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China 2 and Varieties of Socialism 1 Panel

The political economy of Brazil-China relations: reprimarisation or development opportunities? Who decides?*

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The rise of neoliberalism

- Contending forces to US dominance from the 1970s disintegrated and ushered in the neoliberal era
- Extreme economic doctrines: withdrawal of the state from economic sphere and the primacy of the market + political subjugation under the redrawn international division of labour
- Rise of finance capital and the industrial-military complex in the US

Brazil before neoliberalism

- War booms in the two World Wars → accumulation and industrialisation attempt (Industry share of GDP: 25% in 1960 to 38.2% in 1980; sectoral share of working population: 14% to 24%)
- GDP per capita in 1980: Brazil $1958, middle income countries $643, China $194
- Debt crisis in the 1980s→ IMF-led structural adjustment based on neoliberal doctrines, e.g.

Divergent development in Brazil and China

- NL led to increasing inequality, poverty, unemployment, flexibilization of the labour market

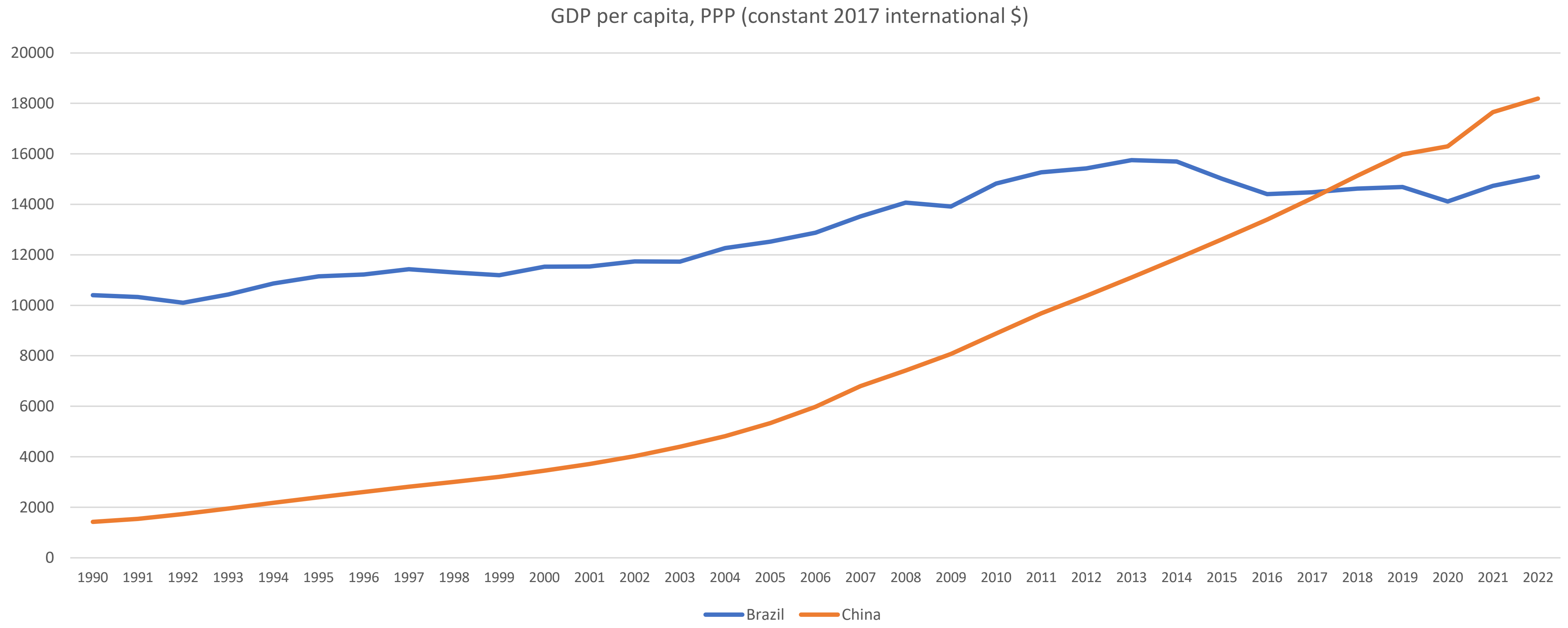
Brazil: discontent with NL → victory of the PT under Lula (2002, 2006 & 2023); some pro-poor policies but largely dependent on private capital (tax cuts, financial incentives) for national growth plan

- De-industrialisation path continued with low capital formation, deepening financialisation (incl. the commodities market and control of land by global agribusinesses), weak manufacturing (share of GDP from 46% in 1979 to around 15% since 1995)

China: primitive socialist accumulation develops with capitalist accumulation; from labour-intensive processing trade to growth of domestic industries in hi-tech sectors; state planning still in place with FYPs, large SOEs, state-controlled financial system

- >40% of China's exports in 2022 are electrical/electronic equipment, machinery, nuclear reactors and boilers; had the highest number of patent applications in recent decades; leading in many critical technology fields

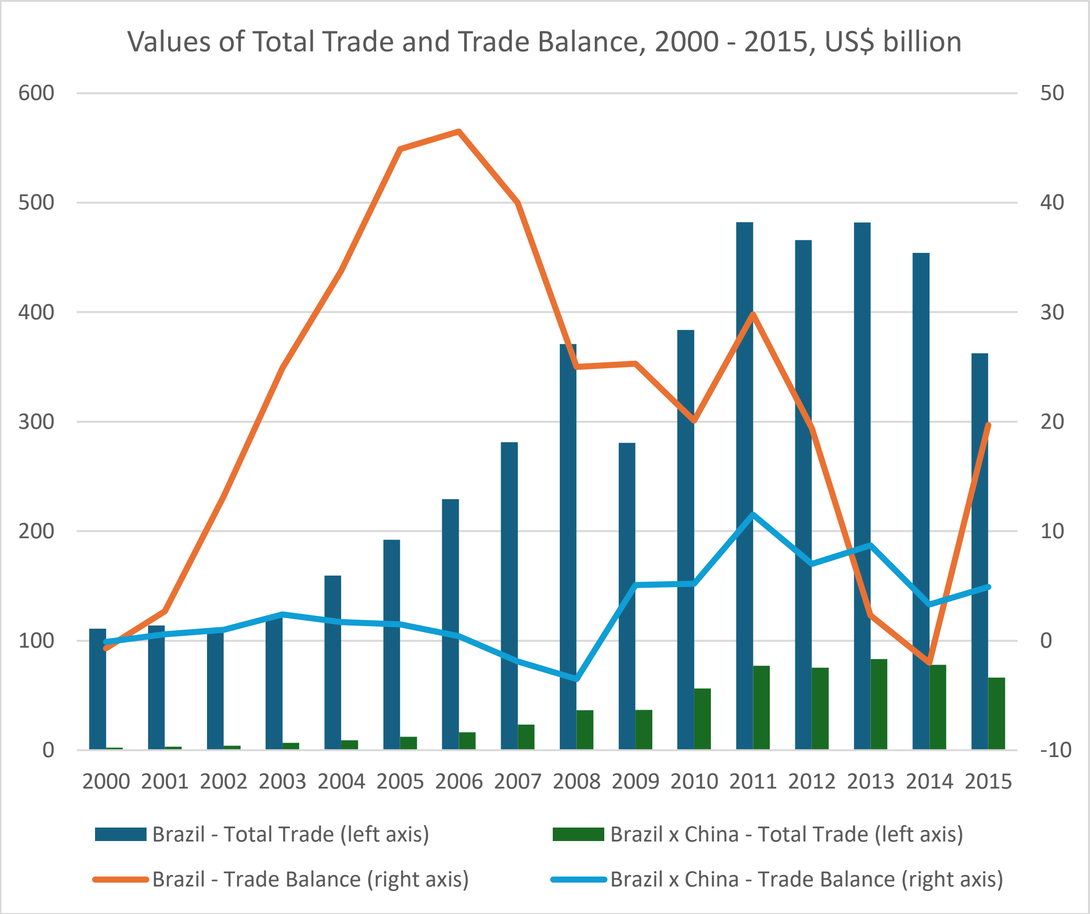
China surpassed Brazil in GDP pc in 2018



GDP per capita based on purchasing power parity (PPP), 1990-2022 (Source: World Bank)

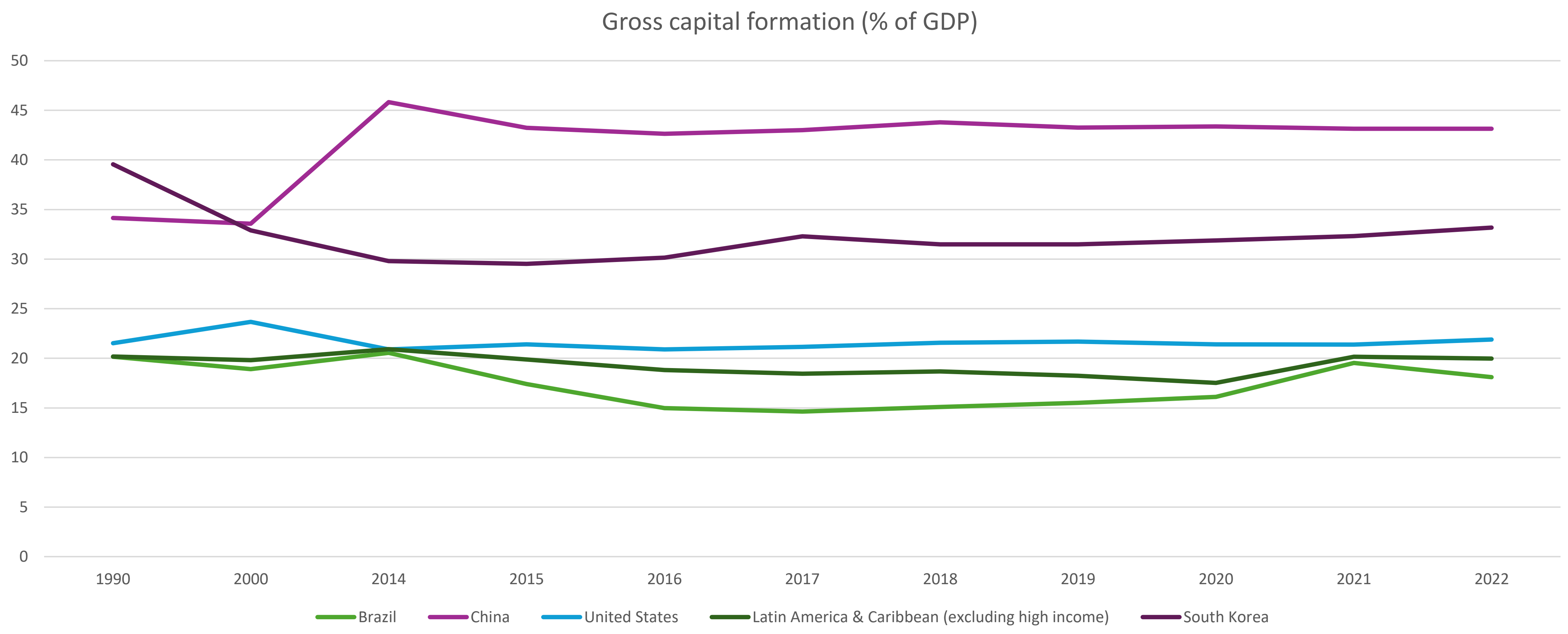
Brazil-China bilateral trade and the risk of "reprimarisation"

- China - largest export market for Brazil
- Mainly in agricultural produce: soybeans, corn, sugar; 2024 Jun deal signed to promote Brazilian coffee
- Brazil's trade surplus with China >$47 bn in 2022 (Gov.br, 2024)
- Increase in productivity from 2000-2013: agr 106%, service 11.7%, manuf -5.5% (Arias & Farinelli, 2017, p. 2)
- Brazil's agr sector's average TFP growth from 2001-2009: 4%; China: <3% (Arias & Farinelli, 2017, p. 7)



Brazil's total trade, total trade balance, trade with China and trade balance with China from 2000 to 2015 (Source: Dantas, Jabbour 2016)

Brazil's GCF (% of GDP) below regional average



Gross capital formation (% of GDP) (Source: World Bank)

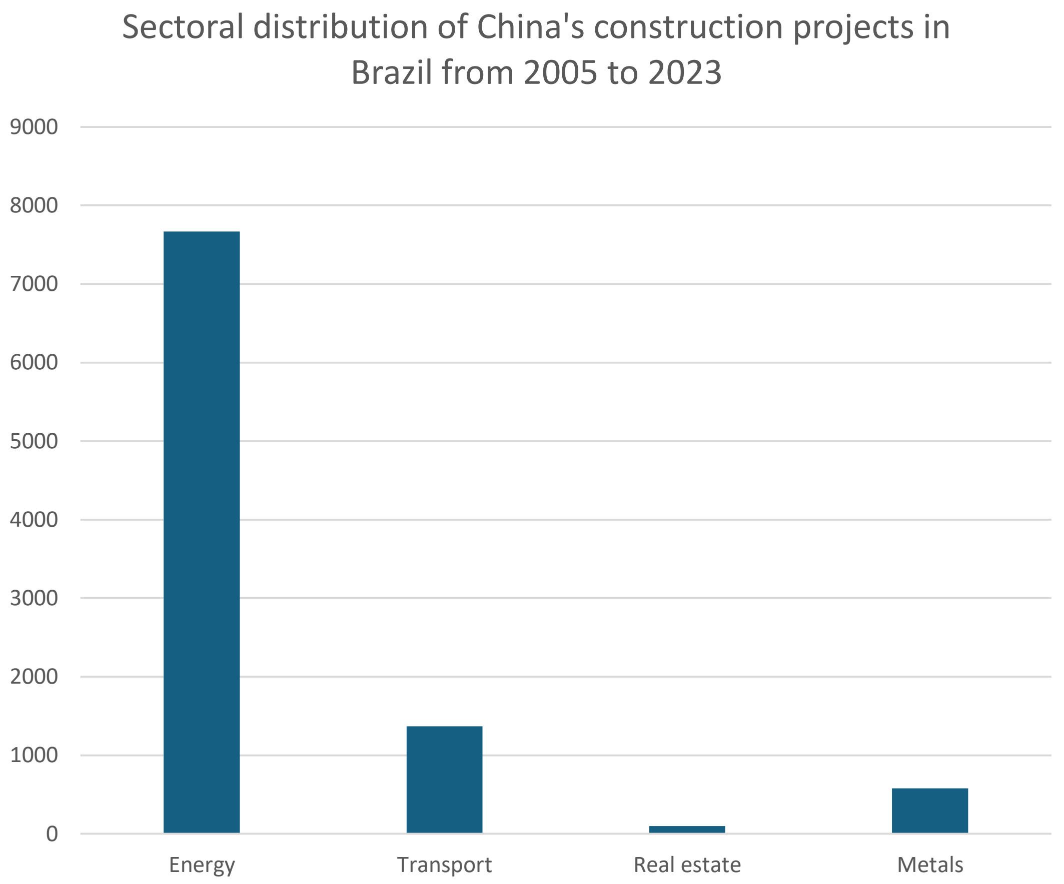
Brazil’s lack of investment in infrastructure

- Brazil’s infrastructure financing gap close to $800 bn by 2022; 50% in transport, 24% in energy (Andres et al., 2022, pp. iv–vi)
- Brazil’s spending in infrastructure below 2% of GDP since 2015, but should invest 7.9% if it was to catch up with EA economies like South Korea, Malaysia, Singapore (Perrotti, 2011)
- Existing monocultural economic model (reliance on the agricultural sector, hydropower) added vulnerability to climate change

China’s OFDI and OCPs in Brazil – investment in infrastructure

	2010	2011	2012	2013	2014	2015	2016	2017
Total Investment in Infrastructure - R$ trillion	134.8	145.3	155	165.2	166.5	139.7	113.1	110.4
Chinese Investment - R$ trillion	4.77	5.42	6.81	0.1	3.84	24.12	11.3	31.1
Ratio (Chinese Investment / Total Investment in infrastructure in Brazil)	3.54%	3.73%	4.39%	0.06%	2.31%	17.27%	9.99%	28.17%

Brazil's investment in infrastructure and Chinese investment in Brazil's infrastructure, 2010 - 2017 (Source: SEAIN 2018)



Sectoral distribution of China's construction projects in Brazil (Source: our elaboration from AEI and Heritage Foundation, 2024, used with permission)

Chinese finance

- Chinese finance to Brazil from 2007 – 2023: >$32 bn; 70% wee for energy projects (Ray & Myers, 2024)
- “China’s banks provided more financing to the region than was provided by World Bank and the Inter-American Development Bank combined” in recent years (Sullivan & Lum, 2019, p.2)
- Brazil-China Cooperation Fund supporting specific projects
  - Expansion of Production Capacity for Sustainable Development
  - Projects in climate, renewable energy and infrastructure

How to harness the opportunities to break the neoliberal doctrine?

"China is pursuing gains (its interests): Chinese companies undertake infrastructure investments and sell related goods and services, the infrastructure will improve access to markets, raw materials and cost-competitive production sites, and economic growth will create new and larger markets, while China will garner strategic gains as an emerging global power in a multi-polar world. China therefore gains. The goal is, however, to establish cooperation arrangements that are win-win, with gains also for China's partners. The distribution of benefits (and costs) within each country depends, however, on *equitable negotiations* and also *the choices of China's partners*."

Dunford and Liu (2024, p. 154, our emphasis)

Limitations in Brazil

- The state spending cap established by the coup gov of Michel Temer
- Independence of the Central Bank granted under Bolsonaro increasing the control of the finance sector and preventing the implementation of industrial policies
- Neoliberalism as a hegemonic ideology; the media, NGOs (the Open Society Foundation, Ford Foundation, Rockefeller Foundation etc.), private universities based on the Western models
- Reprimarisation began long before the beginning of the deepening of the trade relations with China
- Active efforts to seek a developmentalist alternative: BRICS, the New Development Bank, closer relations with China
- But limited capacity of the federal government in decision-making

Brazil-China partnership for a shared destiny

- Xi’s visit to Brazil in Nov 2024
- Cooperation agreements in 15 areas including agribusiness, technology, and education.
- Investments and partnerships were also established in sectors such as infrastructure, industry, energy, mining, finance, communications, sustainable development, tourism, sports, health, and culture.
- Revitalising a national project through the synergy between ongoing initiatives in Brazil (e.g. Growth Acceleration Program, New Industry Brazil) and the BRI
- Partnership for a shared destiny as global ‘projectment’ utilizing China’s primitive socialist accumulation

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