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## Deforestation in Brazil: The China Factor

How Chinese trade and investment in Brazil are altering the power equation in Brazilian politics.

By [Philip Fearnside](#) and [Adriano Figueiredo](#), October 4, 2015



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China influences deforestation in Brazilian Amazonia in a variety of ways. Factors such as timber harvesting and mining are well-known.

A lesser known factor that is now fueling a significant share of Brazil's forest loss is Chinese demand for soy, beef and the infrastructure to get them from Brazil's interior to the coasts.

Brazil's exports to China – especially soybeans – have increased dramatically since 2003, and China is now Brazil's top export market. Primary commodities have been the key element in driving this development.

These exports have a significant impact on the environment, while not improving human development indicators in the exporting countries.

While exports to China are not the only factor in continued deforestation in Brazil, our analysis has shown that Chinese soy purchases speed deforestation (see the full [report here](#)).

In Brazil's Mato Grosso state, soybeans are a major force in the clearing of the "cerrado" (central-Brazilian savanna) and in Amazonian deforestation.

This is true both in areas that are climatically and topographically appropriate for planting soy and in areas that are not good for soy but where deforesters gain access using soy-related transportation infrastructure.

### Meat and timber

The expansion of soy into pasture areas also displaces cattle ranching onto forested lands in the neighboring state of Pará, leading to still more deforestation.

China's recent authorization of beef imports from Brazil may lead to additional deforestation as a direct effect.

Other commodities exported from Brazilian Amazonia include timber. China has cut almost all of its natural forests and, despite large-scale plantations of fast-growing trees, the country has a tremendous demand for wood.

Brazil has by far the largest remaining tropical forest, and Chinese demand is bound to focus on Brazil once available stocks elsewhere are exhausted.

### Infrastructure through the Amazon

China is a new and growing source of infrastructure funding with less environmental restrictions and lower interest rates — although promised financing from China does not always materialize.

### Takeaways

Strengthening of landowners and weakening of labor unions is affecting Brazil's politics.

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China's recent authorization of beef imports from Brazil may lead to additional deforestation.

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The China factor in Brazil extends well beyond "just" deforestation and the environment.

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The rise in imports of manufactured goods from China is altering Brazil's domestic political economy.

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However, when it does, then the environmental consequences can be great. For example, China has offered to finance a 1,800-km railroad between Cuiabá (Mato Grosso) and Santarém (a port city on the Amazon River).

Another Chinese project, the “Transcontinental Railway,” is planned to connect Mato Grosso to Porto Velho, Rondônia, which is already connected to a deepwater soy port on the Amazon River via the Madeira waterway.

The railway project would subsequently continue on from Porto Velho to Peruvian ports on the Pacific for easier access to China.

Brazilian and multinational exporters themselves, responding to growing Chinese demand for commodities produced in the Amazon interior, are also investing in major infrastructure with heavy environmental consequences.

For example, Bunge, a multinational soy company currently responsible for 25% of Brazil’s production, opened a \$700 million soy port in Barcarena, at the mouth of the Amazon River, in April 2014.

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In the future, the soy to be exported from Barcarena is expected to arrive from Mato Grosso by barge via the planned Tapajós Waterway.

This waterway would convert the Tapajós River in Pará, and its tributaries in Mato Grosso, into navigable “hidrovias” (waterways) to bring soy to the Amazon River from the northern part of Mato Grosso.

While land use in northern Mato Grosso is currently dominated by cattle pasture, the reduced cost of transportation expected soon would lead to the area being converted to soy.

The Tapajós waterway depends on building a series of hydroelectric dams and locks to allow barges to pass formidable rapids.

Most controversial is the Chacorão Dam, which would flood 18,721 **hectares** of the Munduruku Indigenous Land.

#### **Shifting the economic balance of Brazil’s politics**

Brazil’s ability and willingness to mitigate the deforestation risks of soy-led economic expansion has been very limited thus far.

This is in part due to a newly emboldened ruralist class that has benefited from the boom – and from the decline of rival economic blocs.

The political influence of the “ruralist” voting block that represents large landholders in Brazil’s National Congress has increased markedly due to the large amounts of money entering Brazil from soy exports.

China is the top source of these export earnings.

The shift of Brazil’s economy towards agricultural commodity exports (The China factor), which strengthens the influence of large landowners and moves away from manufacturing, and therefore weakening the influence of industrialists and labor unions, is affecting virtually every aspect of Brazil’s politics.

Effects include the positions of the current presidential administration on environmental issues. The leader of the ruralist block has been appointed as Brazil’s minister of agriculture.

China’s exports of cheap manufactured goods to Brazilian manufacturers’ former export markets has cut deeply into Brazil’s exports from this sector.

In addition, China's direct export of manufactured goods to Brazil further displaces Brazilian manufacturing and reduces the political influence of this sector within Brazil.

#### **Significant effect on Brazil**

Brazil and China have maintained an approximate balance in terms of monetary value between exports to and imports from China. Unlike countries that have little domestic manufacturing to lose, the effect in Brazil is significant.

Given all that, it is important to realize that the China factor in Brazil extends well beyond "just" deforestation and the environment.

As a matter of fact, the increasing exports of agricultural commodities from Brazil to China and rising imports of manufactured goods from China to Brazil are altering Brazil's domestic political economy.

This manifests itself most acutely in a shift in political influence in Brazil from the manufacturing to the agribusiness sectors, with consequences for environmental policies.

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