

Chinese Participation in 5G Auction Could Save Brazilian Economy

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Agribusiness is the center of the Brazilian economy, corresponding to more than 20% of the national GDP. In fact, Brazilian economy has suffered a heavy blow in recent years, with the country being subjected to an advanced process of deindustrialization. At that time, the agricultural sector is one of the few that still stands, further increasing its importance for the country. The pandemic strongly threatened Brazilian agribusiness and, at first, affected exports, but, contrary to initial expectations, the market overcame difficulties and emerged victorious from the crisis, mainly due to the heightened tensions in the US-China trade war.

In June, the data of Brazilian exports in agribusiness broke a record, with more than 10 billion dollars – about 25% more than the same period last year. There is a country that is of central importance in this overwhelming growth of Brazilian exports: China. With the growth of the trade and tariff war between Beijing and Washington, China has found in Brazil an excellent source of supply for its demand for agribusiness products.

Another factor that strengthened the ties between Brazil and China was the Chinese need for the Brazilian meat market, mainly due to the increase in cases of African swine fever and foot-and-mouth disease in Asia, which led Beijing to increase exports from Brazil – which broke a record and exceeded in more than 10% of the records in 2019. Still, China was the first country to overcome the crisis caused by the pandemic, which made it seek to fill its demands in this sector sooner. China currently buys about 40% of all Brazil exports. As Brazil competes with the USA in agribusiness, the Sino-Brazilian partnership, from a strategic point of view, only tends to be strengthened.

But relations between Brazil and China could be affected by the geopolitical dispute between Beijing and Washington. As it is known, the Bolsonaro government has maintained an automatic alignment relationship with the United States. Brazil did not cut relations with China, but, on several occasions, it was involved in diplomatic crises and diverse tensions that obstructed many possible economic cooperation. The biggest Chinese interest now is the technological sector, with concern about Huawei's participation in the Brazilian auction of 5G technology. Bolsonaro at first had vetoed China but reversed his decision to apologize for the diplomatic crisis generated by his son – who offended China with conspiracy charges about the new coronavirus. Since then, a scenario of internal tensions has been created, where one part of the government insists on stopping Chinese participation, while another, more strategist, supports such participation.

The main problem is that it is not known precisely when the auction will take place – which has already been postponed several times due to the pandemic and, until it occurs, tensions will continue and Chinese participation will be uncertain. The main fear of representatives of

Brazilian agribusiness is that, if China is vetoed, there will be economic retaliation applied precisely in this sector - which is to be expected, since it is the most important sector of the Brazilian economy. Currently, Brazilian agribusiness truly depends on China - not only due to the increased demand for meat and other products, but for years, China has been the largest buyer of Brazilian soybeans, being an indispensable partner in Brazil.

Still, there is a fundamental political factor. Although the ideological wing of the government is absolutely opposed to the cooperation relations between Brazil and China, Bolsonaro was elected with strong support from agribusiness representatives, who have a great parliamentary base. Without this support, the electorate of the current president would be insufficient to guarantee the election. Now, this same sector demands from Bolsonaro an attitude that confronts that demanded by the ideological wing. Without the support of agribusiness, Bolsonaro will not be able to re-elect himself in 2022 and even perhaps he will not even finish his term. So he has no alternative but to give space to China in 5G and maintain neutrality in the trade war, which, on the other hand, will remove support from the ideological sector. Thus the coalition that elected Bolsonaro is broken.

Currently, Brazil does not have a third choice: it either gives up participation to China or adheres to alignment with Washington in the trade war while its economy is ruined. The most strategically acceptable choice is visible, but there is no guarantee that this will be Bolsonaro's decision. In short, China can at this moment save Brazilian agribusiness and consequently the national economy. But for that, the government should allow Huawei to participate in the 5G auction.

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