

## Bilateral Trade

In 2008, China became Brazil's second largest trading partner, with a record bilateral trade of US\$ 36.4 billion, surpassing Brazilian trade with Argentina, of US\$ 30.8 billion, and lagging behind only US-Brazil trade, which totaled US\$ 53 billion. Brazilian exports to China totaled US\$ 16.4 billion, an annual increase of 52.6%, or 8.3% of Brazil's total exports in 2008. Brazilian imports from China increased 58.8%, registering US\$ 20 billion - 11.5% of total imports. Despite modest surpluses in Q2 and Q3, US\$ 2.1 billion and US\$ 2.5 billion deficits in Q1 and Q4, respectively, widened Brazil's trade deficit with China, standing at US\$ 3.6 billion in December 2008, 94.5% larger than the one registered in 2007.

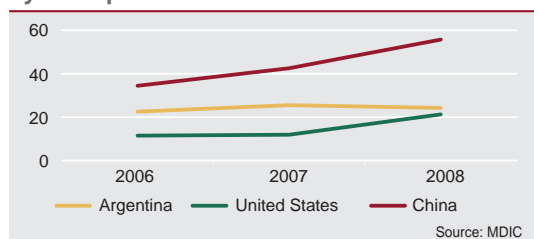
### Brazil-China Trade – US\$ FOB millions

January to December 2008

	Exports			Imports			Trade Balance		
	2008	2007	Var. (%)	2008	2007	Var. (%)	2008	2007	Var. (%)
Jan	654.0	558.3	17.2	1,536.9	791.2	94.3	-882.9	-232.9	279.1
Feb	760.4	546.3	39.2	1,325.5	702.6	88.7	-565.1	-156.3	261.5
Mar	673.0	809.2	-16.8	1,283.6	943.4	36.1	-610.6	-134.2	355.1
Apr	1,328.5	1,008.6	31.7	1,427.8	849.4	68.1	-99.3	159.2	-162.4
May	2,307.6	919.8	150.9	1,608.1	968.9	66.0	699.5	-49.1	-1,524.0
Jun	1,684.0	1,072.8	57.0	1,766.3	955.2	84.9	-82.3	117.6	-170.0
Jul	2,540.3	1,148.9	121.1	1,954.4	1,053.4	85.5	585.8	95.5	513.5
Aug	1,971.9	1,127.5	74.9	1,903.5	1,318.6	44.4	68.5	-191.1	-135.8
Sep	1,792.8	1,006.2	78.2	2,053.7	1,158.6	77.3	-260.9	-152.4	71.2
Oct	1,420.2	1,084.6	30.9	2,079.1	1,429.8	45.4	-658.8	-345.2	90.9
Nov	559.9	801.3	-30.1	1,762.6	1,338.1	31.7	-1,202.7	-536.7	124.1
Dec	710.4	665.3	6.8	1,338.5	1,109.7	20.6	-628.0	-444.4	41.3
<b>Total</b>	<b>16,403.0</b>	<b>10,748.8</b>	<b>52.6</b>	<b>20,040.0</b>	<b>12,618.9</b>	<b>58.8</b>	<b>-3,637.0</b>	<b>-1,870.1</b>	<b>94.5</b>

Source: MDIC

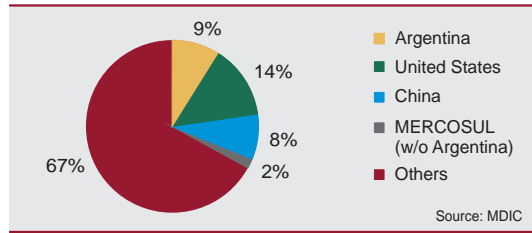
### Annual variation (%) of Brazil's foreign trade by main partner



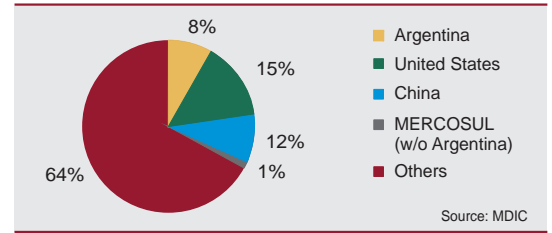
From 2005 through 2008, Sino-Brazilian trade grew 199%, equivalent to an average annual growth of 49.7%. In the same period, trade with Argentina and the US grew 90.9 and 50.7%, respectively. In 2008 Sino-Brazilian trade amounted to US\$ 36.4 billion, an annual increase of 55.9% and 9.8% of Brazil's foreign trade.

At the end of the year, China ranked 2nd among Brazil's largest trade partners and sources of imports, while Argentina held its position as second largest destination for exports from Brazil, by a small margin of 1 p.p. The US remained Brazil's main export market, with 14% of total Brazilian sales abroad, as well as supplier, with 15% of Brazil's international purchases.

**Brazilian exports by destination – 2008**



**Brazilian imports by destination - 2008**



**Brazilian exports to China**

As a result of devalued commodities, lessening Chinese demand, stockpiling, and the international liquidity crisis, Brazilian sales to China faced a significant downturn in Q4 2008, especially in November when sales declined 30.1% yoy. Still, exports to China managed to close 2008 with at US\$ 16.4 billion, a 50.2% annual increase. The three main exports – soy, iron ore and crude oil – accounted for 77.7% of total sales, up from 71.6% in 2007. Soy oil sales volume, increased by a rate of 62.1%, as soy beans and oil and its by-products maintained significant volume growth of 17.4% and 32.7% respectively. Iron ore export volume, on the other hand, faced annual decrease of 8.3%. The increased value and share of total exports is, hence, explained by a high commodity prices during the first nine months of 2008. It is expected that fixed asset investments should rebound by Q2 2009, especially in construction, softening the economic downturn in China and possibly leading to higher demand for Brazilian ore. Meat and dairy exports to China, which also suffered in 2008, should rally in 2009 following recent progress in bilateral trade opening negotiations, concerning particularly Brazilian poultry.

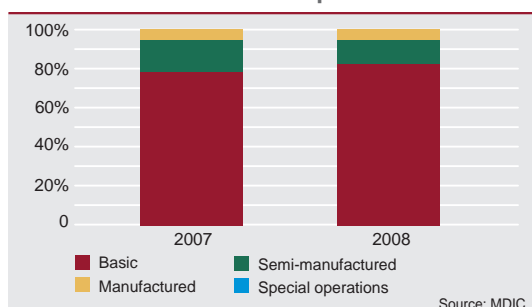
**Brazilian exports to China**

Main products or product groups - January to December 2008

Products or product groups	2008		2007		Var. FOB (%)	Var. Kg (%)
	US\$ FOB millions	Kg (000)	US\$ FOB millions	Kg (000)		
Meat and dairy	9.93	2,251.8	17.50	13,590.4	-43.3	-83.4
Soybean	5,324.05	11,823,573.0	2,831.86	10,071,882.2	88.0	17.4
Soybean oil	829.88	703,029.5	318.34	433,754.4	160.7	62.1
Tobacco	367.32	54,329.3	271.34	55,568.4	35.4	-2.2
Cut and uncut granite	75.41	454,580.6	67.87	482,582.4	11.1	-5.8
Iron ore	4,886.12	96,358,044.8	3,710.29	105,025,713.2	31.7	-8.3
Other minerals (manganese, copper, niobium, etc.)	284.74	714,382.5	97.62	353,895.0	191.7	101.9
Crude oil and its by-products	1,702.54	2,900,342.5	839.94	2,185,122.1	102.7	32.7
Organic and inorganic chemical products	120.15	62,705.9	156.90	98,523.2	-23.4	-36.4
Leather and skins	376.35	110,015.3	491.55	145,185.4	-23.4	-24.2
Wood, paper and cellulose paste	741.93	1,284,498.5	444.83	917,794.7	66.8	40.0
Semi-manufactured iron and steel products	521.09	246,544.8	346.38	411,903.4	50.4	-40.1
Machines, tools and mechanical appliances	292.97	31,529.3	235.26	30,607.6	24.5	3.0
Machines, tools and electrical appliances	88.35	4,887.2	60.25	5,924.5	46.6	-17.5
Parts and components for vehicles and tractors	25.03	3,186.5	45.64	6,470.3	-45.2	-50.8

Source: MDIC

**Breakdown of Brazilian exports to China**



The share of Brazil's exports to China made up of basic goods increased to 77.5%, up from 73.8% in 2007. Despite an annual increase in value, semi-manufactured goods lost 2.2 p.p. of their share in total exports – now at 15.8% - while manufactured goods receded to a 6.7% share in 2008, down from 8.1% in 2007, notwithstanding a 26% increase in absolute terms.

## Brazilian imports from China

Brazilian imports from China reached a new high of US\$ 20 billion, an annual increment of 58.8%. China's share of Brazil's total imports increased to 11.5%, 1.5 p.p. more than in 2007. Mechanical and electrical machines and parts corresponded to 50% of purchases from China, with special reference to machines and equipment for civil construction, which registered annualized increase of 142.9%; machines and appliances for metallurgy, with 104.6%; and other mechanical machines, with 127.4%. Parts and components for vehicles and tractors also displayed significant increase, of 125.2% yoy, totaling US\$ 555.7 million. The upwards trend in machine imports observed in 2008 reflects the expansion of the Brazilian economy. Footwear, toys and textiles represented only 9.8% of purchases from China in 2008, unchanged from 2007.

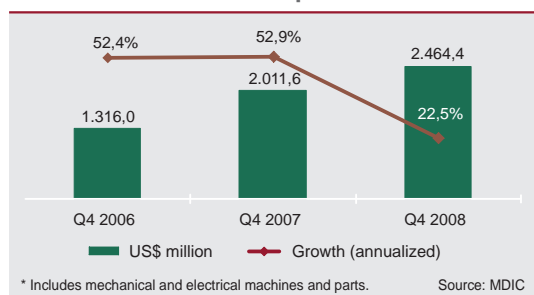
### Brazilian imports from China

Main products or product groups - January to December 2008

Products or product groups	2008		2007		Var. FOB (%)	Var. Kg (%)
	US\$ FOB millions	Kg (000)	US\$ FOB millions	Kg (000)		
<b>Cokes and coal</b>	625.3	1,265,202.2	239.0	1,321,990.7	161.6	-4.3
<b>Organic and inorganic chemical products</b>	2,196.4	1,621,611.7	1,286.5	1,667,915.0	70.7	-2.8
<b>Textiles and clothing</b>	1,404.0	312,762.1	992.3	253,139.9	41.5	23.6
<b>Footwear</b>	228.5	18,944.6	154.9	13,984.2	47.5	35.5
<b>Mechanical machines, appliances and parts</b>	3,712.1	460,978.2	2,345.9	330,043.3	58.2	39.7
Pumps, valves and home appliances (refrigerators, ovens and washing machines)	317.6	63,555.0	216.0	46,612.9	47.1	36.3
Building sector machines and equipment	264.1	69,876.4	108.7	36,304.0	142.9	92.5
Textile industry machines and appliances	154.4	25,252.3	90.5	15,682.0	70.7	61.0
Metal industry machines and appliances	223.0	52,367.9	109.0	32,012.7	104.6	63.6
Data-processing machines	1,431.0	51,989.9	974.9	49,429.4	46.8	5.2
Other machines	163.6	32,258.9	71.9	18,493.7	127.4	74.4
<b>Electric machines, appliances and parts</b>	6,307.8	410,165.1	4,319.5	341,498.5	46.0	20.1
Electric converters, transformers, accumulators and generators	318.9	29,756.8	213.7	24,159.8	49.2	23.2
Electric home appliances	81.6	12,513.6	42.5	6,545.9	91.9	91.2
Ovens and electric heaters	193.7	50,296.6	178.9	54,026.5	8.3	-6.9
Electric appliances for telephony	1,984.0	19,644.4	1,283.1	12,813.8	54.6	53.3
Stereo units	495.0	43,751.8	452.4	46,060.6	9.4	-5.0
Broadcasting appliances	931.0	47,559.7	583.7	37,316.9	59.5	27.4
Electric condensers and resistors	102.7	4,064.3	72.4	3,776.9	41.8	7.6
Printed circuits	194.6	5,846.9	140.0	5,141.0	39.1	13.7
Breakers, switches, supports, lamps and other appliances for electric circuits	621.6	77,639.1	420.5	59,985.1	47.8	29.4
Integrated circuits	506.3	762.2	335.4	1,163.0	51.0	-34.5
Other electric equipment	264.0	35,722.9	159.8	25,002.9	65.2	42.9
<b>Parts and components for vehicles and tractors</b>	555.7	160,137.8	246.7	103,280.4	125.2	55.1
<b>Toys</b>	327.3	58,182.1	257.0	49,604.2	27.3	17.3

Source: MDIC

### Evolution of machine imports from China\*



Despite a general increase in total imports in 2008, in the last quarter of the year – due to the impacts of the international financial crisis and its impacts on the Brazilian economy – purchases of machines and appliances from China decelerated visibly if compared to previous years. Q4 2008 saw a 30 p.p. drop in the growth rate of machine imports from China if compared to Q4 2007 and Q4 2006. In December, more particularly, the growth rate plummeted to 2.7% yoy.



In 2008, capital goods remained the main class of imports from China – approximately 36% - and, due to their lower prices, added to the competitiveness of the Brazilian industry. Inputs for agriculture and industry also accounted for about 36% of total imports. Non-durable consumer goods registered decreased participation in Brazilian imports from China, receding to 2003 levels, of mere 7% of total purchases.

### Brazilian imports from China in 2008

Category	Kg (000)	US\$ FOB millions	Share (%)
Capital goods for agriculture	2,883	8,162	0.04
Capital goods for industry	555,945	7,015,993	35.01
Durable consumer goods	553,549	2,632,799	13.14
Non-durable consumer goods	386,624	1,407,114	7.02
Fuels and lubricants	1,266,405	633,224	3.16
Transportation equipment	288,335	744,458	3.71
Agricultural inputs	659,147	548,627	2.74
Industrial inputs	2,644,340	6,664,194	33.25
Construction materials	552,322	386,048	1.93
<b>Total</b>	<b>6,909,550</b>	<b>20,040,619</b>	<b>100.00</b>

Source: MDIC

### China-Brazil Trade Report

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