

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Brazil

Post: Brasilia

China to Invest 53.3 Billion in South America's Largest Economy

Report Categories:

Agriculture in the News

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Report Highlights:

Brazilian and Chinese leaders met in Brasilia on May 19, 2015 and reached a series of multibillion-dollar investment and trade deals, worth \$53.3 billion dollars. The various agreements reached between China and Brazil included agricultural investments and infrastructure, animal health and quarantine, beef market access, and high-level discussions in climate change.

Brazil and China Multibillion-Dollar Trade Agreement and Investments

A meeting was held in Brasilia, Brazil on the May 19, 2015, between the Chinese Premiere Li Keqiang and President Dilma Rousseff. A series of multibillion-dollar investment and trade deals were presented, as China is keen to invest \$53.3 billion in South America's largest economy. Brazil needs the investments to stabilize its slowing economy and growth. The various agreements reached between China and Brazil included agricultural investments and infrastructure, animal health and quarantine, beef market access, and high level discussions in climate change.

The information provided below for all articles were based on the actual agreement policies between Brazil and China. These policies were provided by the Brazilian Ministry of External Relations (Itamaraty).

Infrastructure

Article I Purpose

Brazil and China will jointly carry out basic studies to analyze the feasibility of a Transoceanic Railway Connection in compliance with their respective legal frameworks, based on the principles of mutual benefit and friendly cooperation.

Article II Study Scope

The Study will consider routes that originate from Campinorte, Goiás, Brazil connecting to the North South Railway, in the State of Goias, Brazil, and end at a port along the Pacific Coast in Peru, connecting Brazil and Peru.

Article III Subgroup of Technical Experts

1. The countries will set up a Subgroup of Technical Experts (STE).
2. The STE will be led by Chinese with Brazilian and Peruvian collaboration.
3. The agency assigned by the Chinese Party is China Railway Corporation and China Railway Eryuan Engineering Group Co., Ltd (CREEC) serves as its principal.
4. The agency assigned by the Brazilian Party is Empresa de Planejamento e Logística S.A. (EPL) and the agency assigned by the Peruvian Party is the Ministry of Transport and Communications through the Directorate General of Roads and Railways (DGRR).

The "Transoceanic Railroad" feasible project is hoped to increase the facilitation of trade by reducing transportation cost and transit time. If the project were to be accomplished, Brazil may invest in developing a plan for railroad expansion to stimulate its economy. According to the press, there are also environmental concerns that Brazil must carefully manage such as deforestation and pollution. If not controlled properly, population expansion could bring other problems to State governments vis-à-vis utility, sanitation, water and security expansion. According to sources ,China has accumulated a great deal of experience in railway construction, saying Chinese-made equipment has the advantages of high

safety and cost performance ratios and has stood the test of international market competitions.

Animal Health and Quarantine

Brazil and China made a basic statement on improving trans-boundary animal diseases by safeguarding resources: Brazil and China's Ministries of Agriculture are prepared to sign agreements of cooperation.

1. Brazil and China Ministries of Agriculture are prepared to discuss and sign protocols on
2. animal quarantine and health requirements for import, export and transit of animals and
3. products of animal origin, confirm and exchange samples of relevant veterinary certificates.

Both Brazil and China are expecting that this agreement can expand its export markets while China can stabilize its supply. According to the policies within the agreement using standards of quarantine for both, countries provide a safer food supply. By providing safer food, more inspections, food processing, risk assessments and workers are needed therefore may economically costs more.

Beef Market Access

China had suspended beef imports to Brazil in 2012 with a suspected case of Bovine Spongiform Encephalopathy (BSE) in Paraná. The agreement with China immediately allows nine processing plants from Brazil to export frozen beef and chicken. It is expected that a total of 26 plants are will also begin exports to China by 2016, according to Ministry of Agriculture.

According to China, these investments diversify its suppliers and help Brazil increase market share in this important market.

Climate Change

According to the climate change policies, both China and Brazil are keen to invest in renewable energy and increase the production of solar energy. Both countries acknowledge the importance of clean energy and how important the issue of climate change is globally, more specifically:

1. Both countries agree it is one of the greatest threats of the 21st Century. Both sides intend to increase the share of renewable energy in their respective energy matrices.
2. Brazil and China recognize that their cooperation on climate change will achieve co-benefits in combating climate change and promoting energy security, environmental protection and sustainable development.

Brazil and China will intensify cooperation with solar energy.