

## Briefing

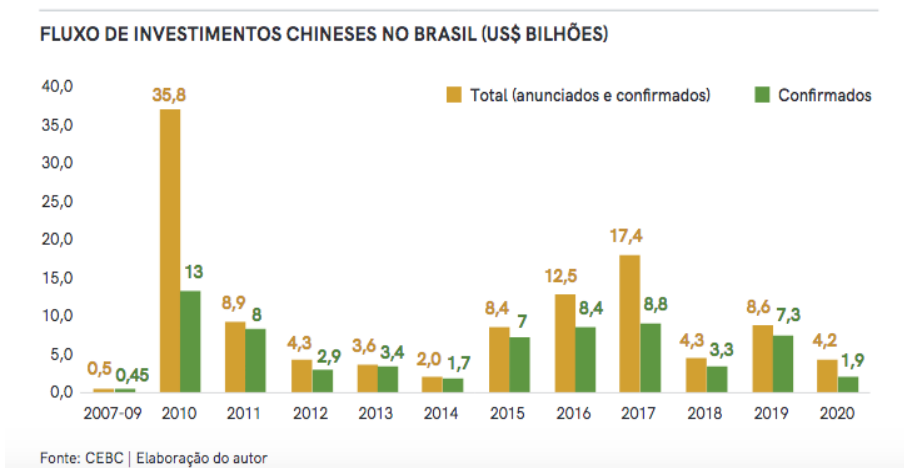
Chinese investments in Brazil: the logic of 'Chinese socialism' in relation to the peripheral country.

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According to the joint action plan of the strategic partnership between the governments of the Federative Republic of Brazil and the People's Republic of China, for the period 2015-2021, it was established that the two sides would continue to work together to promote sustained growth in trade and in two-way investment, striving to increase and diversify bilateral investment flows and to improve and intensify trade and economic cooperation between the two countries. The two parties pledged to work for industrial cooperation in priority areas, such as aviation, auto parts, transport equipment, oil and gas, electricity, railway, highways, airports, ports, storage, transport, mining industry, agriculture and livestock, food processing and services (especially in the high-tech and high value-added sectors).<sup>1</sup>

A survey prepared and released by the Brazil-China Business Council (CEBC)<sup>2</sup> report that total Chinese investments in Brazil reached US\$ 66.1 billion in the last 14 years (Graph1). Between 2007 and 2020, Chinese companies invested in 176 projects in Brazil and the country received 47% of China's investments in South America. Seventy percent (70%) of the value of Chinese investments confirmed, between 2007 and 2020, entered Brazil via mergers and acquisitions, reflecting the Chinese State's strategies to expand its capital to the Rest of the World, according to its strategic objectives, including the relationship with private and state-owned companies in other countries.

Graph 1



Source: CEBC

In 2010, Brazil was the destination of 25% of all Chinese acquisitions abroad, something around US\$ 13 billion. The percentage dropped in the following years and gained momentum as of 2015-2017, when the recession cheapened Brazilian assets and the “lava jato” anti-corruption operation practically destroyed the main Brazilian civil construction companies, responsible for major infrastructure works in the country and many abroad.

The period portrayed spans four governments: Lula (2003-2010), Dilma (2011-2016), Temer (2016-2018) and Bolsonaro (from 2019). What attracts attention is that the behavior of investments is cyclical, with descending peaks, regardless of the alignment of the Brazilian State with the Chinese, in different periods.

The expansion of the world economy in the first decade of the 21st century and the Lula government's position of international insertion of the Brazilian economy via South-South policies seems to have influenced the explosion of projects announced in 2010. The euphoria with the discovery of the pre-salt, too. The idea of a South-South relationship was that everyone would win. It was going to oppose a relationship along the so-called imperialist molds of North-South relations. This narrative was easily absorbed by a large part of the left, especially during the Workers' Party (PT) governments, which needed to give urgent answers, without breaking the prevailing system of power, to enable economic growth, in a situation of strong concentration of income and wealth and social exclusion. China, in turn, was undergoing profound changes in its economy in the second decade of the 21st century and was adapting to the capitalist world in crisis since 2008 and, in this sense, access to oil, guarantee of grains and animal proteins was vital for the “Chinese-style socialism construction”. The enthusiasm was so great that in 2014, Dilma signed agreements with China that involved US\$ 53 billion in investments through “35 bilateral agreements in the areas of planning, infrastructure, trade, energy, mining” and others, including those with Petrobras marketing and loans from 7 to 10 billion dollars. China also proposed to finance, through the Industrial and Commercial Bank of China (ICBC), US\$ 50 billion in infrastructure works such as ports, airports, railways, highways, housing and renewable energies. The coup d'état that removed President Dilma from the government postponed most of these projects.

The impeachment of President Dilma, in 2016, and the rise neoliberal right-wing governments like those of Temer and Bolsonaro, did not represent obstacles to the continuity of the partnership. In 2017, under the presidency of Temer, China led the ranking of acquisitions in Brazil, reaching US\$ 8.8 billion. Under Bolsonaro, there is a decline, but the reason does not seem to have been the president's numerous attacks on China, for the most ridiculous reasons that need not be pointed out here. Chinese investments fell in 2019 as a result of the Covid-19 pandemic and, in 2020, due to the new reality of China's growth slowdown,

with policies aimed at the domestic market and the well-being of its population. This represents indeed a change on the strategy of previous development model, based on the strong participation of foreign investments and on the country's export performance.

In Brazil, the governments examined are under the control of stateless international finance capital, represented in Brazil by "Faria Lima" - as the ruling elite is commonly called.<sup>4</sup> The central concern of this elite is to earn more and more profits and not fighting ideologies. None of the governments in Brazil, in the first two decades of the 21st century, break with the neoliberalism that has prevailed in the capitalist world since the 1990s. In PT governments, the State is more active, state-owned companies are seen as strategic (Petrobras, Eletrobras, etc) and the action of the State - as an inductor of growth and an agent of income - is recognized. Public banks are considered essential to leverage companies to become competitive in the process of internationalization of the economy. The governments of Temer and Bolsonaro, present themselves as liberal and seek to reduce the role of the State, defending privatizations and/or public-private partnerships under the aegis of finance capital and under the approval of Faria Lima.

Chinese investments in Brazil are mainly related to the natural resources sector (energy, mining, agriculture), with a smaller part directed to infrastructure sectors, such as energy distribution and transport; some for consumer and capital goods and part for the financial area, meeting Chinese demand at its current stage of development.

The current Brazilian government has been remiss in planning how this set of investments can translate into more investments in infrastructure (roads, railways, ports, airports) for the flow of Brazilian production as a whole - in the country and to international markets, today practically restricted to road modals of inadequate quality.

Trade flows with China have increased substantially over the first decades of the 21st century and now exceed \$100 billion. The share of agribusiness products in exports to China jumped from 35% in 2010 to 50% in 2020. This growing interrelation has brought investments from large Chinese companies, state giants, which deepen our dependence.

There is a huge difference between Chinese investments in Brazil and Brazilian investments in China. The latter are relatively stationary, although diversified, but none of them represent large Brazilian companies involved in sectors considered strategic for China, such as: renewable energy, advanced machinery, next-generation information technology and communications.<sup>5</sup>

Apparently, it is China that determines the nature and pace of its relations with Brazil defined in its Five-Year Strategic Plans, the last, the fourteenth, released with 'pomp and circumstances' in March, for the period 2021-25. In this new Plan, the strategic objective of expanding investments "going abroad" of Chinese capital becomes more evident, including the priority of the Belt and Road Initiative (BRI) which involves 126 countries, relatively placing Brazil's position, different from the previous period in that China was predominantly an exporter of manufactures and an importer of energy, food, and primary products. Brazil "without plans" seems to have a passive role, that does not go beyond the signing of letters of intent, in the form of strategic partnerships, which come out of the paper just under the control and rhythm of the Chinese.

Under the hegemony of international and stateless financial capital, the natural resources intensive sectors and the agribusiness sector, Brazil, in the first three decades of the 21st century, is consolidating itself as a primary-exporting economy, importing industrialized goods and technologies. The national industry has been dwindling and alienating its main public assets. The dismantling of Petrobras is an example.

The Chinese model, even with the opening of the capital market in the last two decades, given the strong presence of the State in all senses, cannot be compared to the liberal or neoliberal models that prevail in Brazil and in most Latin American countries. Control ultimately belongs to the Chinese Communist Party.

Thus, the pattern of the relationship between China and Brazil that can be glimpsed is of the same type as those traditionally central countries of capitalism built with former colonies and late development countries, which based on the Marxist theoretical framework, are identified as imperialist relations. In the case of Brazil and, apparently, in other Latin American countries, the contemporary relationship with China takes us back to the all-too-familiar dependency theory adapted to the 21st century.<sup>6</sup> However, the power relations are between a 'Chinese-style socialist' State with a dependent country, which is increasingly becoming a primary exporter economy, and complementary to the interests of the large Asian State.

## Notes:

- (1) <https://www.defesanet.com.br/brasilchina/noticia/19180/BR-CN---Plano-de-acao-Conjunta-entre-o-BRASIL-e-a-CHINA-%E2%80%94-2015-2021/>
- (2) <https://www.cebc.org.br/investimentos-chineses-no-brasil/>
- (3) Operation “Lava Jato” was a set of investigations, some controversial, carried out by the Federal Police of Brazil, which served over a thousand search and seizure warrants, arresting businessmen, many from the construction industry, which culminated in the arrest of the former president Lula in 2018 so that he could not participate in the presidential election.
- (4) When one talks about the “Faria Lima” group – the name of an avenue in the heart of the city of São Paulo, where the headquarters of a group of large companies are located, especially those in the financial market – it is a reference to the elite of the Brazilian economic and financial power.
- (5) China-Brazil Business Council Brazilian Companies in China: Presence and Experience, June 2012 <https://www.cebc.org.br/2018/07/12/empresas-brasileiras-na-china-presenca-e-experiencia/>
- (6) Prebisch, R. (1950), *The Economic Development of Latin America and Its Principal Problems* (New York: United Nations)  
Amin S. (1976), *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism* New York: Monthly Review Press.  
Cardoso, F.H. and Faletto. E. (1979), *Dependency and development in Latin América. University of California Press.*