China, Brazil and Argentina: Agricultural Trade and Development?

Ernesto A. O’Connor*

ABSTRACT
Trade between South American States and China is an important source of the economic growth for those economies in the 2000s. A rather sharp growth in China’s presence in world trade since the beginning of the 2000s changed world trade trends for MERCOSUR countries. The aim of this paper is to analyze the effects of recent growing Chinese trade on South American economic development, mainly in the cases of Argentina and Brazil. In particular, the impact of an increasing trade of agrifood has been quite relevant. On the other hand, each country’s national strategy is another important issue, particularly bilateral relations with China, which is also revisited.

Keywords: Trade, Economic Development, Strategy, Neodevelopmentalism, China, South America.

INTRODUCTION: TRADE AND DEVELOPMENT, LATAM AND CHINA

International trade and development is an old issue of economics, from the classics to today. Most of the literature emphasizes a positive correlation between trade and development. But recently some states have claimed that globalization has not always improved development when considering social variables such as employment and poverty. Another point of view considers the role of trade policy as part of a national development strategy in a context of global competition between countries and states.1

Trade between South America - in particular MERCOSUR countries - with China has been an important source of high growth shown by the economies of these countries in the 2000s. During the globalization of the 90s, trade between the region and China had not developed so much. The countries had concentrated in export and import expansion in the context of trade

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agreements such as MERCOSUR, the FTAA initiative, the European Union, and a growing trade with the ASEAN. Intra-area trade and bilateral agreements were the main strategies.

A rather sharp growth in China’s presence in world trade since the beginning of the new decade in the 2000s changed world trade trends for MERCOSUR countries, or, at least, for many of them. The traditional agricultural and food destination of their exports, mainly some countries of Europe and intra-trade in the continent, was surprised by an increasing demand from China. Agricultural and mineral trade suddenly developed, as Chinese demand of raw materials, food, metals and oil increased.

The importance of Chinese trade with LATAM has been studied during the last years as a source of growth and development. The aim of this paper is to analyze the effects of recent growing Chinese trade on South American economic development, mainly Argentina and Brazil. In particular, the impact of an increasing trade of agrifood has been quite relevant. On the other hand, each country’s national strategy is another important issue, referring to bilateral relations with China. These items are revisited in order to arrive to some conclusions that can explain the impact of Chinese demand on these countries’ recent growth.

The paper is organized as follows. The second chapter presents some trade trends between LATAM and China. The third chapter introduces an example of Chinese impact on development: Argentina and Brazil’s soybean chain trade with China as a development push case. Section IV analyzes some relevant Chinese market trends. Section V analyzes national strategies as Neodevelopmentalism and others. Conclusions summarize some impacts of China’s trade on recent and future MERCOSUR economic development.

LATAM AND CHINA TRADE TRENDS SINCE THE 2000S

During the last ten years (2002-2011), China’s trade with LATAM economies has been increasing quickly; in particular, Chinese imports of raw materials and food. Chinese demand has been concentrated in primary goods, such as grains and oilseeds, but also in some agricultural industrialized foods, such as meat, dairy, oils, selected fruit and vegetables, fish and molluscs, between other relevant products, as metals. Nevertheless, volumes traded in the first group of goods have been higher. The volume has also been higher in the case of oil and metal exports to China, mainly from Brazil and Chile.

The impact of the trade between LATAM and China has been different per country, and not necessarily all of them have won with stronger exports from the new paradigm. Whether product export concentration with China has gotten bigger or not, the possibility of export diversification, the introduction of increasing value added goods, and the adoption, or not, of long run bilateral trade strategies, can be some of the main outcomes of establishing relations between these countries and China.

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2 In this paper, the MERCOSUR countries considered are the six countries of South America: Argentine, Brazil, Paraguay, Uruguay, Bolivia and Chile.

Long run trends indicate that LATAM has been a region in the world with the highest growth trade rates with China between 1990 and 2010. In the 2000s, trade with China has increased much more than the world’s trade, and even more than any other region of the world, considering exports and imports. The process increased during the first decade of this century, and in the period 2005-2009 growth rates of China-LATAM trade have doubled the China-world exports and imports. The importance of China-LATAM trade has been proven during the 2009 world crisis: contraction in exports occurred in all destinations except China. For instance, exports to the United States and the European Union fell by 26% and 28% respectively; those to Asia fell by only 6%, but to China increased by 5%. It is important to note that China’s exports to USA have slowed in the last years 2005-09, showing the lowest growth rate of Chinese exports, at 10.2 annual percent.

These data confirm the growing importance China has acquired as an export destination for LATAM. It is important to remember that LATAM’s total trade with China shows structural trend deficit, mainly due to the increasing negative balance Mexico and Central America. In contrast, MERCOSUR economies show a quite balanced trade during the last ten years, which has been relevant to understand their recent high growth.

The trend confirms China as the most dynamic country in the world agrifood trade in the 2000s, and LATAM as the main agricultural net export region of the world. So, new agricultural trade patterns show increasing participation of developing countries, such as China (and other Asian countries like India) and LATAM, while the share of industrialised countries remained stagnant or declined.

LATAM countries trade with China has, of course, heterogeneous characteristics, considering the different products traded and the different countries involved. There is a big product concentration in the LATAM exports to China, a trend common in all the countries of the region. In all these countries, the first five products exported are equivalent to 80% or more of the total exports to China. Natural resources exports are nearly 95% of all the country cases, including mining, metals and crude oil, exhibiting a strong importance over agricultural exports in most of the countries when considering the values and volumes traded. This is the case of Chile, Peru, Bolivia, Ecuador and Venezuela, and also Brazil. In Mexico and Central America, trade with China is mainly concentrated in industrial goods.

Agricultural trade is an increasing component of the trade with China. The importance of Latin American agricultural trade with China is not, in fact, the same for all countries. In particular, considering the seventeen countries of Latin America, some different trade trends can be appreciated between some groups of countries. The MERCOSUR countries have benefited the most by the Chinese trade boom.

Food security has been the most dynamic product, led to the soybean chain exports. For example, MERCOSUR countries, with intensive production of food security goods, such as grains, oils, milk and dairy, meats fresh and processed meats, have benefitted the most due to Chinese trade in the 2000s. By far, the main products traded have been the ones of the soybean.
chain, mainly produced by Brazil and Argentina, and then by Paraguay, Uruguay and Bolivia.

Table I shows the main agricultural products exported to China from South American countries, in 2001, 2008 and 2009. A trade reference year may be 2008, as 2009 trade volumes have been affected by the international crisis of subprime mortgages and the severe drought of 2008 in South America.

In Argentina, for example, 78.7% of soybeans exports are sent to China. By the same way, 86% of meat and edible offal of poultry meat, and 30% of soybean oil, leather and flour of meat, meat offal and fish are sold to China. Brazil's agricultural exports show similar path dependence: 66.5% of soybean and 34% of soybean oil are exported to China, while 30% of the leather is traded. Uruguay is another country with high export concentration in China: 89% of soybeans, 95% of wools, and 66% of flour and meat. Chile’s agricultural exports are not value important, except flour and meat, meat offal and fish, from which 52% are sent to China.7

From China’s point of view, the soybean chain is the most dependent import agrifood chain: 71.5% of soybean oils come from Argentina and Brazil, and 52% of soybean from these countries plus Uruguay and Paraguay. South American commodities producers see China as a new market that has been raising export volumes and commodities prices worldwide in the 2000s, and this fact means important income transfers to them. The general perception of the phenomena of increasing food security goods within Chinese imports as a structural and permanent fact is the dominant idea in this region. This idea is held by farmers and by the governments, and the increasing soybean supply in South America, as part of a new international work division, is encouraged as a central strategy. The debate over export concentration vs. export diversification is not a relevant item in these South American countries, but in international trade what you export in fact matters.8 This may be a risk, if assumptions about China’s difficulties of food self-sufficiency are wrong. The current and potential production scale of China can become a destabilizing factor for countries or markets with close links.

Total MERCOSUR-China trade includes, among the exports, an important share of crude petroleum oils and metals, such as iron ores and concentrates, ferro-alloys, copper ores and concentrates, refined copper and copper alloys, zinc ores and concentrates, etc. The most important products in LATAM exports to China are minerals and crude petroleum, mainly raw materials. That is the case of Brazil, where iron ores and concentrates are the first export product, at USD $15,051 million (2008), 50.4% of total exports to China. Soybeans are the second export product in Brazil’s example. Chile’s copper ores and concentrates, and refined copper exports totalized at USD $8,472 million in 2008, equivalent to 75% of total exports to China. In the case of Peru, copper, zinc and iron metals together total USD $3,230 million, 71.9% of total exports. Venezuela’s crude petroleum and oils amounted to USD $5,781 million, or 88% of total exports.9

The story has not been the same for Andean and Central American countries. Latin America’s exports to China of seafood (fresh and processed),


\[\text{Ibid.}\]


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</tr>
</thead>
<tbody>
<tr>
<td>Argentine</td>
<td>Soya beans, whether or not broken</td>
<td>985.539</td>
<td>3,609.035</td>
<td>1,649.645</td>
<td>4,583.187</td>
<td>78.7</td>
<td>21,815,276</td>
<td>16.5</td>
</tr>
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<td>Argentine</td>
<td>Soya-bean oilkits fractions</td>
<td>16.169</td>
<td>1,461.145</td>
<td>1,407.001</td>
<td>4,895.929</td>
<td>29.8</td>
<td>3,333,729</td>
<td>43.8</td>
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<tr>
<td>Argentine</td>
<td>Meat edible offal of poultry meat</td>
<td>7.254</td>
<td>240.142</td>
<td>92.454</td>
<td>278.661</td>
<td>86.2</td>
<td>1,687,744</td>
<td>22.1</td>
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<tr>
<td>Argentine</td>
<td>Leather of other animals, o/t leaf of hd no 41.08/41.09</td>
<td>2</td>
<td>81.310</td>
<td>83.284</td>
<td>254.938</td>
<td>32.3</td>
<td>2,203,100</td>
<td>3.7</td>
</tr>
<tr>
<td>Argentine</td>
<td>Flour etc of meat, meat offal, fish, crust etc unfit for human consumption</td>
<td>2.392</td>
<td>19.061</td>
<td>17.067</td>
<td>63.175</td>
<td>30.2</td>
<td>1,436,270</td>
<td>1.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>Soya beans, whether or not broken</td>
<td>619.593</td>
<td>7,281,720</td>
<td>7,350,347</td>
<td>10,952,197</td>
<td>66.5</td>
<td>21,815,276</td>
<td>33.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>Soya-bean oilkits fractions</td>
<td>2.341</td>
<td>922.163</td>
<td>391.690</td>
<td>2,670.699</td>
<td>34.5</td>
<td>3,333,729</td>
<td>27.7</td>
</tr>
<tr>
<td>Brazil</td>
<td>Leather of bovine/equine animal, other than leaf of hd 4108/4109</td>
<td>76.165</td>
<td>235.299</td>
<td>197.385</td>
<td>757.256</td>
<td>31.1</td>
<td>1,694,937</td>
<td>23.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>Leather of other animals, o/t leaf of hd no 4108/4109</td>
<td>0</td>
<td>278.184</td>
<td>170.462</td>
<td>1,086.234</td>
<td>25.6</td>
<td>2,203,100</td>
<td>12.6</td>
</tr>
<tr>
<td>Uruguay</td>
<td>Soya beans, whether or not broken</td>
<td>0</td>
<td>291.858</td>
<td>320.706</td>
<td>327.352</td>
<td>89.2</td>
<td>21,815,276</td>
<td>1.3</td>
</tr>
<tr>
<td>Uruguay</td>
<td>Wool &amp; fine or coarse animal hair, carded or combed</td>
<td>60.686</td>
<td>39.293</td>
<td>48.372</td>
<td>122.600</td>
<td>32.0</td>
<td>138,213</td>
<td>28.4</td>
</tr>
<tr>
<td>Uruguay</td>
<td>Wool, not carded or combed</td>
<td>12.870</td>
<td>42.821</td>
<td>37.700</td>
<td>44.658</td>
<td>95.9</td>
<td>1,685,987</td>
<td>2.6</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Wool, not carded or combed</td>
<td>0</td>
<td>147</td>
<td>88</td>
<td>470</td>
<td>31.3</td>
<td>1,260,938</td>
<td>0.9</td>
</tr>
<tr>
<td>Chile</td>
<td>Flour etc of meat, meat offal, fish, crust etc unfit for human consumption</td>
<td>0</td>
<td>12.574</td>
<td>21.061</td>
<td>18.948</td>
<td>66.4</td>
<td>1,436,270</td>
<td>0.9</td>
</tr>
<tr>
<td>Chile</td>
<td>Locust beans</td>
<td>2.953</td>
<td>22.766</td>
<td>30.738</td>
<td>54.700</td>
<td>41.6</td>
<td>104,027</td>
<td>21.88</td>
</tr>
<tr>
<td>Chile</td>
<td>Sunflower seeds, whether or not broken</td>
<td>0</td>
<td>3.270</td>
<td>3.708</td>
<td>7.719</td>
<td>42.4</td>
<td>12,901</td>
<td>25.38</td>
</tr>
</tbody>
</table>

Source: ITC, COMTRADE.
fruits and vegetables (fresh and processed) and cut flowers are not as important as food security products. The Andean countries agrifood exports are specialized in these kinds of food, but China does not demand them. Additionally, these countries could face global trade competition and competition with China’s own exports of these products in the near future. They are especially vulnerable to increases in Chinese supply. Nowadays, Chinese commercial competition is increasing in fish, crustaceans and mollusks, some vegetables and fruits such as asparagus, apples, pears and citrus. Peru, Chile, Colombia, Argentina and Central American countries exports are threatened by Chinese production. Chile, for instance, shows no concentration in these products in its trade with China. Nevertheless, Chile’s diversified exports of seasonal fruits, grapes, apples, berries, salmon, wine, and forest products may be threatened in the near future by China’s exports and self-sufficiency. Another risk is China’s growing exports of these products to other markets, reducing or eliminating Latin America’s market share. For instance, the apples’ world market, trade, and China’s recent supply is analyzed in the next sections.

In summary, China’s rapid increase in world share of agricultural imports and exports during the last ten years has had relevant impact in the emergence and consolidation of commercial and economic linkages between China and MERCOSUR countries.

**Soybean Chain Boom Trade Effects on Argentina and Brazil**

The best example of Chinese impact on production and exports in Latin America has been the evolution of the soybean chain during the 2000s. In the period 1995-2010, world soybean production—considering the seven main producers—recorded a growth rate of 130.3%, increasing from 113 million tons in 1995 to 261 million tons in 2010. This increase has been differed per region. While U.S. production increased by 53.1%, to 90.6 million tons, China’s production merely increased by 11.6%, to 15.1 million tons. But the five South American countries experienced the greatest impact (Table II).10

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</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>12.133.0</td>
<td>46.238.100</td>
<td>30.993.400</td>
<td>52.677.400</td>
<td>334.2</td>
</tr>
<tr>
<td>Bolivia</td>
<td>870.074</td>
<td>1.259.680</td>
<td>1.499.380</td>
<td>1.637.000</td>
<td>88.1</td>
</tr>
<tr>
<td>Brazil</td>
<td>25.682.656</td>
<td>59.833.100</td>
<td>57.345.400</td>
<td>68.518.700</td>
<td>166.8</td>
</tr>
<tr>
<td>China</td>
<td>13.510.894</td>
<td>15.542.141</td>
<td>14.981.221</td>
<td>15.083.204</td>
<td>11.6</td>
</tr>
<tr>
<td>Paraguay</td>
<td>2.212.109</td>
<td>6.311.790</td>
<td>3.853.000</td>
<td>7.460.440</td>
<td>237.3</td>
</tr>
<tr>
<td>United States of America</td>
<td>59.174.000</td>
<td>80.748.700</td>
<td>91.417.300</td>
<td>90.609.800</td>
<td>53.1</td>
</tr>
<tr>
<td>Uruguay</td>
<td>15.500</td>
<td>772.900</td>
<td>1.028.600</td>
<td>1.816.800</td>
<td>11621.3</td>
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<tr>
<td>South America</td>
<td>41.103.373</td>
<td>114.415.570</td>
<td>94.721.780</td>
<td>132.110.340</td>
<td>221.4</td>
</tr>
<tr>
<td>World</td>
<td>113.598.213</td>
<td>231.218.099</td>
<td>222.989.178</td>
<td>261.578.498</td>
<td>130.3</td>
</tr>
</tbody>
</table>

Source: Faostat

The five South American countries registered a growth rate of 221.4% (1995-2010), with a total production of 132 million tons in 2010, consolidating as the world’s principal soybean production area. Argentina has been, by
October 2013] CHINA, BRAZIL AND ARGENTINA

far, the country with a major production expansion, from 12 million tons in 1995 to 52.6 million tons in 2010, registering the highest rate growth between the main South American countries.11

The world sown area reached 87 million hectares in 2010. South America has the largest sown area of the world: the data for 2010 shows 46 million hectares, as Brazil has 23.3 million, Argentina 18.1 million, Paraguay 2.6 million, Bolivia 1.1 million and Uruguay 0.85 million. USA, with 31 million hectares, leads the ranking, and China registered 8.5 million harvested hectares in 2010 (Table II).12

China is the main importer of soybean crop and soybean oil in the world. In 2011, Chinese soybean crop imports reached US$ 29.809 million. With US exports to China have equating to only USD $12.632 million, the five South American countries lead the soybean exports in 2010, with USD $16.956 million, mainly from Brazil with US$ 11.794 million and Argentina with USD $4.354 million.13 In 1995, US exports were USD $6.000 million, while South American exports were only USD $1.800 million. This is the proof of the new international division of the cereal and oil seed production and trade, in which South American countries are soybean suppliers while the rest of the big producers, such as the US and China, concentrate in wheat and corn, two cereals more sustainable than soybean. South American soybean oil importance is stronger, with USD $6.600 million exported, while US exports only USD $730 million. This is due to the processing soybean oil industry in Argentina, which traded USD $4.135 million traded in 2011. The trend is also impressive because South America advanced from USD $2,000 million to USD $6,600 million in only fifteen years.

There exists a strong concentration of South American soybean complex exports. China’s demand explains the soybean phenomena: 87.3% of Argentina’s and 72.2% of Brazil’s soybean exports go to China, as well as 24% of Argentina’s soybean oil. Essentially, the South American soybean crop chain is equivalent to 69% of Chinese demand (Table III).14

<table>
<thead>
<tr>
<th>Country</th>
<th>Good</th>
<th>Exports to world</th>
<th>Exports to China</th>
<th>Export to China/Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Soybean</td>
<td>4,986.0</td>
<td>4,354.0</td>
<td>87.3</td>
</tr>
<tr>
<td>Argentina</td>
<td>Soybean</td>
<td>16,327.1</td>
<td>11,794.5</td>
<td>72.2</td>
</tr>
<tr>
<td>Argentina</td>
<td>Soybean</td>
<td>2,294.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Argentina</td>
<td>Soybean</td>
<td>884.6</td>
<td>808.2</td>
<td>91.4</td>
</tr>
<tr>
<td>Argentina</td>
<td>Soybean oil</td>
<td>11.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Five countries</td>
<td>24,503.5</td>
<td>16,956.7</td>
<td>69.2</td>
<td></td>
</tr>
</tbody>
</table>

Source: ITC-COMTRADE

11 Ibid.
12 Ibid.
14 Ibid.
Nevertheless, external and internal factors favored the extraordinary growth of soybean production in South America. The main external factors include the dynamics of the international market for the soybean chain, and important technological innovations from outside the region. China’s decision to “sacrifice” soybeans to keep land and water for rice, wheat and corn is relevant news.  

The adoption of zero-tillage, the use of genetically modified seeds and changes in production organization, such as the development of a dynamic processing industry and a favourable public policy framework in South America, determined the soybean expansion.

But the soybean boom has also displaced other crops, such as corn and wheat, and livestock production, to other areas. The hazards of monoculture have been confirmed. For instance, there less harvested areas of corn and wheat in Argentina, since 2008. Economic policies in Argentina have been favorable to soybean, but not to the other crops and livestock, which have been suffering export restrictions and prohibitions during the last three years. In some areas, sustainability has also been affected by inadequate crop rotation and fertilizer use, as the soybean practice is low-dependent on fertilizers, while the lower plant or wheat and corn, which demand more fertilizers, reduces the sustainability.

Argentina and Brazil have also experienced a significant agro-industrial change characterized by the development of a vigorous soybean processing industry, new food industries for human and animal consumption, the chemical sector, and the energy production of biodiesel.

Another factor has been the technological change applied to agricultural production, related to social changes, as a concentration has increased. Changes in the real estate market have been partly fuelled by small producers who have seen no alternative to selling their land, which has intensified rural migration, as in Paraguay. It would be advisable to establish specific policies and social programs targeting small farmers and the rural poor in areas affected by the expansion of soybean production. With respect to food security, the food availability is not expected to be threatened by an expansion of...
soybean production, or an increasing demand from China. Nevertheless, we may remember that South American countries register people under the poverty line on the average basis of 30%, urban and rural, including recent poverty increases in Argentina.¹⁹

The soybean boom is negatively related to raising concerns about its own sustainability, and its long-term impact on natural resources, especially forest areas. Deforestation has advanced in some areas of Argentine, Brazil and Paraguay, opening questions about water sustainability in the Southern region of America. The Niña’s drought phenomena has been related to deforestation, but not scientifically tested yet.²⁰

These trends are expected to continue, as the Chinese soybean demand goes on in the next years.

**China’s Trade and Production Trends: Opportunities and Threats**

China is a dynamic market for LATAM products, but it can soon be a competitor in many products. So, there are risks and opportunities of an incremental dependency of MERCOSUR countries on China trade. But some risks arise around the growing Chinese market share in some agricultural and seafood global trade sectors, such as apples, fish, and another ones in the future. With respect to exports, future elasticity of supply for a few countries is key. So the export performance of a few important products would seem to be a matter for some countries in the future. For example, the Chinese soybean and soybean oil demand trend, along with the South American supply for the next years. The current situation is characterized by great volatility in the prices of commodities, especially of food products, carried over by China’s and India’s demand. If this trend goes on, the aim of food security in Central America will face higher prices for the next years, with current account problems.

An agrifood China concentrated export-led growth strategy, for example around soybean, should have different scenarios in the long run. The intensification and expansion of agriculture in the soybean producing countries of South America will continue in the 2010s, considering the Chinese fixed demand and policies that encourage the use and export of biodiesel, thus providing an additional market for soybean oil. Land availability will not be a major constraint on expected soybean expansion in South American countries, but the main point is the impact of increased soybean seeded area on the dynamics of land use, in particular on deforestation and unsustainable use of ecologically fragile land, especially in Argentina, where soybean has displaced planting of corn and wheat due to public policy disincentives. The soybean single crop has resulted in insufficient rotation for the conservation of soil fertility and quality.

South American countries soybean strategy may be threatened by the National Plan for Expansion of Grain Production Capacity (NPEGC) aimed by the China’s government since 2009.²¹ China continues promoting structural


reforms in the agricultural sector, aimed to increase productivity in agriculture and improving the food security. The plan refers to an expansion of grain production, with the aim of covering 95% of domestic needs by 2020, and to eliminate dependence on external supply. China’s grain production has averaged above 500 million metric tons (MT, or 500 billion kilograms) annually from 2007-2009, feeding a population of more than 1.3 billion is at the top of China’s agenda. To meet the near self-sufficiency goal in grain production over the coming years, China’s production must increase to meet the demands of its growing population and consumption. The government wants to increase grain acreage and raise yields. According to the plan, grain yields must increase by 0.9% annually to meet the target of an increase of 50 million MT in production capacity, and a total aim of 550 million tonnes in 2020.

China is now self-sufficient in grains like rice, corn and wheat. With relation to soybeans, of a total 51.4 million tonnes consumed in 2008, 41.1 million were imported. The NPEGC includes a soybean expansion strategy with the incorporation of cutting-edge technology, to improve output and productivity. South American countries that are net exporters of soybean and oil should take this into account, especially Argentina, which has high concentration in soybean chain exports to China, and has developed a concentration in the crop production around soy, against other crops such as corn and wheat. Chinese imports restrictions on Argentine soybean oil during some months of 2009 is a recent example of these risks. The Chinese soybean chain plan should include in a first step low soybeans oil imports, and increasing soybean imports, to industrialize more grain in their own soya processing industry.

Another trend to consider is referred to the exporting potential of Chinese agrifood and seafood. Fish, molluscs and crustaceans are the strongest products in Chinese exports, and may threaten Chilean exports. Vegetables, meat, fruits (apples and pears), and sugar are other products with a favourable export potential.

**NATIONAL STRATEGY IN SOUTH AMERICA: NEODEVELOPMENTALISM AND OTHER STRATEGIES IN FRONT OF CHINA’S BILATERAL RELATIONS**

South American countries have had high growth thanks, in part, to Chinese demand of primary goods. The macroeconomic impact has gone from the tradable sector to the rest of the economy. Soybean expansion has helped improve the general financial and economic performance of the countries, and has been relevant for the external trade surplus, a chronic macroeconomic problem for this region of the world. In fact, these countries had current account deficits for the last seventy years because of external macroeconomic and commercial vulnerability, during the Import Industrial Substitution Strategy (1940s-1980s) and during the globalization of the 1990s.22

Nevertheless, national development countries strategies may be considered, as trade with China has been an exogenous growth variable. Strategy has been present in economic theory since Schumpeter (1911) and

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Hirshman (1958), Vietor (2007) and Rodrik (2011) continue with this idea. Rodrik places national strategies in the context of “the trilemma”: a decision between national states, democracy and globalization.23 In globalization, a country may only choose between two of them: if you prefer more globalization and democracy, you should not have a strong national state.

Brazil is the main example of country strategy in the region. Neodevelopmentalism24 started at the beginning of the 2000s, placing this country as a global agrifood leader, in the context of a radical change in the international division of trade. So Brazil tried an export-led growth model, where the soybean chain and agrifood exports are just a piece of the story.25

Chile and Peru, members of the APEC, have settled their trade strategy to the Pacific area. Argentina, in our own view, has decided not to take advantage of the global context, and has increasingly restricted exports and imports, and introduced monetary and exchange controls, losing the opportunity of a neodevelopmentalism, in a new nationalist protectionism strategy.26

Since a strategy point of view, some lessons may be learnt, in order to develop some suggestions to the national development actors of South American countries. It is important to assess the challenges and opportunities for sustainable growth and poverty reduction in these countries, as result of expansion of trade with China.

Some scenarios for the next decades include the evolution of the global mortgage crisis, global macroeconomic imbalances, currency wars, and of course, local policy in China, and even a new international work division. The possible effects over China’s medium run growth and agrifood and seafood MERCOSUR exports to China are not clear, as opportunities and risks exist. An optimistic vision emphasizes the emerging market opportunities for MERCOSUR exports as population in all emerging countries will demand more food. In Robert Fogel’s27 point of view, the Asian and China’s miracle is changing and is going to change even more the dynamics of economic development and the sources of growth, such as technological change, global economic balance, some endogenous growth models aspects, and the impact of institutions on development. MERCOSUR countries may be positively influenced by the Asian and Chinese future politics.28

24 Bresser-Pereira, Luiz Carlos, “Novo desenvolvimento e ortodoxia convencional”, en Globalizaçăo, Estado e desenvolvimento - Dilemas do Brasil no novo milăııo. Fundaçăo Getulio Vargas, 2007,
25 In Brazil, a new economic development strategy, called Neodevelopmentalism, has been consolidating from the beginning of the 2000s. It is a “third discourse” between the Brazilian National-Developmentalism (and the populist distortions it had had) and Neoliberalism. Is a set of strategic, institutional and economic policy proposals, through which an emerging nation as Brazil looks for a new leadership in global development. As globalization is competition, the Brazilian government encourages big domestic firms to compete, assisting them with FDI policies in an export-led growth strategy. Neodevelopmentalism is not protectionist, but a promoter of exports of goods and services with added value, with increasing focus in industrialized natural resources and Asia Pacific markets (Bresser Pereira, 2007; O’Connor, 2010).
A more conservative vision states that the European crisis of Greece, Spain and Italy would depress European economy and imports, so Chinese exports may drop, and then Chinese imports and commodities prices go down in a more permanent situation. This may be a difficult scenario for South American economies.

An export-led growth strategy may be the first point, which is an important element of the neodevelopmentalism strategy in Brazil because the increasing trade between MERCOSUR and China in the 2000s has been a mere consequence of the sudden Chinese demand and not an endogenous process for most of the countries. This strategy should take into account export diversification, not just raw materials and some foods, since what you export is relevant for development.29

Public policies may be intelligent and long-run strategic, optimizing trade results and promoting tradable activities. Natural resources production may be one of the main objectives, as the probability of China’s self-sufficiency does not look certain.

Another point is related to some determinants of the LATAM global trade, such as policies. Policies are important because global trade is not a chance result, but a deliberated export long-run strategy. LATAM countries in the APEC, such as Chile and Peru, may get some benefits from the Chinese bilateral relation in the next years. Argentina, for instance, should eliminate export quantitative restrictions and export taxes to improve incentives for an increasing food supply, and moderate nationalist protectionism to get a better world insertion.

The soybean boom not only has a positive trade impact, but also undesirable consequences. Soybean expansion has effects on crop rotation and sustainability, land concentration and small farmers, rural development, and finally, on migration and urban poverty. These changes embrace problems that national policies should take into account.

Different and new partnerships between MERCOSUR countries and China should be explored, as China’s FDI is interested in LATAM natural resources. Market integration and more trade with China exporting value and added agricultural products should be one of the aims of the countries of the region.

CONCLUSIONS

This paper has revisited China’s import demand over LATAM countries, mainly over the MERCOSUR region. In particular, Brazil and Argentina are two countries that have recently benefitted from the exogenous Chinese shock. But good times for international trade are not forever, due to the unstable world economy trend since the mortgage crisis and the unresolved European Union situation in 2012.

Since economic development of South American countries may be the result of a national strategy, considering China as a partner, not just a mere global buyer of the abundant natural resources of this region has, may be the best path.