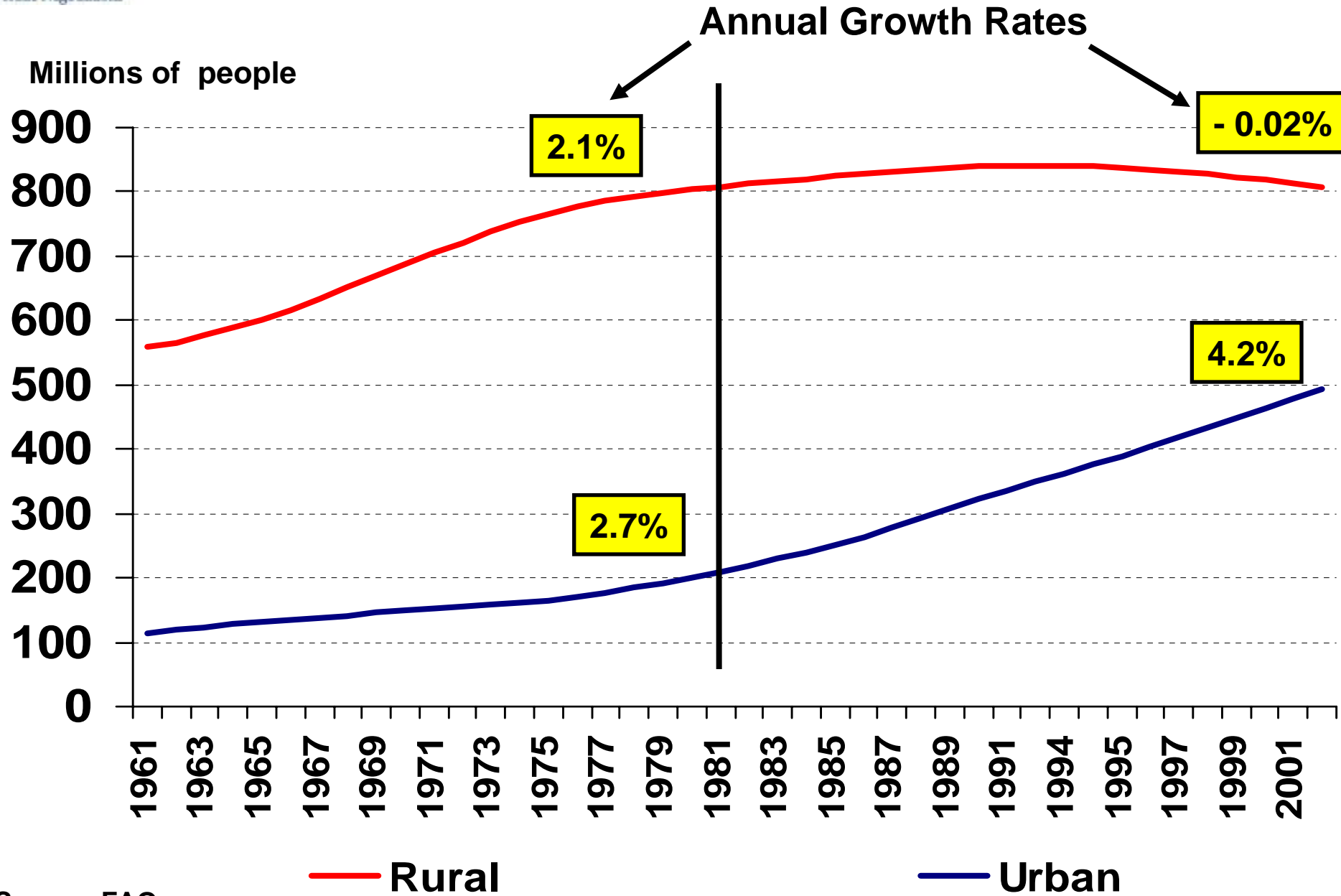
Agricultural Employment in Brazil and China

(excludes rural population occupied in non-agricultural activities)

Year	BRAZIL		CHINA	
	Agricultural Employment (millions)	% of Total Employment	Agricultural Employment (millions)	% of Total Employment
1990	20.3	34.7%	333.4	51.5%
1991	20.5	34.7%	341.9	52.2%
1992	20.7	34.9%	340.4	51.5%
1993	20.7	34.7%	332.6	49.8%
1994	20.5	34.0%	326.9	48.5%
1995	20.4	33.2%	323.3	47.5%
1996	18.9	31.6%	322.6	46.8%
1997	18.5	30.7%	324.3	46.5%
1998	18.0	29.6%	326.3	46.2%
1999	19.2	30.6%	329.1	46.1%
2000	18.7	28.7%	328.0	45.5%
2001	17.4	27.0%	324.5	44.4%
2002	17.8	26.9%	319.9	43.4%

Sources: Brazilian Central Bank, IBGE and China Statistics Yearbook.

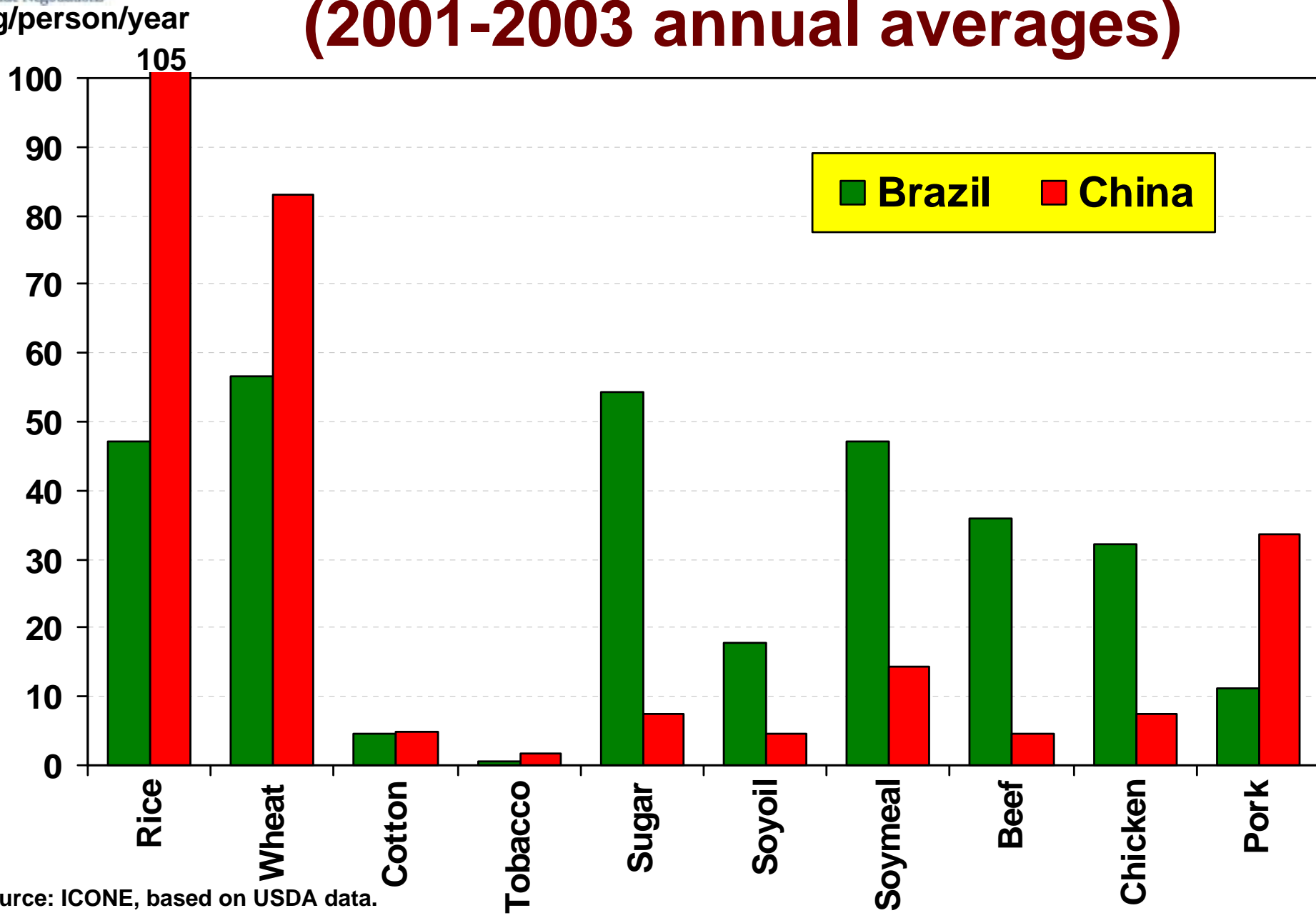
China: Rural and Urban Population



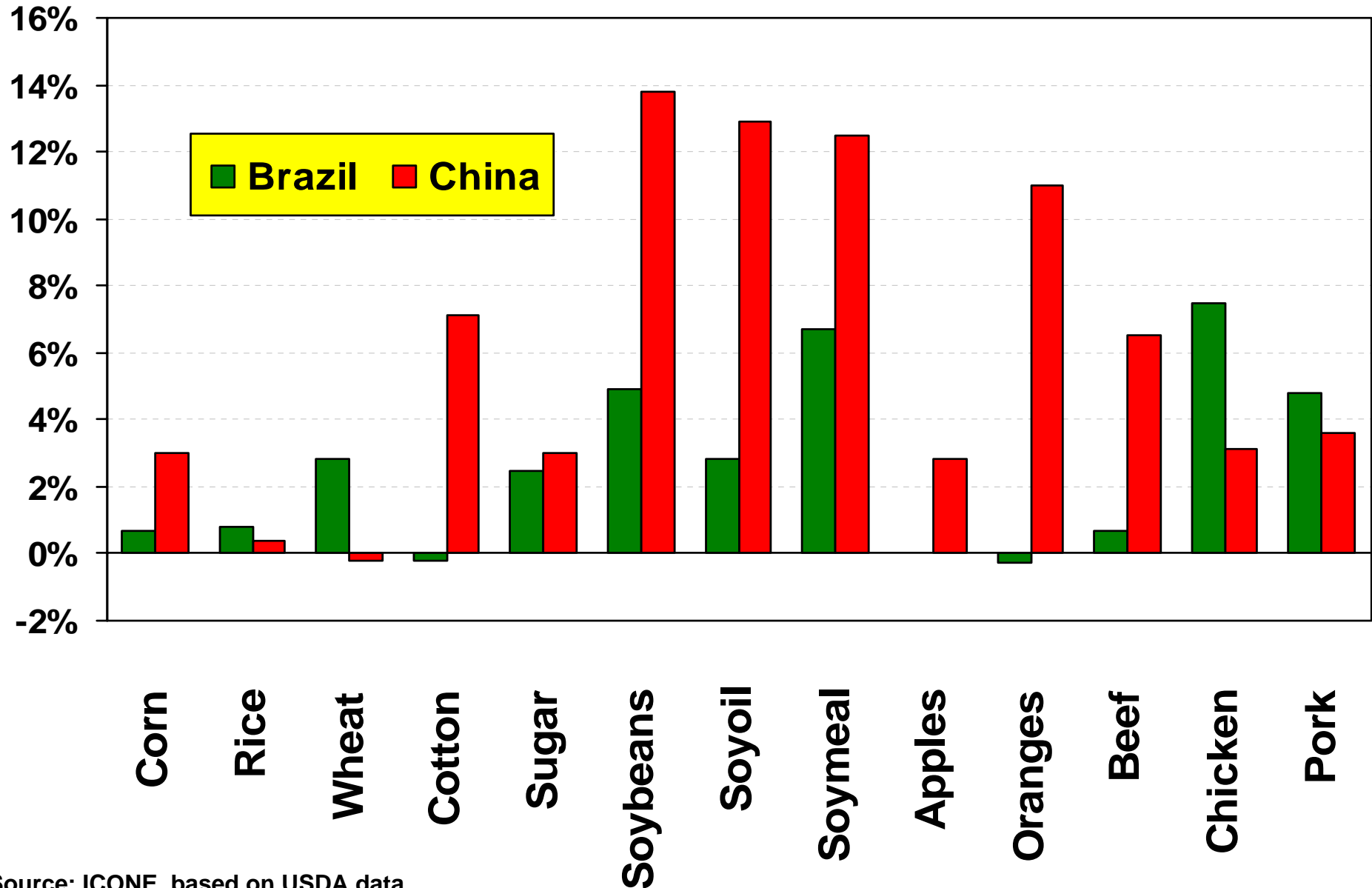
Comparison of Agricultural Sectors

BRAZIL	CHINA
<i>Reduced state intervention</i>	<i>Significant state intervention</i>
<i>Net exporter</i>	<i>Net Importer (since 2003)</i>
<i>Significant portion of total exports</i>	<i>Small portion of total exports</i>
<i>Great export potential</i>	<i>Under pressure from other sectors</i>

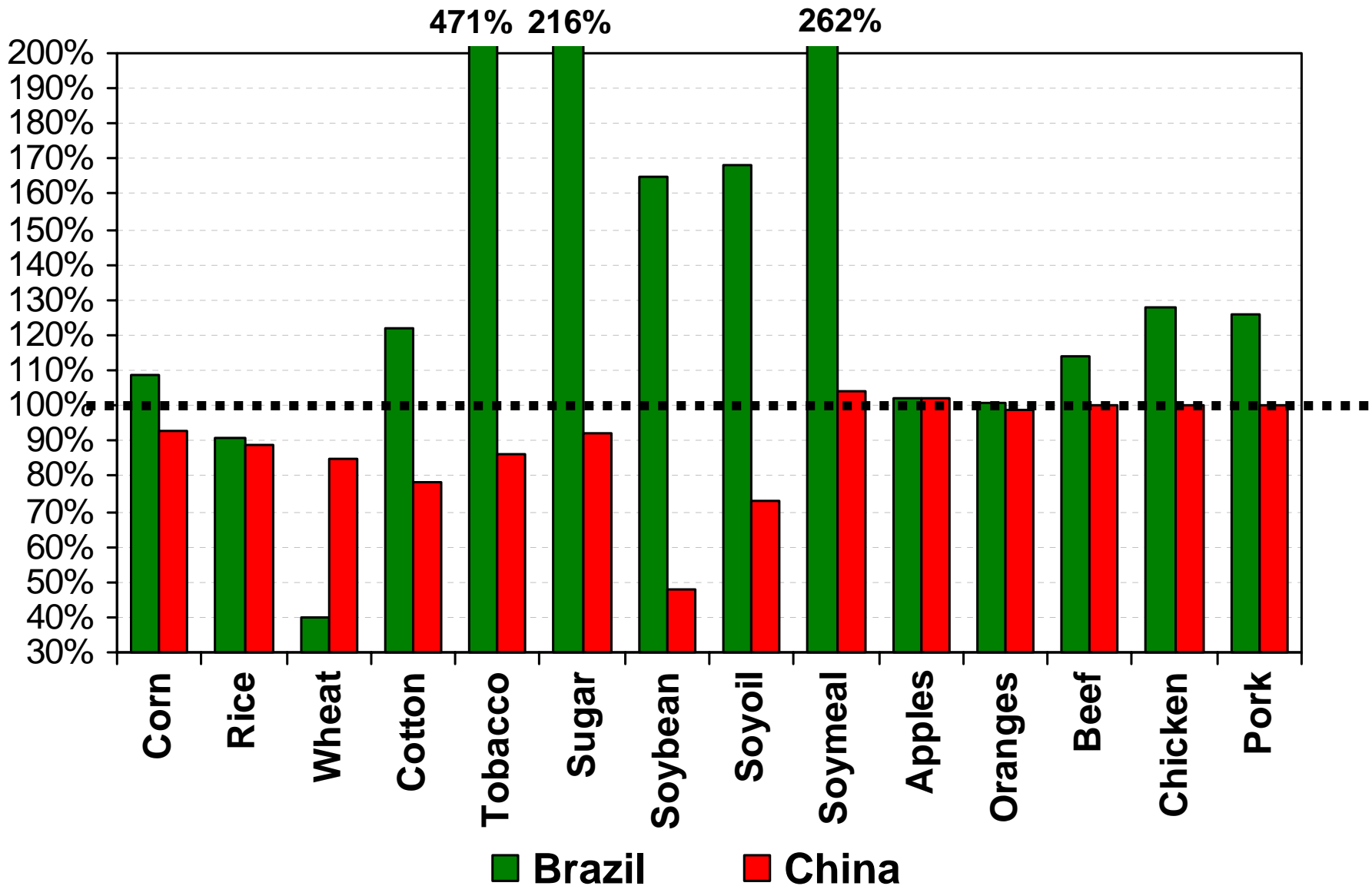
Per Capita Consumption (2001-2003 annual averages)



Consumption Growth (1995-2003 averages)

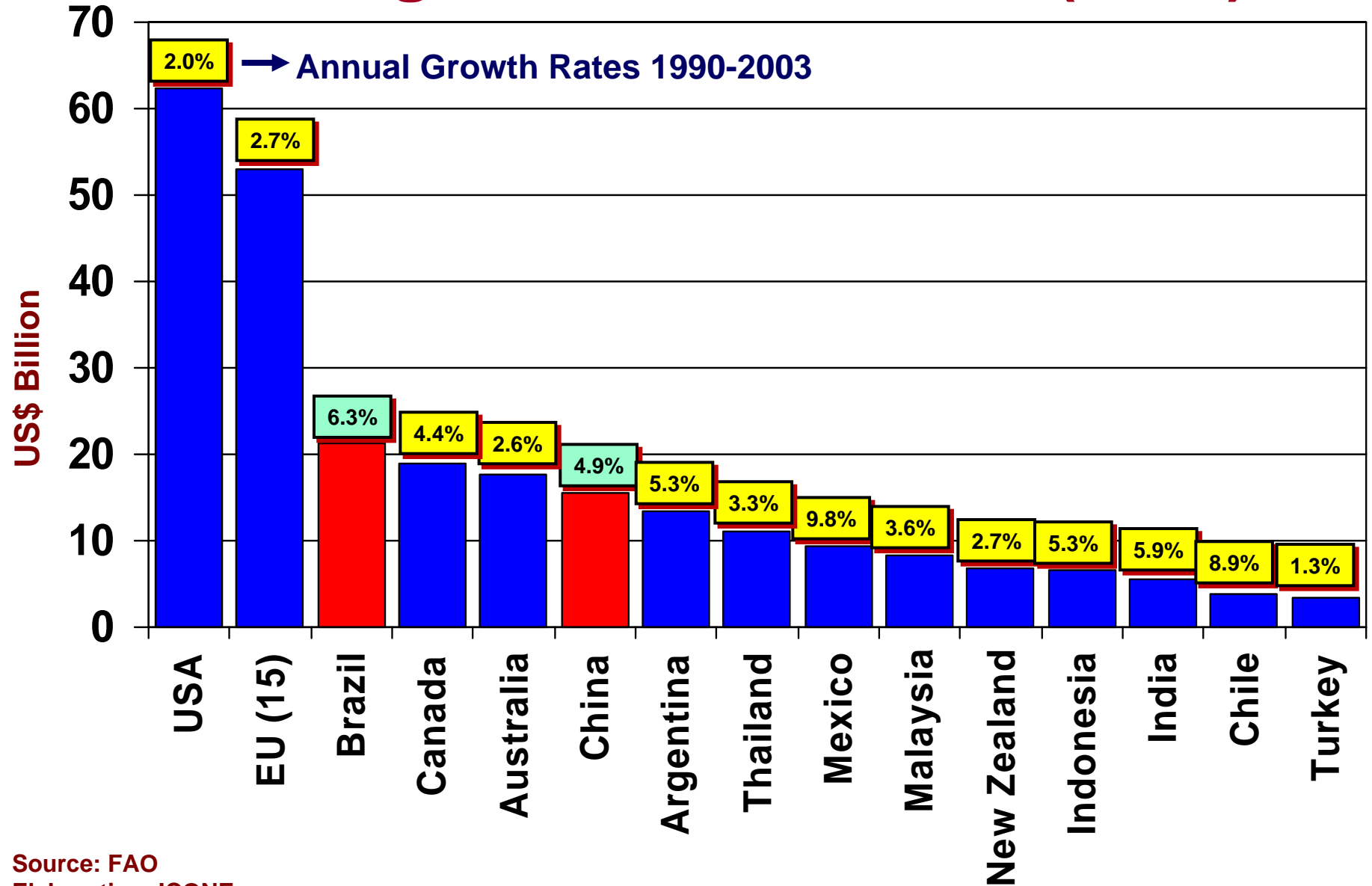


Self-Sufficiency in Brazil and China (2001-2003 annual averages)



TRADE PATTERNS: BRAZIL AND CHINA

Main Exporters of Agricultural Products (2003)



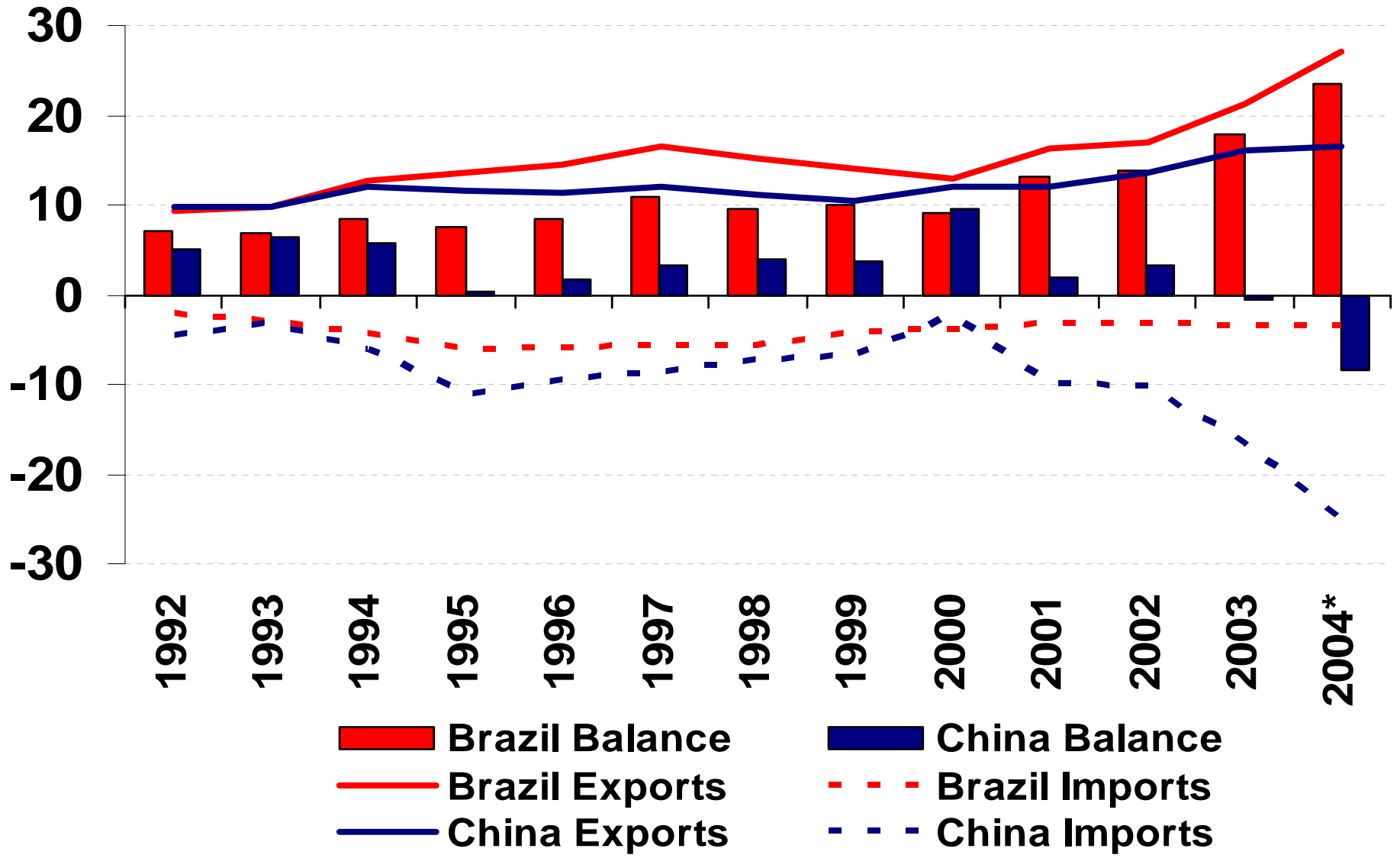
Brazilian Agricultural Export Dynamism (2003)

Products	Exports (US\$ Millions)	Brazil/World		Annual Growth Rates (1990-2003)*
		Share	Ranking	
Soybeans	4,290	38%	1	17%
Soybean Meal	2,602	34%	2	4%
Sugar	2,140	29%	1	18%
Poultry	1,709	29%	2	13%
Beef	1,538	20%	1	9%
Coffee	1,302	29%	1	3%
Soybean Oil	1,232	28%	2	9%
Orange Juice	1,192	82%	1	1%
Tobacco	1,052	23%	1	7%
Pork Meat	542	16%	4	27%
Corn	369	4%	4	53%
Cotton	189	5%	4	12%
Total Agriculture	21,281	3.8%	3	6.4%

Note: Annual growth rate for total agricultural exports was calculated based on SECEX/MDIC export values in US\$. Each product's annual growth rate was calculated with regards to USDA Official Statistics volumes exchanged in 1990-2003.

Agricultural Exports, Imports and Trade Balance

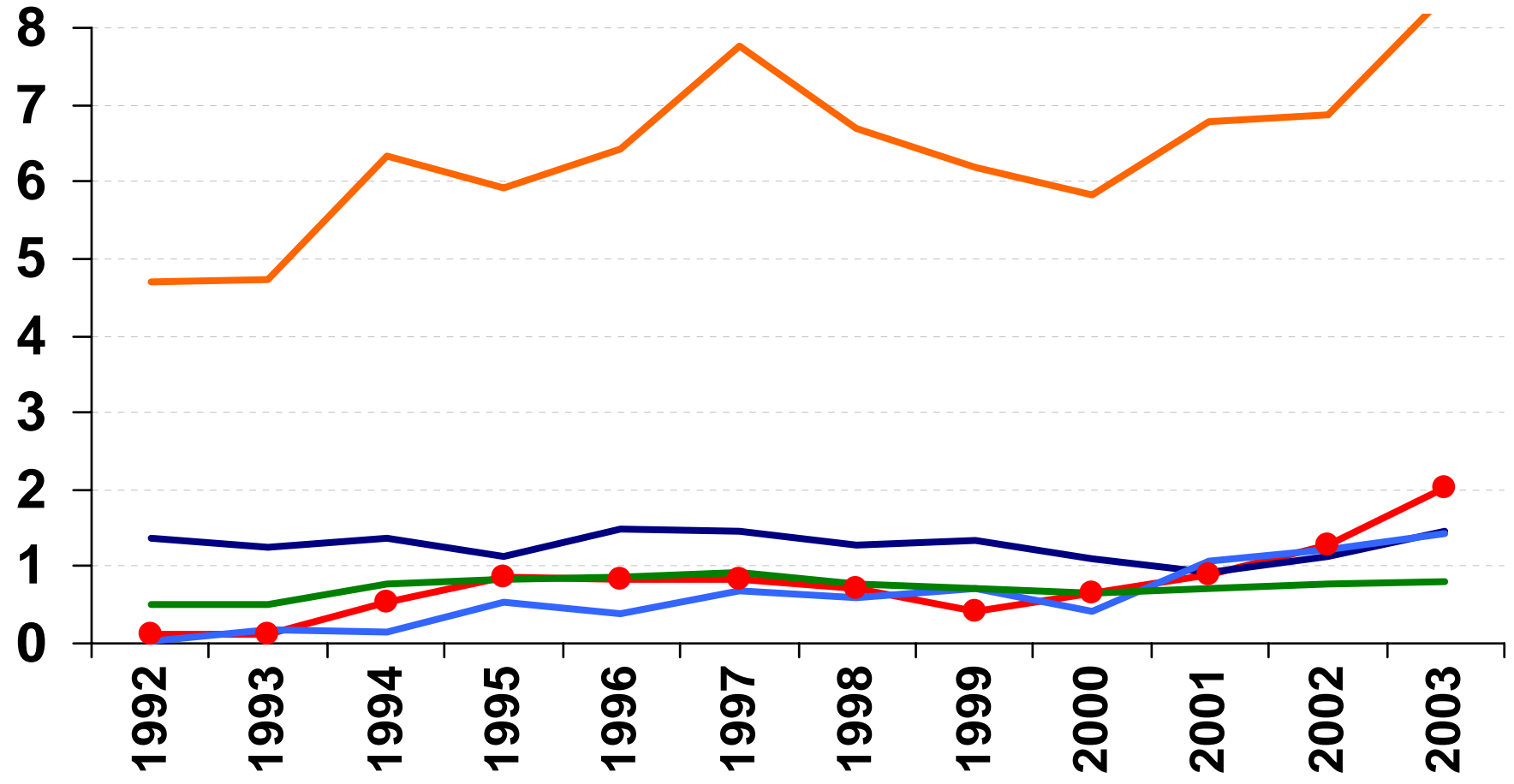
US\$ Billion



Sources: SECEX and China's Customs Statistics. (*) USDA estimates for 2004.

Brazilian Agricultural Exports: Main Destinations

US\$ Billion



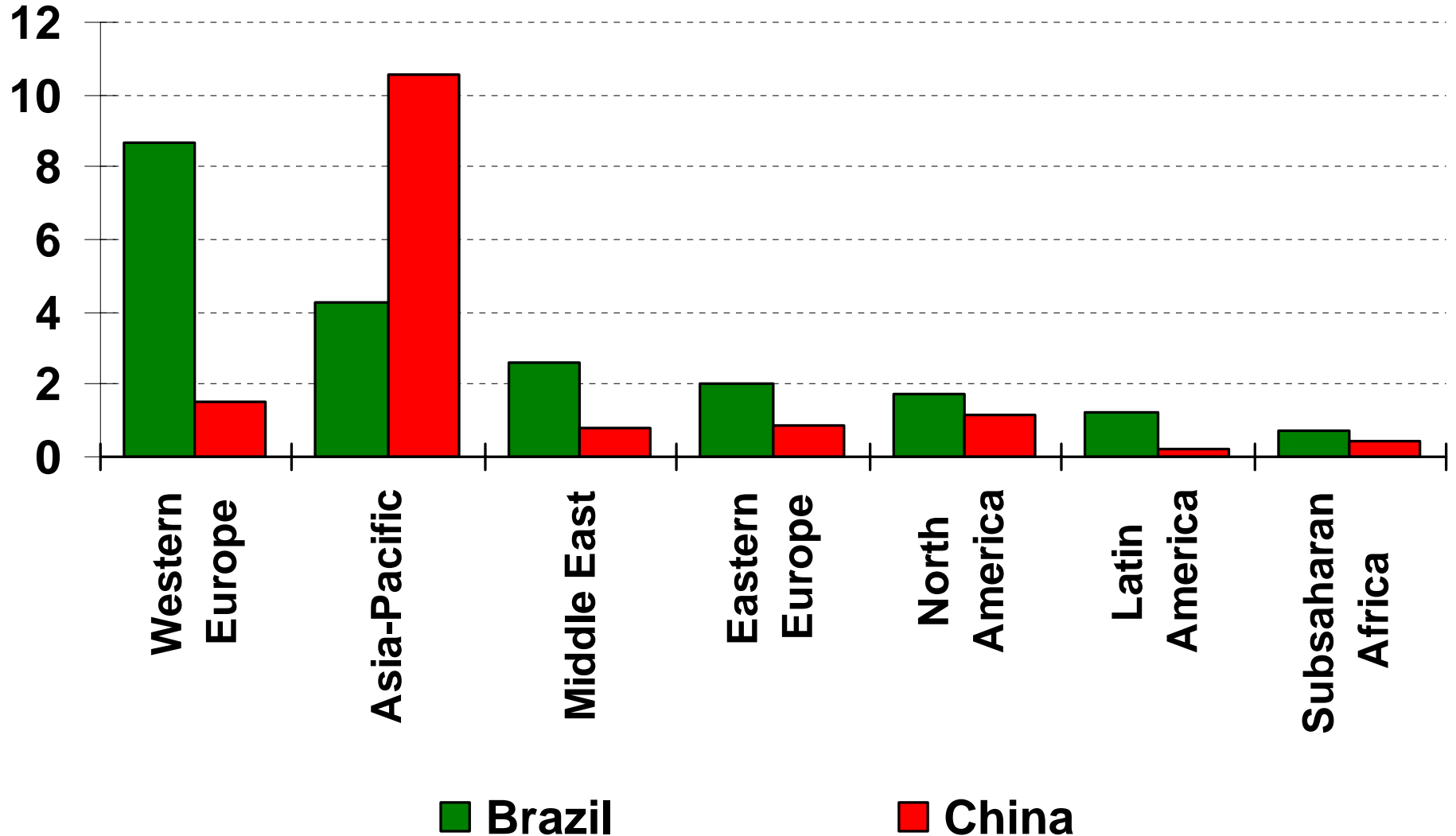
—●— EU15
 —●— China
 —●— USA
 —●— Russia
 —●— Japan

Source: SECEX.

Note: "China" includes Mainland China, Hong Kong and Macau.

Agricultural Exports by Destination (2003)

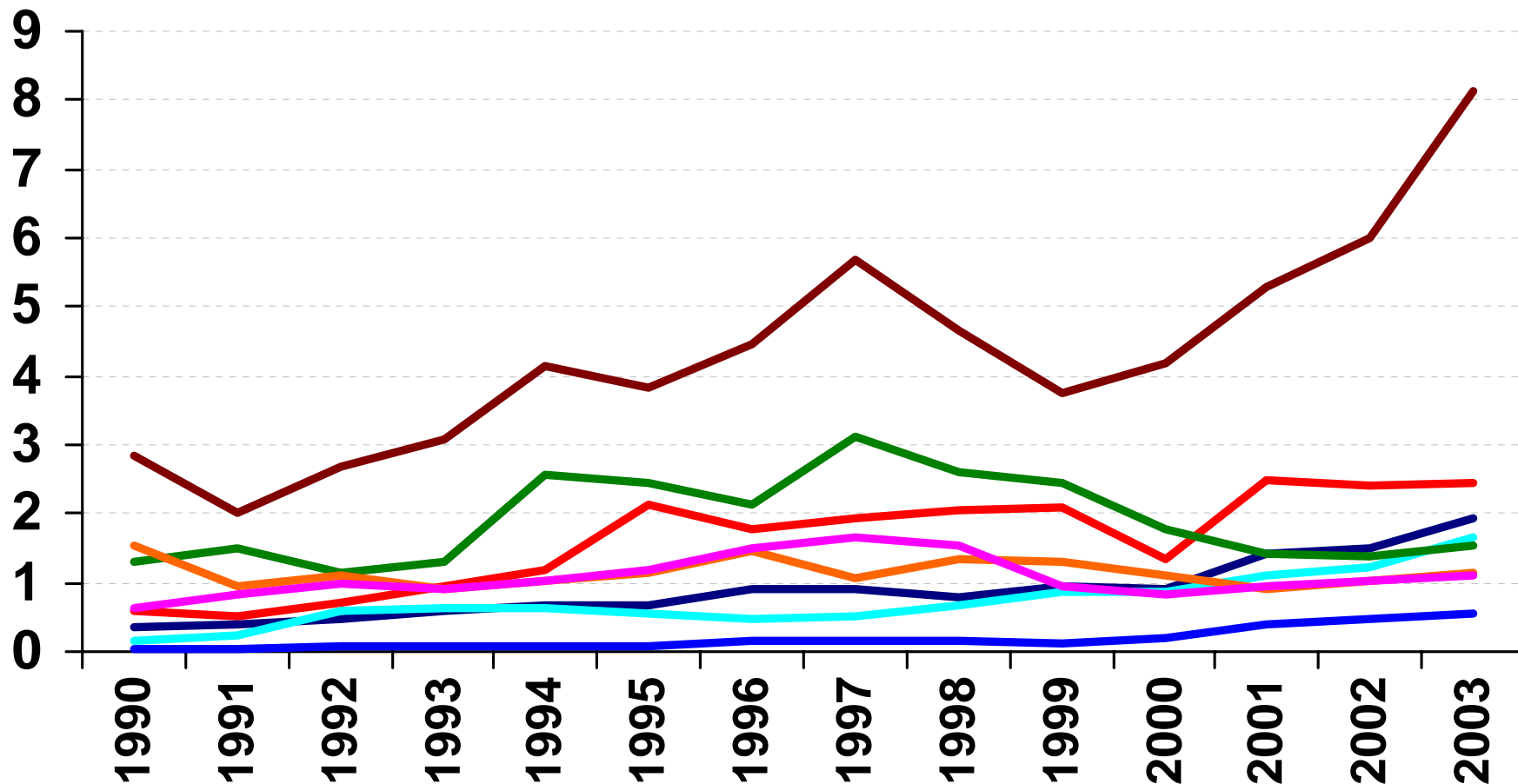
US\$ Billion



Brazilian Agricultural Exports

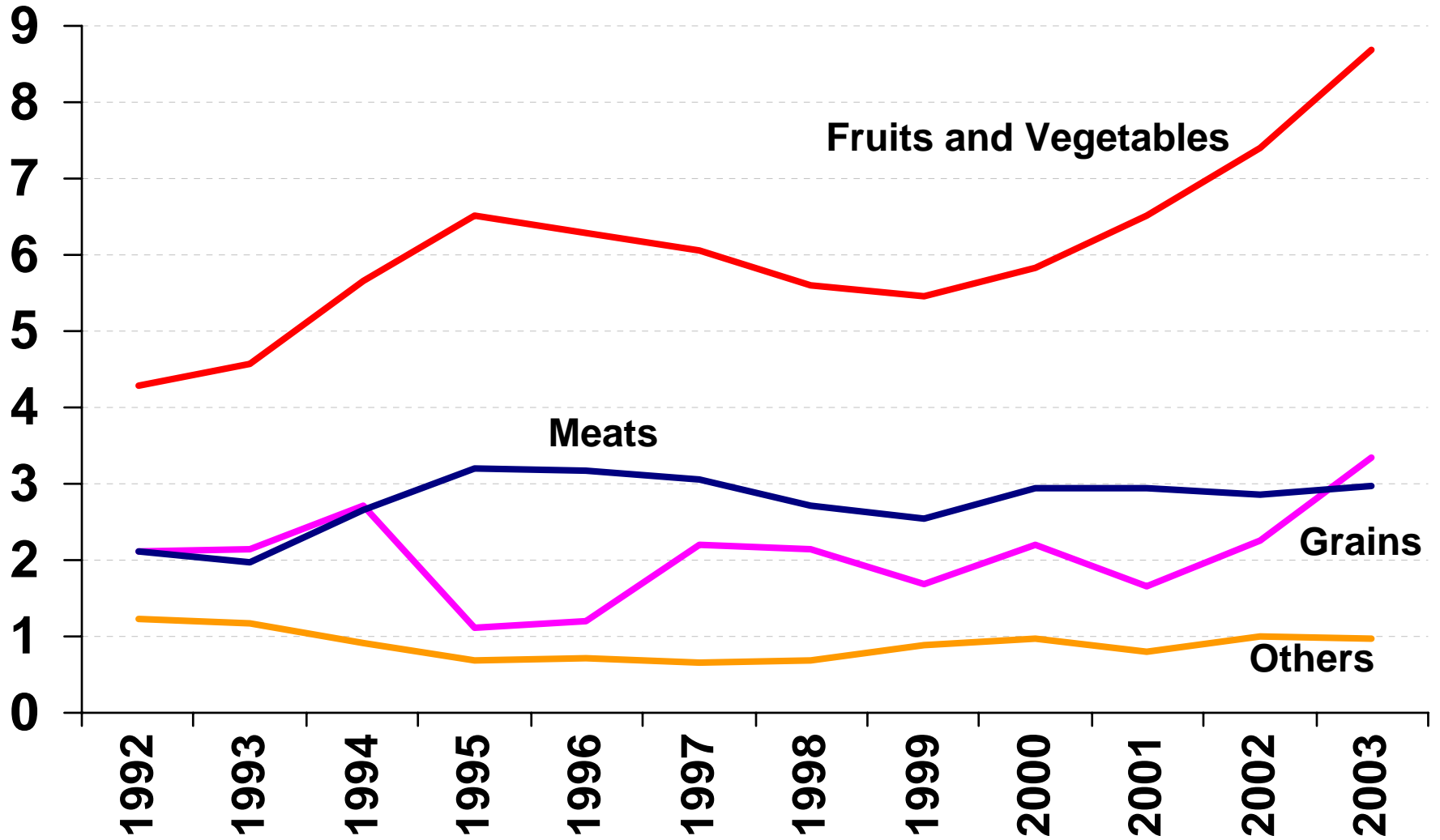
Main Product Categories

US\$ Billion



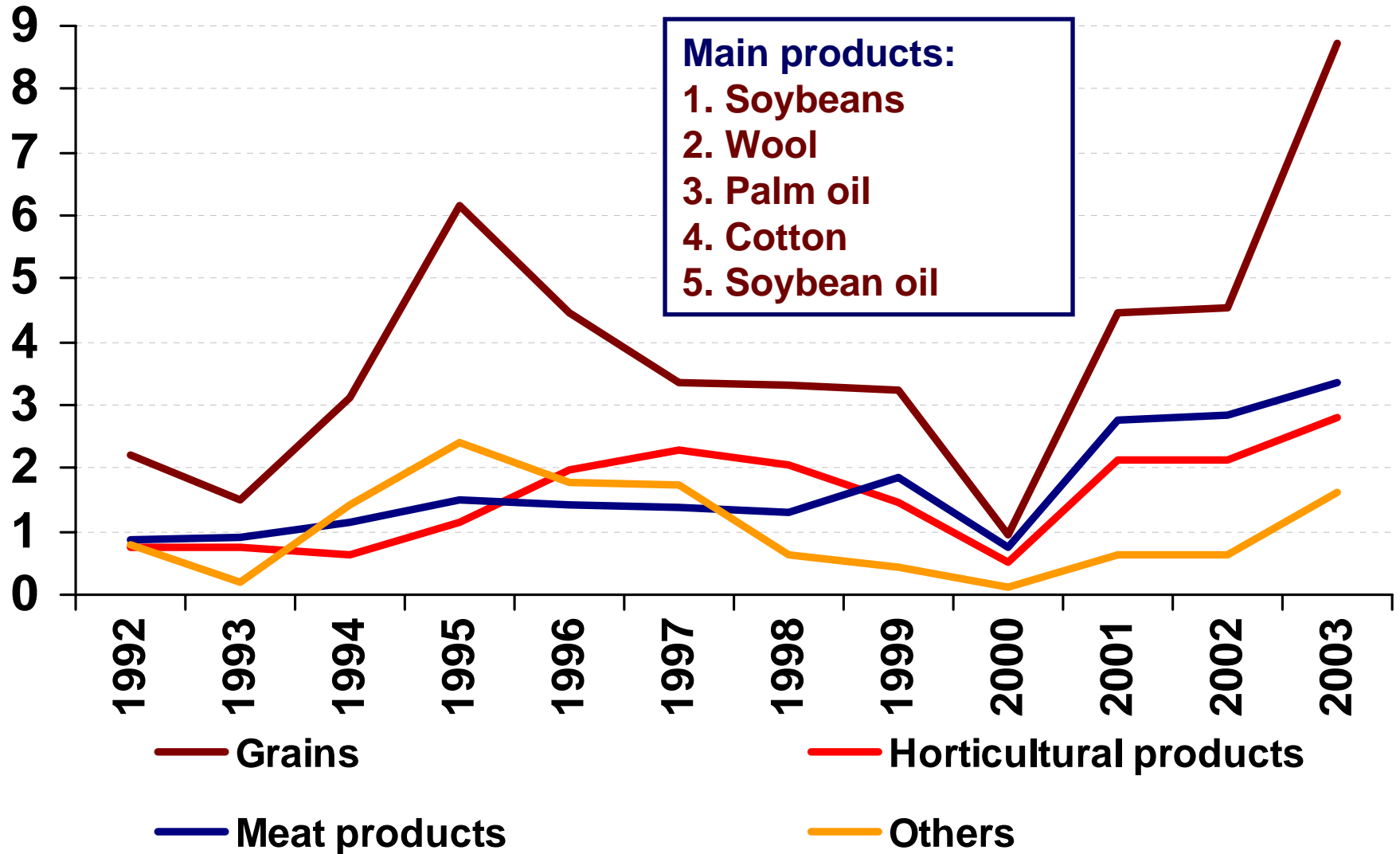
Chinese Agricultural Exports: Main Product Categories

US\$ Billion



Chinese Agricultural Imports: Main Product Categories

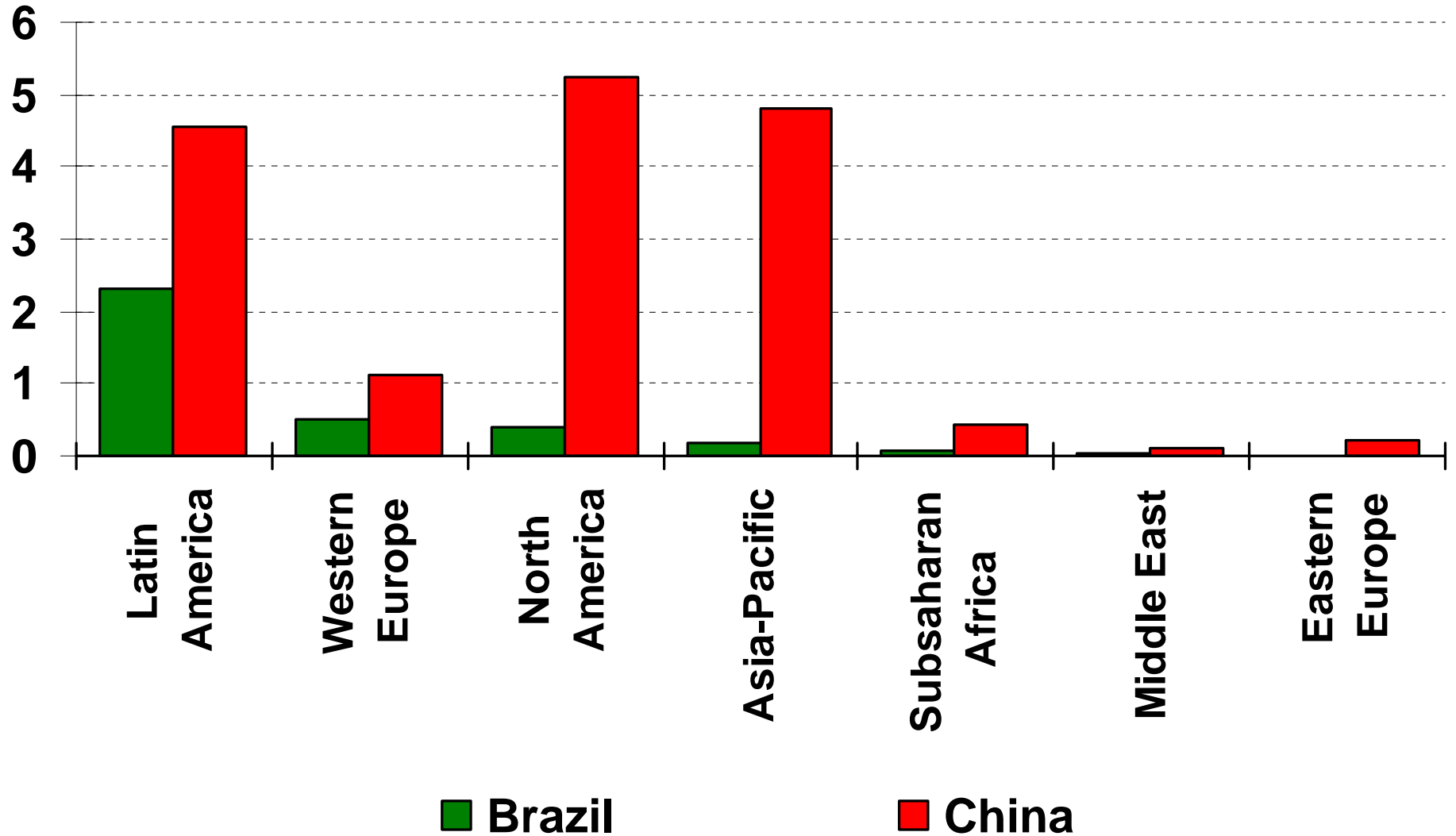
US\$ Billion



Source: China's Customs Statistics.

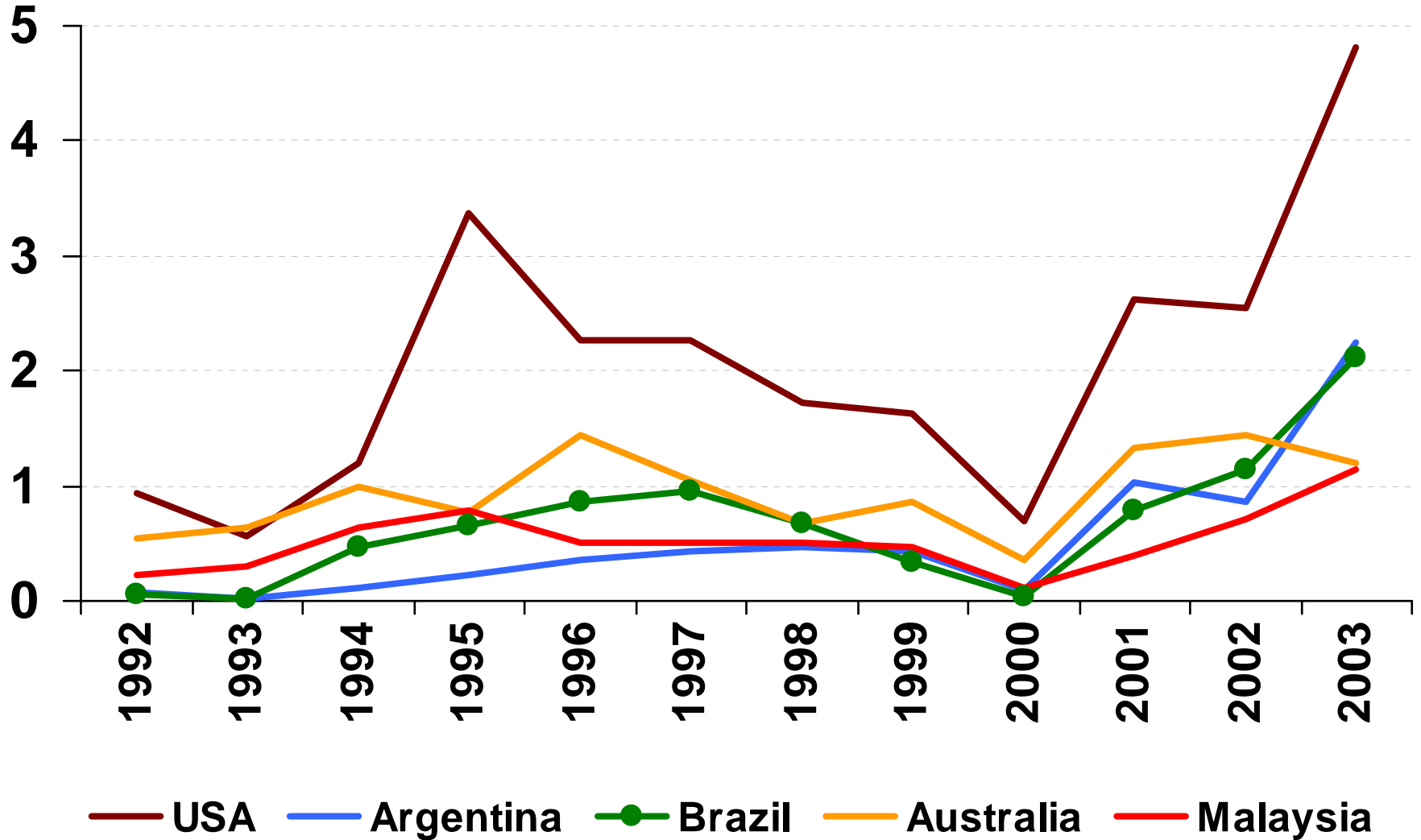
Agricultural Imports by Origin

US\$ Billion



Chinese Agricultural Imports: Main Countries of Origin

US\$ billion



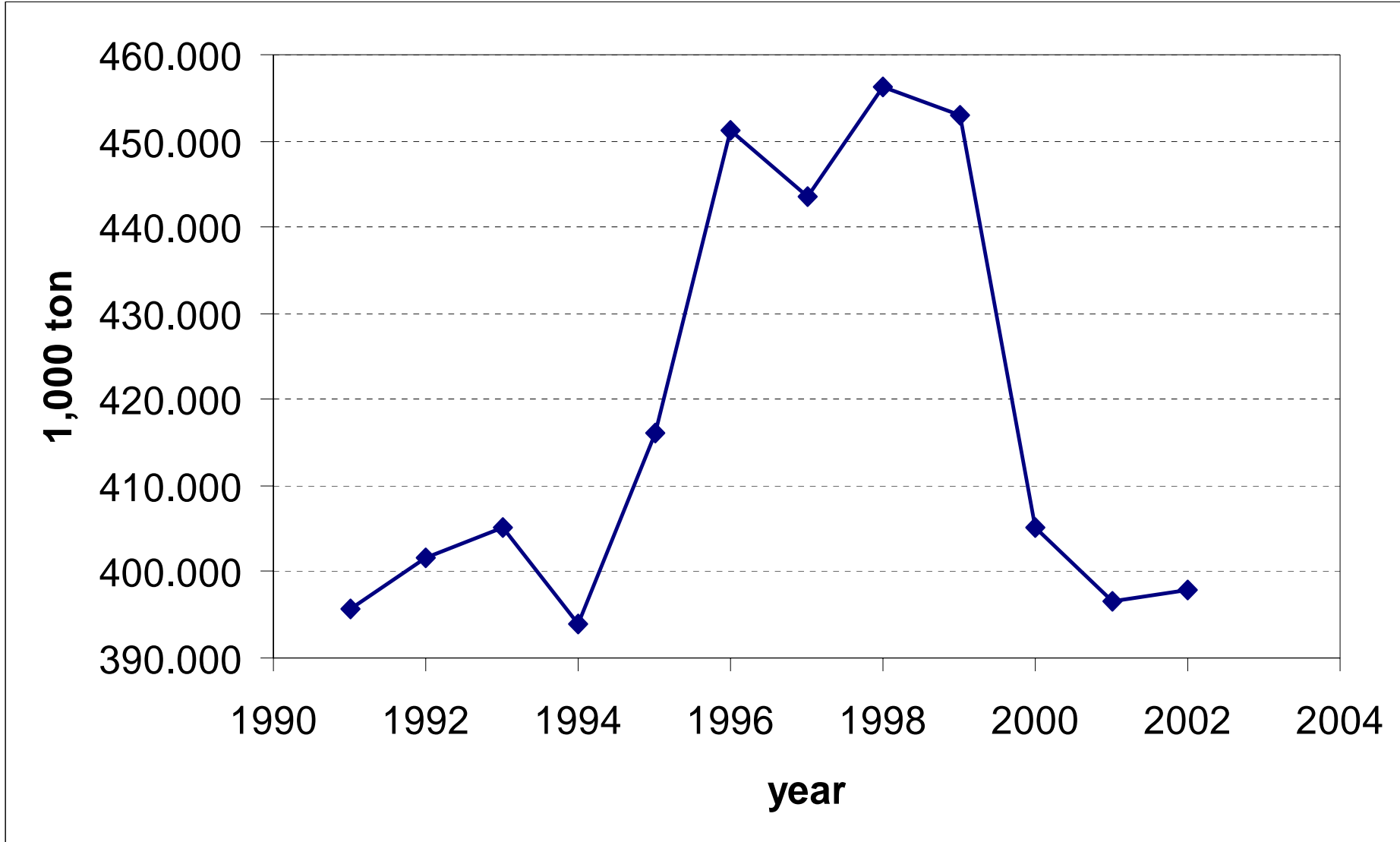
Brazil-China Agricultural Bilateral Trade

BRAZIL	CHINA
<p>Agricultural Exports to China (2003): <i>US\$ 1.7 billion</i></p>	<p>Agricultural Exports to Brazil (2003): <i>US\$ 28 million</i></p>
<p><i>China is the second most important destination (after the EU)</i></p>	<p><i>Brazil is not an important destination</i></p>
<p><i>China is not important as a supplier</i></p>	<p><i>Brazil is the second most important supplier (after the US)</i></p>
<p><i>Concentrated Exports: soy complex (93.1%)</i></p>	<p><i>Main product exported to Brazil: Garlic (40.0%)</i></p>

TRADE POLICY AND INTERNATIONAL NEGOTIATIONS

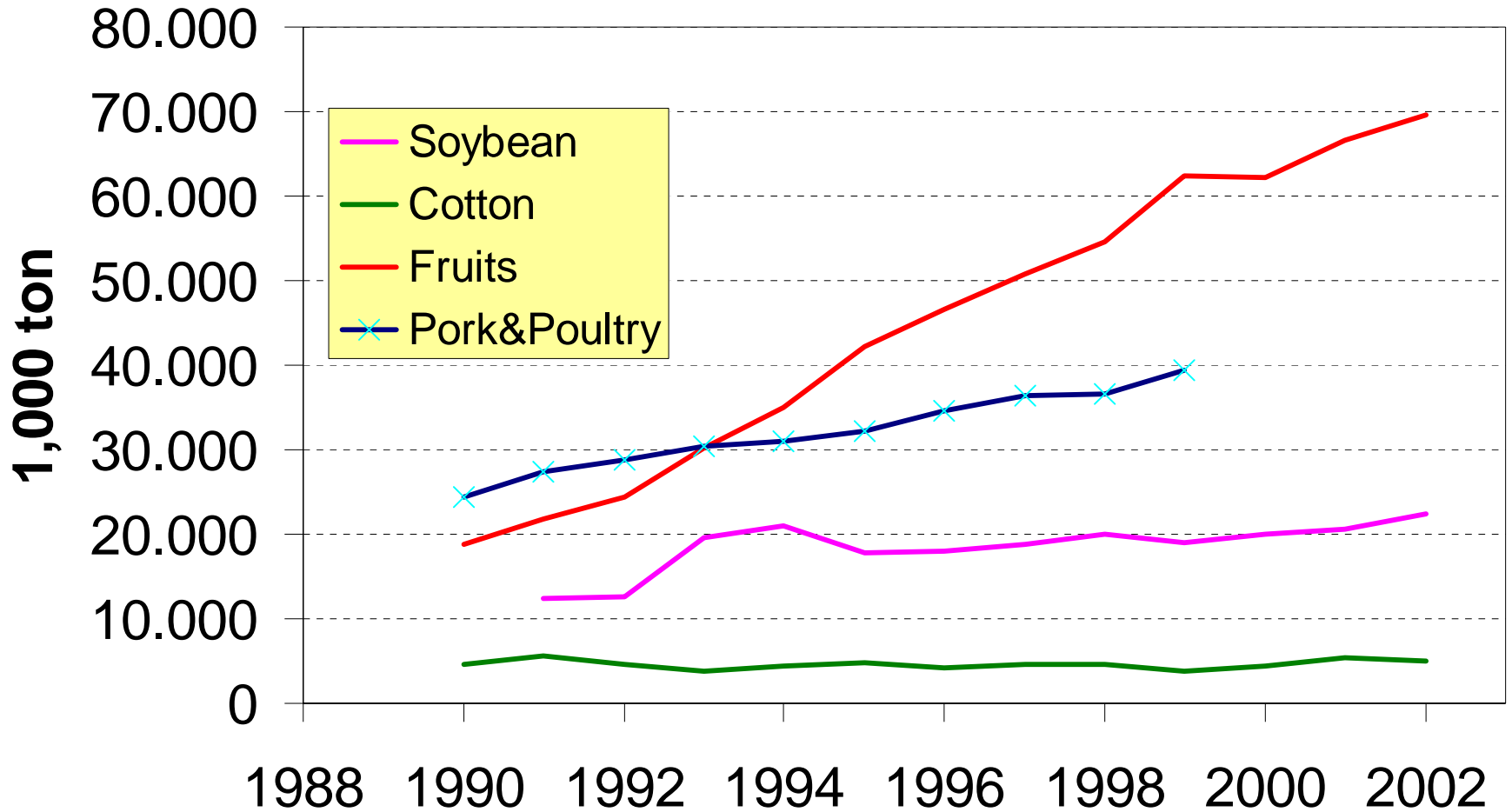
- **Complementarities**
 - **Opportunities**
 - **Conflicts**

Chinese Agricultural Production: Cereals

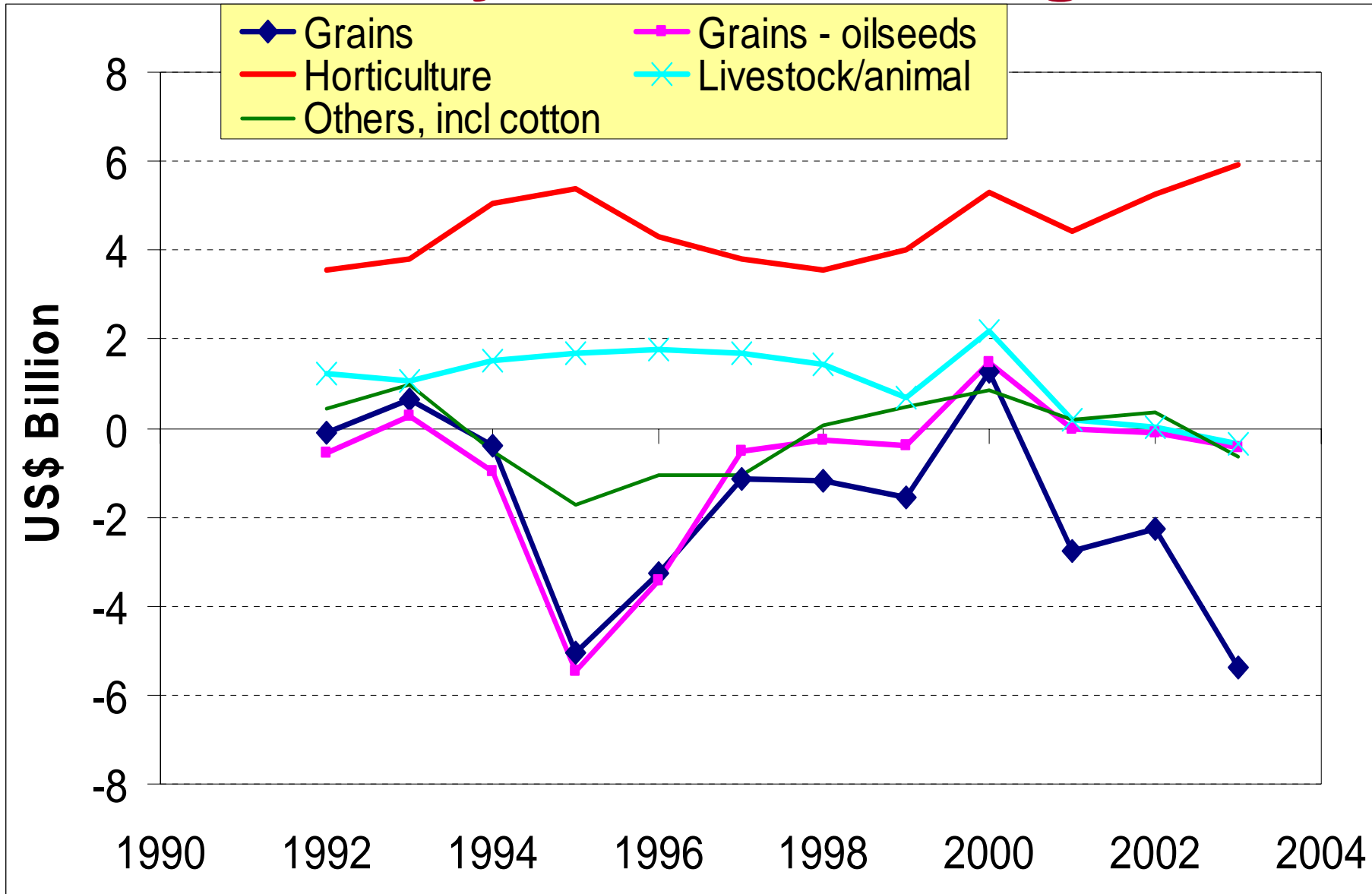


Chinese Agricultural Production: other products

soya, cotton, fruits and meat



Chinese Ag Trade Balance: very modest change



Chinese Strategy in WTO Agricultural Negotiations

As a potentially net importer of staple crops (wheat, corn, rice, cotton and soya),

- Should China oppose agricultural subsidies in EU and US?
- Should China form alliances with G-20 and Cairns Group?

Chinese Objectives in WTO Agricultural Negotiations

- **Objective 1: grain self-sufficiency or farmers' interests**
- **Objective 2: max national welfare**

Conclusions

- **Growth in agriculture is modest.**
- **Ag is moving in line with its Comparative Advantages in a very modest way → Big WTO Impact**
- **Unique position in WTO agric negotiations.**
- **China-ASEAN FTA could help multilateral negotiations if agriculture is included.**

Trade Policy and Negotiations

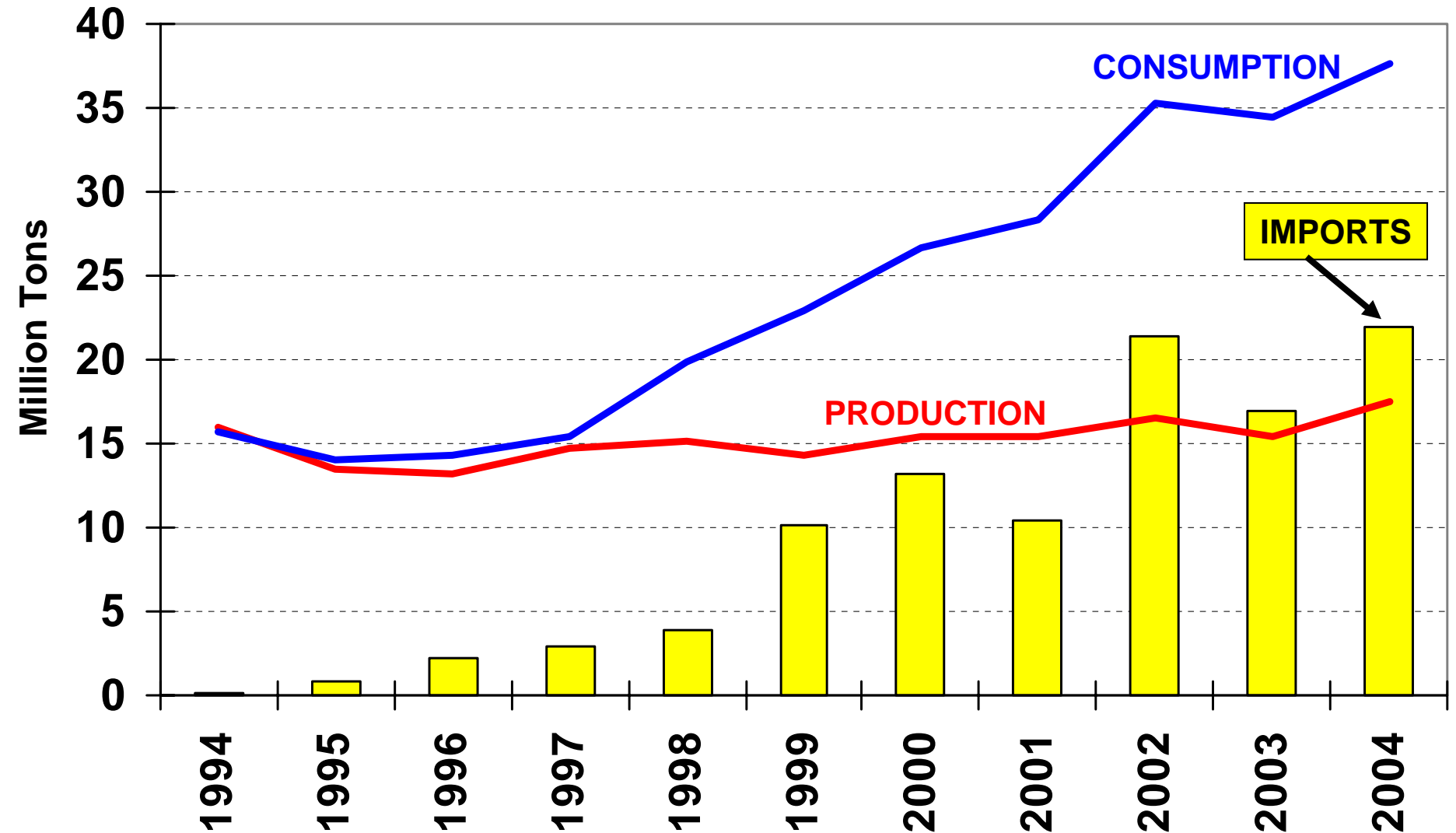
- **Intense cooperation in the Doha Round: G-20**
 - **Coalition against agricultural subsidies from developed countries**
 - Brazilian leadership (cotton and sugar cases).
 - Chinese “ambiguity”, as a large grain importer?
 - **Conflicts in market access: more resistance from India**
 - China insisting on “exceptions” for WTO newly acceded members.
 - **Other Areas: cooperation in trade remedies (antidumping), but divergence on industrial goods.**
- **Free Trade Area China-Mercosur: comparative advantages**
 - **Would China open its agriculture?**
 - **Would Brazil/Mercosur eliminate their industrial tariffs?**

Bilateral Relations in Agriculture

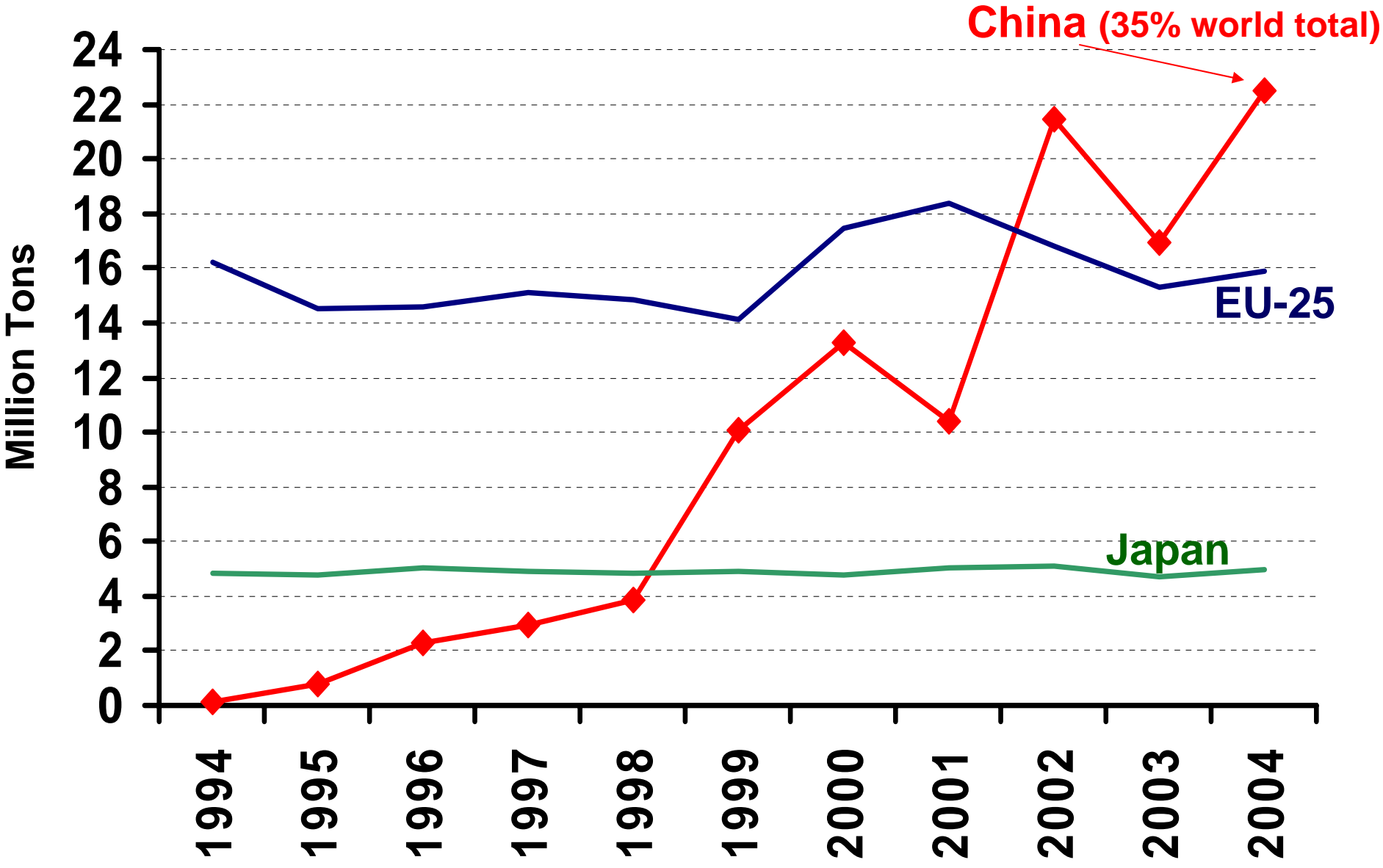
- **Brazil will be a large supplier of ag “commodities” to China**
 - **BRAZILIAN AGRICULTURE:** labor intensive → capital intensive
 - *Driver: productivity, economies of scale (soya, maize, meats, cotton, sugar/ethanol, wood and pulp).*
 - **CHINESE AGRICULTURE:** land intensive → labor intensive
 - *Driver: job creation (fruits and vegetables, value-added products).*
- **Trade conflicts will remain intense.**
 - **China → the soy case: “monopsonistic power”?**
 - **Non-Tariff Barriers: sanitary and technical issues (biotech soy, levels of solvent residue on crude soybean oil, contamination with banned fungicides, etc.).**
 - **Geopolitical variables: US x Mercosur x ASEAN x ...**
- **Opportunism x long-term contractual relations.**
 - **Sustainable growth of bilateral trade, cross-investments?**

Soybeans in China

Production, Consumption and Net Imports



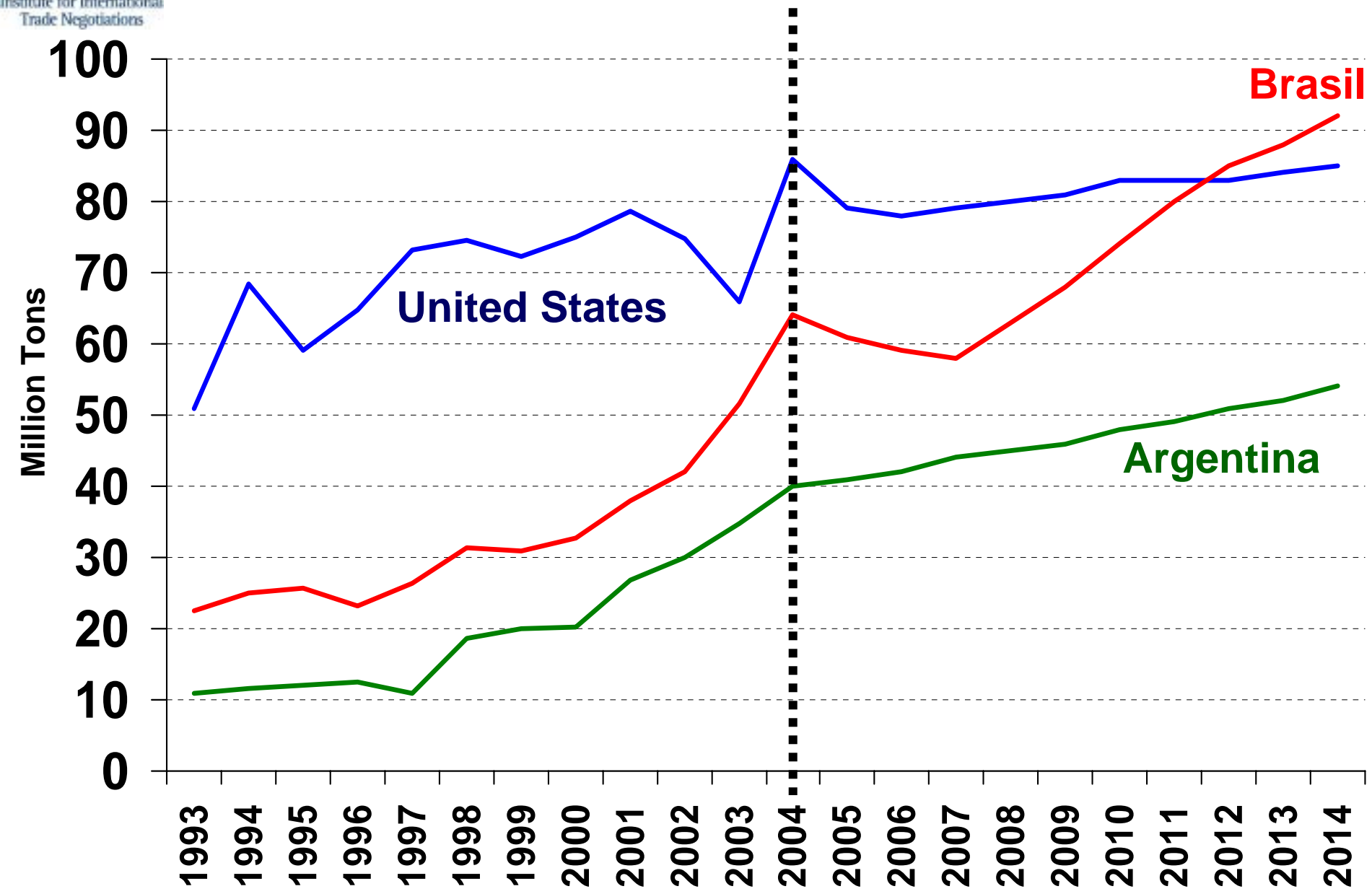
Main Importers of Soybeans



Source: USDA/PSD

Note: EU-15, excluding intra-trade.

Main Producers of Soybeans



Sources: FAO; Agroconsult (estimates for 2005-14).



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