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FEATURED Q&A

What's the Future of China-Brazil Economic Ties?

China is Brazil's top trading partner. Bilateral trade between the two countries topped $188 billion last year, according to China's Global Times newspaper. // File Photo: luzitanija via Adobe Stock.

Q Brazilian President Luiz Inácio Lula da Silva and Chinese President Xi Jinping discussed bilateral business opportunities and the role of the BRICS group of developing nations during a phone call on Aug. 12. During the call, which was reportedly held at Lula's request, the two leaders also discussed the war in Ukraine and preparations for the United Nations' COP30 climate summit in Brazil, to which China plans to send a delegation. What are the most promising areas of deeper cooperation between Brazil and China? Why has Brazil been reluctant to join China's Belt and Road Initiative, and to what extent is Brazil's stance on the initiative affecting Chinese investment in Brazil? How are U.S. tariffs on imports from Brazil affecting the South American country's relationship with China?

A Barbara Stallings, William R. Rhodes Research Professor at Brown University and visiting professor at Tsinghua University in Beijing: "Brazil is China's most important partner in Latin America, and China is Brazil's largest export market and source of imports. In addition, China provides a substantial portion of Brazil's external finance. Both are members of BRICS, which strengthens their political ties. On the surface, the relationship appears to be mutually beneficial for both countries; in actuality, it puts Brazil in a problematic position. Even before the Trump administration took office, Brazil was sending around 30 percent of its exports to China. The number itself indicates a growing dependency that needs to be monitored; the content of the trade adds further issues. Specifically, Brazil exports raw materials to China in exchange for industrial goods, which has resulted in a hollowing

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Venezuela Sending Troops to Border With Colombia

Venezuelan President Nicolás Maduro said he is sending 15,000 troops to the country's border with Colombia as part of an effort to bolster security.

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POLITICAL

Mexican Drug Lord Pleads Guilty in U.S. Court

Ismael Zambada, 77, co-founder of Mexico's Sinaloa drug cartel, pleaded guilty to drug trafficking charges in U.S. federal court.

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ECONOMIC

Brazilian Gov't to Buy Agricultural Goods Hit by U.S. Tariffs

Brazil's government is proceeding with a plan to buy several domestically produced agricultural goods that have been affected by 50 percent tariffs imposed by the United States, Agrarian Development Minister Paulo Teixeira announced Monday.

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Teixeira // File Photo: Brazilian Goverment.

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POLITICAL NEWS

Venezuela Sending 15,000 Troops to Colombian Border

Venezuelan President Nicolás Maduro said Monday that he is sending 15,000 troops to his country's border with Colombia, a move that came as three U.S. warships headed to international waters off Venezuela's coast, which the Trump administration has said is a part of an effort to fight drug trafficking, Agence France-Presse reported. In his weekly television show, Maduro said Venezuela "is a clean territory, free of drug trafficking," AFP reported. The South American country's interior minister, Diosdado Cabello, said the troops being sent to the border states of Zulia and Tachira will strengthen security in the area. "Here, we do fight drug trafficking, here, we do fight drug cartels on all fronts" said Cabello, AFP reported. The U.S. government has accused Maduro and Cabello of being part of the Cartel de los Soles, which the United States considers a terrorist organization, the wire service reported. The administration of U.S. President Donald Trump recently doubled the government's reward for information leading to Maduro's arrest to $50 million. The three U.S. warships are carrying more than 4,000 U.S. sailors and Marines, Bloomberg News reported. In announcing his troop deployment to Venezuela's border with Colombia, Maduro singled out U.S. Secretary of State Marco Rubio for criticism, Bloomberg News reported. "Unfortunately this gentleman, with his madness and extremism, could lead President Donald Trump to the worst possible scenario in Latin America and the Caribbean," said Maduro, Bloomberg News reported. "We will emerge victorious from this situation," he added. Maduro also said that his government was in talks with Colombia's defense ministry to discuss security at the countries' shared border, adding that he expected the talks to "go well," Bloomberg News reported. Last week, Maduro called on Venezuelans to become part of militias. He said Monday that people had joined "massively" over the weekend.

Sinaloa Cartel Co-Founder Pleads Guilty in U.S. Court

Ismael "El Mayo" Zambada, 77, who co-founded Mexico's Sinaloa drug cartel, pleaded guilty on Monday to two counts of drug trafficking in U.S. federal court in Brooklyn, N.Y., The Wall Street Journal reported. One of the two counts carries a mandatory life prison sentence. He is scheduled to be sentenced on Jan. 13. "He will spend the rest of his life behind bars," U.S. Attorney General Pam Bondi said at a news conference, The Wall Street Journal reported. Prosecutors had pledged not to seek the death penalty as part of Zambada's plea agreement, NPR reported. At his court appearance on Monday, Zambada apologized for his actions. "I recognize the great harm illegal drugs have done to the people of the United States, of Mexico, and elsewhere," Zambada said in Spanish through an interpreter, the Associated Press reported. "I take responsibility for my role in all of it and I apologize to everyone who has suffered or been affected by my actions," he added. Under the leadership of Zambada and Joaquín "El Chapo" Guzmán, the Sinaloa cartel grew from a regional drug trafficking ring to the world's largest drug trafficking organization, according to prosecutors, the AP reported. Guzmán was convicted in U.S. federal court in 2019 and is now imprisoned in Colorado.

ECONOMIC NEWS

Brazilian Gov't to Buy Agricultural Goods Hit by U.S. Tariffs

Brazil's government is moving forward with plans to purchase a range of domestically produced agricultural products affected by recently instated 50 percent tariffs from the United States, Agrarian Development Minister Paulo Teixeira announced Monday, the Associated Press reported. The products covered

NEWS BRIEFS

Argentina's Dollar Bonds Fall Amid Corruption Allegations

Argentina's international dollar bonds on Monday fell to four-month lows following the emergence of corruption allegations connected to people close to President Javier Milei, Reuters reported. Argentine media organizations last week published audio recordings in which a voice sounding like Diego Spagnuolo, who then headed the country's disability agency, is heard discussing bribes and alludes to Karina Milei, the president's sister and chief of staff. The president on Aug. 21 fired Spagnuolo, with Milei's spokesman calling it a "preventive measure," the Associated Press reported. The government has not confirmed the authenticity of the recordings, and Milei has said he was unconcerned about the allegations ahead of the country's Oct. 26 midterm elections.

Chile's Mining Regulator Raises Requirements for El Teniente's Reopening

Chile's mining regulator has enhanced its requirements for the full reopening of Codelco's El Teniente copper mine, Reuters reported Monday. The federal mining watchdog, Sernageomin, will require a monitoring plan for the full reopening of the mine, parts of which have remained closed since six people were killed in an accident there on July 31.

Argentina's Congress Eyes Extended Tax Breaks for Renewables Projects

Two Argentine lawmakers on Monday presented legislation that would extend federal tax incentives for renewable energy projects through 2045, Infobae reported. The bill is intended to guarantee regulatory stability for projects associated with renewable energy, including wind, solar and geothermal power generation.

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by the new policy include perishable goods such as açai, mangoes, Brazil nuts, honey and fish. The federal government does not plan to purchase cargoes of coffee or beef, Teixeira said on Monday, arguing that those products can be more easily sold to other markets, the AP reported. Brazil's government intends to direct the food products that it buys under the tariff relief plan to public schools and social assistance programs, Teixeira said last week during an interview with the country's leading state-run radio station. It's unlikely that Brazil's government will be able to match the market prices offered by most exporters, Teixeira said Monday, the AP reported. Government estimates show 36 percent of Brazil's exports to the United States have been affected by the 50 percent tariffs, according to the AP. U.S. President Donald Trump implemented the tariffs earlier this month in response to the criminal trial of former Brazilian President Jair Bolsonaro, who faces decades in prison for his alleged involvement in a coup plot following his failed re-election bid in 2022. Bolsonaro has repeatedly denied any wrongdoing.

BUSINESS NEWS

Petrobras Conducts Emergency Test at Key Offshore Block

Brazilian state-run oil company Petrobras has initiated the final step of the environmental licensing process at Block 59 in the offshore Foz do Amazonas region, the firm announced in a statement on Monday. Petrobras is conducting a test of its disaster response plan in the event of an oil spill at the prospective drilling site; Block 59 is a major offshore oil deposit located in an ecologically sensitive region, the development of which the firm views as critical to sustaining long-term oil and gas production, Reuters reported. Ibama, Brazil's federal agency that oversees environmental licensing for major projects, has yet to issue its final approval for Petrobras' plans to explore off the coast of Amapá state.

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out of Brazil's storied industrial sector. The deindustrialization has become more serious since China has accelerated its exports to Brazil as its U.S. market has shrunk. With Trump's imposition of 50 percent tariffs on Brazil, among the highest in the world, the country faces new challenges especially since the tariffs are for political reasons. Although only 12 percent of its exports go to the United States, the U.S. market is critical for Brazil's industrial sales. Lula's recent interactions with Xi Jinping suggest that the country may look to further its links with China to offset U.S. policies. A better option would be to expand other relationships, in particular with Europe, other Asian countries and the Latin American region itself. This path would increase Brazil's autonomy rather than augmenting a growing dependency on China."

David L. Ortega, professor and Noel W. Stuckman Chair in Food Economics and Policy at Michigan State University: "Agriculture is a cornerstone of Brazil-China relations. China is Brazil's largest trading partner and the leading buyer of its farm exports, purchasing more than 70 percent of Brazilian soybeans along with beef, poultry, pork, sugar and other commodities. These trade flows have grown as China diversifies its suppliers, making Brazil a central piece of Beijing's food security strategy. Infrastructure is an important dimension of Brazil-China agricultural trade. Brazil's main export routes and ports are operating at or near capacity, creating costly bottlenecks. Chinese investment in new terminals, transport corridors and storage facilities aims to relieve these pressures and tie Brazil more closely to global food supply chains. Even without formally joining the Belt and Road Initiative, Brazil has already attracted significant Chinese capital in logistics and energy. Recent U.S. tariffs, spanning products from steel and coffee to beef, have reinforced Brazil's need to diversify markets. Although the United States remains an important partner, its share of Brazilian farm trade is modest compared with China's. The tariff measures only increase Brazil's incentives to deepen ties with Beijing, particularly in agriculture. At the same time, China's efforts to boost domestic soybean production and its slower projected growth in protein demand pose long-term risks for Brazil, underscoring the dangers of overreliance on a single buyer. As Brazil prepares to host COP30, collaboration on climate-smart agriculture and sustainable production provides a pathway to expand bilateral ties beyond commodities, underscoring the central role of agriculture in the Brazil-China relationship."

Gregory Ross, associate in the Brazil and Southern Cone practice at McLarty Associates: "Since China surpassed the United States as Brazil's leading trading partner more than 15 years ago, bilateral cooperation has expanded into strategic sectors that include energy, minerals and technology, well beyond the soybeans and beef of the 2000s commodities boom. Recent U.S. tariffs—up to 50 percent on some products—reinforce this tilt toward China, which has also now opened the door to additional Brazilian goods such as coffee seeking other markets under U.S. duties. Still, Brazil remains cautious about overreliance on any one partner. In addition to his call with Xi, Lula spoke with India's Modi and Russia's Putin, and alongside his broader BRICS embrace, he continues to push for ratification of the E.U.-Mercosur agreement to open a free market of 700 million people. Brazil is also exploring export opportunities elsewhere in Asia and the Middle East, evident in Lula's visits to both Japan and Vietnam earlier this year. Nor does Brazil wish to drift further from the United States, still its top source of foreign direct investment and second-largest trading partner. Unlike its commodities-heavy export basket to China, more than half the value of Brazil's exports to the United States

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consists of manufactured goods, including an integrated steel trade and aircraft, which was among the products initially exempt from steep IEEPA tariffs. This value helps explain Brasília's hesitance to formally join geopolitically charged initiatives like China's Belt and Road—even as inbound Chinese infrastructure investment continues and political tensions with Washington pull bilateral trade into a particularly challenging period."

Joel Korn, president of WKI Brasil and senior international partner at UPITE Consulting Services: "China has been Brazil's largest trading partner for the past 15 years, surpassing the United States, despite Brazil's historical relationship and proximity with this leading power of the Western world. Bilateral commerce between China and Brazil over the past decade expanded at an impressive annual average pace of 10 percent, reaching a trade flow in excess of $160 billion, the largest of any country in Latin America. This track record is expected to be strengthened even more with the resurgence of global protectionism driven by the Trump administration's volatile import tariff adjustments, exacerbated by the current strained and politically motivated trade sanctions that the United States has imposed on Brazil in connection with the trial of former President Bolsonaro. The U.S. decision to impose 50 percent tariffs on a large list of Brazilian imports and the outlook for rising tensions with potential tougher measures in the foreseeable future have encouraged Brazil to accelerate overdue actions to open its economy by removing barriers for imports while also enhancing competitiveness as it pursues more diversification of markets for its exports. China accounting for a third of Brazilian exports is evidently a priority market, and the conditions for even closer ties have never been so present over the past 50 years since the countries established diplomatic relations. The fact that Brazil in 2024 reinforced its decision not to join China's multi-billion-dollar Belt and Road Initiative does not hinder the opportunities for continued expansion in trade and investments. By not signing the agreement, the country opted for more latitude in its foreign relations and mitigated further tensions with the United States, its second most important partner. Trade between Brazil and China is expected to deepen further, although with continued underlying asymmetry. Exports to China are predominantly primary products, such as soybeans, meat, crude oil, iron ore and scarce minerals while imports are value-added machinery and equipment: high-tech instruments. China's direct investments and cooperation should continue to grow, particularly in infrastructure, energy, transportation and technology."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

LATIN AMERICA ADVISOR

Energy Advisor

The answers to questions that informed executives are asking ... every week.

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