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RESEARCH ARTICLE

Brazil's Samba with China: Economics Brought Them Closer, but Failed to Ensure their Tango

Jean-Marc F. Blanchard [1,2]

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Abstract

There are many who expect China's rising foreign direct investment (FDI) in, exports to, and economic collaboration with Latin American countries will drive such countries to adopt foreign and domestic politics friendly to China as well as China-favored policies. This article tests the power of such arguments by examining the impact of Chinese outward FDI (OFDI) in Brazil, Brazil's trade with China, and Chinese loans to Brazil on Brazil's China policy. It finds that broad and deep economic ties indeed have pushed Brazil in the direction of China. However, the magnitude of such changes has been limited. The reasons for bounded change include differing interests and positions at the system and state-levels. Also relevant are domestic political factors such as pressures from special interest groups in Brazil. Finally, the political power of Brazilian leaders plays a role in bounding the positive political effects expected to flow from Brazil's deep economic interconnections with China. It must be noted that many putatively China-friendly Brazilian policies had roots long before Brazil's economic ties with China exploded. This article calls into question the presumption that significant economic links with China and/or the prospect of such automatically will produce the China-favorable political policies some expect.

Keywords China · Brazil · Chinese outward foreign direct investment · Political economy of national security · Lula

Introduction

A Brazilian Ministry of Foreign Affairs (Itamaraty) webpage on Brazil-China relations vividly shows the expansion of political ties between South America's largest country and

✉ Jean-Marc F. Blanchard
professor.jmfb@gmail.com

1 School of Advanced International and Area Studies, East China Normal University, Shanghai, China

2 Mr. & Mrs. S.H. Wong Center for the Study of Multinational Corporations, Los Gatos, CA, USA

China over the past (roughly) 15 years as well as the breadth and depth of these links. Since 2004 the President or Vice-President of Brazil has gone to China five times while the Chinese President, Vice-President, or Prime Minister has visited Brazil seven times. The two countries have a long-standing permanent bilateral dialogue called the China-Brazil High Level Coordination and Cooperation Committee (COSBAN) addressing economic, financial, agricultural, energy, and cultural issues, among other topics. Beyond this, the two countries have collaborated in global bodies like the BRICs, the G-20, and World Trade Organization (WTO) [83]. Recent statements by top Brazilian leaders tout the value of the country's relations with China and express a desire for even tighter ties. For example, at the June 27, 2018 signing ceremony establishing National Chinese Immigration Day as an official holiday, former Brazilian President Michel Temer proclaimed in regard to China "'we have a strategic global partnership…it's a relationship we want to see become closer and closer'" [84, 85]. Many observers would attribute Brazil's political dance with China to China's role as its biggest trade partner, a major source of foreign direct investment (FDI), and provider of billions of dollars in loans [55].

The story, though, is more complicated than the aforementioned facts would lead one to believe. Contrary to those emphasizing the power of economic stimuli to transform political behaviors, Brazil sambas rather than tangos with China. Indeed, Ian Bremmer, who runs one of the world's most prominent risk consultancies, asserts that "the most underappreciated tension" among the member of the BRICs is "between Brazil and China" [18]. More specifically, Brazil maintains distance from China on many issues such as the South China Sea dispute and has not been a particularly enthusiastic member of the BRICs. In addition, it has adopted positions contrary to China's on issues such as nuclear non-proliferation, United Nations Security Council (UNSC) expansion, and Syria. Moreover, Brazil has gone against China on issues such as the latter's currency policies. These behaviors confound the expectations of those who stress the ability of Chinese riches to push Latin American and Caribbean (LAC) countries into China's orbit as well as to adopt China friendly policies [118]. Unfortunately, the bulk of the literature on Brazil's relations with China cannot explain the puzzling disconnect between Brazil's economic links with China and its political behavior.

Theoretically, it is interesting to study the case of Brazil-China because there are unresolved debates in international relations about the effect of economic links on the policies of intertwined countries. Furthermore, students of China in the global economy are debating these questions. From a methodological standpoint, the Brazil-China case is ideal for testing the merits of economic versus political arguments because Brazil has immense economic linkages with China. This makes the dyad a favorable test case for economic theories of foreign policy and a hard test case for arguments emphasizing the power of politics. From a policy vantage point, it is desirable to investigate the political consequences of Brazilian relations with China because the two countries are great powers, regional hegemons, and members of BRICS. As well, decision makers need a richer understanding of the *real* political impact of China's rising economic links with countries and regions across the globe, an issue which has provoked much anxiety and hyperbole.

This analysis finds five factors illuminate why an economic explanation of Brazil's China policy lacks explanatory power. A critical one is that Brazil's economic relations with China have negative externalities. We should not draw the conclusion, though, that if Brazil's economic dealings with China had no economic downsides that Brazil would march in political lockstep with the beat of China's economic drums. Politics matters, too. Second, there are various international matters such as disagreements about the membership of the UNSC that have diluted the putative warming effect of Brazil's extensive economic interactions with China. Third, domestic political factors such as lobbying by Brazilian special interest groups have functioned as a break on the relationship. I previously noted, but did not systematically treat the aforementioned three factors in an article published in 2016 [16]. In this particular piece, I also highlight two other relevant explanatory variables. One is the political power of Brazilian leaders. The other is the ideology and priorities of Brazilian decisionmakers [3].

The second (next) section reviews several economic schools of foreign policy and presents some hypotheses that flow from them as well as from competing arguments championing politically-oriented explanations. The third part covers Brazil's economic links with China. It stresses COFDI because this is one of the fastest growing aspect of the relationship and one to which Brazilian policymakers seem especially attentive. The fourth section provides an overview of Brazil's political relationship with China. The fifth section ponders why an economic argument only takes us so far in understanding the tenor, direction, and content of Brazil's China policy. The final section supplies some concluding thoughts.

Economic Theories of Foreign Policy and their Limits

There are many economic theories of foreign policy. They stress different actors, economic stimuli (e.g., trade versus aid), and levels of analysis, but all believe economics drives politics [11, 65, 79]. One group sees actors like big multinational corporations (MNC) using their financial might and legal armies, abilities to mold the public discourse, and influence over political actors to drive the foreign policy decisions of states. This might include a government giving greater attention to business interests in the formulation of its foreign policy agenda. On the other hand, it might entail a government working to advance the interests of MNCs in the WTO, global intellectual property rights bodies, or international environmental regimes [12, 41, 73, 76, 105]. At the extreme, it might involve states employing military force in support of business interests.

Another group—the commercial liberals—contends high economic interdependence promotes peace or collaborative interstate relations. The logic is that the fear of a disruption of economic links will drive policymakers to favor cooperation over conflict [11, 14, 79]. Analysts have asserted such dynamics are operative in the case of China-Japan territorial and maritime quarrels and among the members of the Association of Southeast Asian Nations [66, 78]. Commercial liberals further believe extensive economic ties have the ability to prevents frictions from emerging by, for instance, offering states peaceful ways to acquire goods. They assert, too, that economic interdependence dampens conflict by promoting greater communication and exchange.

Yet another group stresses the power of economic incentives and sanctions. Examples of economic lures include increased market access, preferential loans, or membership in regional economic institutions. Examples of economic punishments include blockades, embargo on the import of vital strategic goods, and ejection from economic bodies [11, 13, 15]. Proponents of the power of economic incentives point to cases such as the Ukraine where economic inducements putatively played a role in the country's decision to give up its nuclear arsenal [91]. As far as economic sanctions are concerned, it is argued they forced the government in white minority government South Africa to end its heinous apartheid regime [14:chapter 7].

The aforementioned schools suggest how diverse economic stimuli may shape the political identities, interests, and behaviors of states. They share, in their general form, three deficiencies. First, they assume economic values are as important or more important than political ones. This is dubious given that political matters such as sovereignty and territorial integrity often play a decisive role in foreign policy calculations. Second, they pay insufficient attention to domestic politics. Yet policymakers determining how to react to economic stimuli must take into consideration how their decisions affect their ability to remain in office. Third, they take it for granted that economic costs and benefits are translated into politically consequential costs and benefits. This may not be the case, however, if a political leader is very powerful. In such cases, the leader has the ability to ignore economic stimuli.

The above suggests three pairs of hypotheses regarding Brazil's China policy. One set emphasizes the power of economic stimuli (ES) and another the power of political stimuli (PS).

> ES1 (direction): High levels of COFDI will lead Brazil to build closer relations with China as well as to embrace positions favoring China and China-favored positions.
> PS1 (direction): Political imperatives, internal or external, will lead Brazil to build closer relations with China and to embrace positions favoring China and China-favored positions.
> ES2 (intensity): The greater the level of COFDI in Brazil, particularly if supplemented by other economic links with China, the greater the magnitude of pro-China Brazilian policies.
> PS2 (intensity): The greater the political imperatives, internal or external, the greater the magnitude of pro-China Brazilian policies.
> ES3 (sequencing): Brazil will incline more towards China or embrace more pro-China stances after economic links have increased or there is a notable promise of future economic gain.
> PS3 (sequencing): Brazil will incline more towards China or embrace more pro-China stances after political ties have increased or there is a notable promise of future political gain.

Brazil Investment and Other Economic Relations with China[1]

COFDI into Brazil surged after the 2008 Great Financial Crisis (GFC). Whereas Chinese investment in Brazil between 1990 and 2009 totaled an unimpressive $255 million, in 2010 alone, it hit nearly $9.6 billion. The next year, announced investment approximated $9.8 billion [22:19, 22]. Data from the widely used American Enterprise Institute China Global Investment Tracker (CGIT) indicates annual COFDI flows into Brazil in 2012 ran $2.05 billion, exploding to almost $13 billion in 2016 and totaling

[1] Unless otherwise noted, all figures herein are in United States dollars (USD)

$9.6 billion as of the end of 2017 [5]. Brazilian government data reports that realized and announced COFDI in 2017 exceeded $20 billion, the most since 2010, with large amounts flowing into energy, logistics, and agriculture [107]. Per the CGIT, the total stock of COFDI in Brazil as of 2015 was $33.08 billion and amounted to $55.66 billion in 2017 [5]. Of note, "between 2012 and 2016, Chinese companies invested more than twice as much in Brazil as [their] US counterparts" [10]. In 2017, Chinese investors surpassed American ones as Brazil's largest source of foreign investment [50].

Chinese investors in Brazil have heavily emphasized natural resources such as iron ore and petroleum and natural resource-related projects such as pipelines [22:7; 22–24, 55]. For example, in 2009, Wuhan Iron & Steel purchased a $400 million stake in Brazilian mining firm MMX [94]. The following year, Sinopec paid $7.1 billion for a stake in the Brazilian operations of Repsol YPF. Towards the end of 2011, Sinopec spent $5.2 billion for a 30% stake in the Brazilian assets of GALP Energia. In 2013, China National Offshore Oil Corporation (CNOOC) and China National Petroleum Corporation (CNPC) took multi-hundred million dollar stakes in the Libra offshore energy consortium [25, 47, 67]. In April 2016, China Molybdenum bought Anglo American's niobium and phosphate businesses in Brazil for $1.5 billion [74]. Regarding resource related COFDI, a relatively new area of interest for Chinese companies is agriculture. To illustrate, in December 2017, Citic Agri Fund spent $1.1 billion to acquire various Brazilian agricultural assets of Dow Chemical [112].

Another area where Chinese firms have poured large sums is power distribution and transmission. In 2010, State Grid of China invested around $1 billion in seven Brazilian power transmission lines [57]. Two years later, it bought the Brazilian transmission assets of Spain's Actividades de Construccióny Servicios for $400 million [69]. In 2015, it launched a multibillion dollar ultra-high-voltage transmission project, involving two other Brazilian partners, which transmits power from hydropower stations in the Amazon region to urban centers like Sao Paulo [120]. In April 2016, the ever active firm won bids on more than $2 billion of transmission lines. Brazil's Electricity Regulatory Agency (Aneel) Director opined "'given the situation of [the] Brazilian economy, receiving almost 7 billion reals ($2 billion) in infrastructure investments is really very positive'" [31]. Three months later, State Grid struck a deal to buy a large stake in CPFL Energia SA for $1.8 billion, with two major shareholders later selling their stakes to State Grid which gave it majority ownership [33, 34]. By fall 2017 State Grid had become the "largest power generation and distribution company in Brazil" [134]. China Three Gorges Corp. (CTG) also has been actively investing in projects or firms involved in hydropower production. It not only is building dams and power generation facilities, but also operating them [32, 35, 113].

Chinese firms have started to invest more in Brazil's manufacturing and service sectors. Studies reveal Chinese companies putting money into machinery and equipment, electronics, telecommunications, and trucks and autos [21, 22:9–10, 23:51, 25, 52, 61:35, 67, 98]. Specific examples include China Telecom and an affiliate China Comservice setting up Sao Paulo offices in 2012 to provide internet, data, and outsourcing services for the 2014 World Cup and the 2016 Olympic games and to serve Chinese customers [67]. In March 2014, Shineray Motorcycle Co. announced plans to establish a $60 million assembly operation in Brazil [52]. About a year later, China's Bank of Communications took a 80% stake (worth $173 million) in Brazilian Bank BBM [28, 121]. Towards the end of 2015, HNA Group took a $450 million stake in Brazil airline Azul Linhas Aereas Brasileiras [58]. In 2016, JAC Motors, a Chinese company, invested $61 million to set up a car plant in the state of Goias [37]. While there is a greater amount of COFDI going into manufacturing and services, the shift frequently is exaggerated [10].

Brazil also is receiving increased COFDI in the infrastructure sector, an area where China is well aware Brazil has gaps [123]. Recent deals include China Merchants Port Holdings' $920 million September 2017 investment, representing a 90% stake, in TCP Participações S.A, the operator of Brazil's second largest container terminal, to enter Brazil as well as play a role in Brazil-China trade [64]. In 2017, China Communications Construction made a $520 million port investment [10].

The preceding review of COFDI in Brazil reveals it has grown significantly from 2010 onward. While this article pays special attention to the political impact of Chinese investment, we also should consider the potential political effects of Brazil's huge trade and other economic ties with China because they should, in theory, magnify the political impact, if any, of COFDI.

Sino-Brazilian trade was trivial in the 1990s, but exploded with China's transformation into the "factory of the world" and rising per capita consumption, which created a voracious Chinese appetite for Brazilian iron ore, oil, soybeans, meat, and other goods. To illustrate, in 2000 trade in select goods such as those enumerated above totaled a relatively unimpressive $1.1 billion. By 2013, however, it had rocketed above $40 billion [40:95, 87:3]. In 2005, overall bilateral trade totaled $12.18 billion with China becoming Brazil's third largest market [43, 49:25, 116]. In 2009, China replaced the United States (US) as Brazil's most important trading partner. More importantly, the China market played a key role in sustaining Brazilian growth in the wake of the 2008 GFC [27, 40:95, 70, 97]. Brazilian elites are well aware, too, that Chinese demand led to an "unprecedented rise in the price" of Brazil's commodity exports thereby improving the countries terms of trade [23:51]. Table 1 below provides data on Brazilian exports and imports with China from 2010 to 2017.

Tables 2 and 3, which are based on United Nations (UN) trade data, show the composition of Brazil's top three exports to China as well as its three top imports from China.

With respect to Table 1 through 3, three aspects warrant attention. First, while the annual trade figures have fluctuated dramatically, bilateral trade ended up much higher in 2017 than in 2010. Second, Brazil has run a trade surplus with China every year from 2010 to 2017. This surplus has been critical in enabling Brazil to meet its balance of payment needs and finance social programs and the Brazilian Central Bank to maintain lower interest rates [45]. Third, the composition of trade mirrors that of a traditional neo-colonial relationship with the vast majority of Brazilian exports to China consisting of resources while the former largely imports manufactured goods from the latter. The political import of this is discussed later.

Brazil has extensive monetary and financial cooperation with China, too. To illustrate, in 2013, the two countries concluded a currency swap deal pursuant to which the central banks of the two countries could swap local currencies worth as much as 190 billion Chinese yuan (roughly $30 billion) [7]. During Chinese Premier Li Keqiang's visit to Brazil in 2015, the two countries agreed to create a $50 billion fund that would finance infrastructure including a proposed rail link from Brazil's Atlantic Coast to the Pacific Ocean. At the same time, the CDB agreed to provide $5 billion in financing to Petrobras [9, 42, 95, 121]. Not long after this, at the June COSBAN meeting, Brazil and

Table 1 Brazil exports to, imports from, and trade balance with China, 2010–2017 (Amounts in billions USD)

Year	2010	2011	2012	2013	2014	2015	2016	2017
Exports	30.79	44.32	41.23	46.03	40.62	35.61	35.13	47.50
Imports	27.12	34.75	36.30	39.54	39.58	32.56	24.58	28.96
Total Trade	57.91	79.07	77.53	85.57	80.20	68.17	59.71	76.46
Trade Balance	3.66	9.56	4.93	6.49	1.04	3.05	10.55	18.53

International Monetary Fund (IMF), "Direction of Trade Statistics," http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85

Numbers may not add due to rounding

China agreed to set up a $20 billion fund to support production capacity cooperation. In 2017, Brazil and China formally announced the launch of the aforementioned fund. The purpose of the fund, for which Brazil is responsible for raising $5 billion and China $15 billion, appears to have expanded beyond the originally anticipated purposes to facilitating trade and infrastructure as well as covering Brazil's fiscal deficit [20].

From a macro standpoint, Brazil's investment, trade, and other economic linkages with China offer substantial absolute returns. A comprehensive list includes money in the form of investment and loans, thousands if not tens of thousands of jobs, technology (albeit within limits), supplier opportunities, larger and more diversified export markets, trade surpluses, economic growth, and a more stable currency. These benefits have value on their own merits and, one might argue, even greater value if one considers Brazil's economic context such as the fact it is constrained in tapping other sources of capital, lacks alternative exports markets with scale equivalent to China's, and has needed resources to finance the expanded social welfare programs initiated during Lula's tenure in office. We now shift to a discussion of Brazil's political relations with China.

Brazil's Political Stance towards China

China's relations with Brazil's in the first few decades following the establishment of the PRC were stunted due to Brazil's close relationship with the US. Nevertheless, diverse factors pushed Brazilian leaders to pursue closer links with China and ultimately recognize the latter in 1974 [40:88–89, 63, 96, 115, 119]. In the mid-1980s relations really

Table 2 Brazil's top three exports to China by commodity 2-digit HS code (Percentage share of total exports)

Year	2015	2016	2017
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit, etc.	44	41	43
Ores, slag and ash	19	22	23
Mineral fuels, mineral oils and distilled products	12	11	16
Total percentage share of top three exports	75	74	82

UN, "UN Comtrade," https://comtrade.un.org/data

Table 3 Brazil's top three imports from China by commodity 2-digit HS code (Percentage share of total imports)

Year	2015	2016	2017
Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers	28	30	32
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	17	17	15
Organic chemicals	6	9	8
Total percentage share of top three imports	51	56	55

Same as Table 2

accelerated, building upon state visits by Brazilian presidents to China in 1984 and 1988 [40:89]. Evidencing their good relations, Brazil and China took similar positions in international venues, concluded multiple science and technology agreements, and cooperated in remote sensing satellites [8, 19, 51, 61:22, 87:8]. Brazil felt ties with China offered various benefits. Politically, Brazil saw relations with China as a way to distance itself from its military dictatorship/isolationist past, to bolster its power in international forums and against the US, and to advance an independent foreign policy. Regarding economic benefits, Brazil viewed China as a market, but also as a partner in areas like agriculture, energy, finance, mining, and technology [56, 88, 111].

In the mid-1990s or so, Brazilian policymakers began to give greater attention to China [2:108]. Fernando Henrique Cardoso, Brazil's President from 1995 to 2003, viewed good relations with China as a way to help Brazil diversify its relations, advance Brazil's quest for great power status/regional leadership, and facilitate economic recovery following an economic crisis in the late 1990s [46, 59]. Budding economic ties further encouraged Brazil to contemplate closer links with China [2:108]. Brazil specifically worked to deepen cooperation with China in aviation, peaceful uses of nuclear energy, and culture/education. Even prior to Cardoso becoming President, Brazil already had agreed to establish a "Strategic Partnership" with China in 1993 [97:239]. While this represented a breakthrough of sorts, it did not signify that Brazil ranked China as its top foreign policy priority [40:91–92]. In tandem with the creation of the strategic partnership, Chinese President Jiang Zemin visited the country that November. Two years later Cardoso went to China, a visit Jiang reciprocated 8 years later. During these visits, Brazilian and Chinese decisionmakers talked about economic cooperation, technological collaboration, and "joint actions in international fora" [97:239–240].

Cardoso's successor Lula (Brazilian President from 2003 to 2011) prioritized ties with China and, as detailed below, met frequently with top Chinese leaders and interacted intensively with China in the BRICS, the G-20 grouping within the WTO Doha Round, and BASIC (Brazil, South Africa, India, and China). Brazil argued a tight relationship made sense given the two country's common identity [2:111–112, 87:3]. Close links with China meshed well, too, with Lula's active pursuit of South-South political and economic links and issue-based alliances with emerging powers. The thinking, which was newer in style than substance, was such ties would empower Brazil to diversify its global links, gain autonomy, and construct a bulwark against the oppressive great power dominated hegemonic system which, in turn, might lead to a better, multipolar world. Beyond the above, Lula sought to promote Brazilian "'greatness'" and working with powers like China ostensibly gave Brazil the profile and diplomatic heft needed to achieve greatness. Of course, the decline of the US as well as its relative inattention to Latin America coupled with the rise of leftist governments in the region not just created space for Brazil to pursue, but also suggested, new political possibilities [40:92–93, 95–96, 46, 104]. Lula's foreign policy program also had economic and regional political logics. As for the former, it was seen as a way to open foreign markets to Brazilian goods and investment and enhance the country's bargaining position in international economic negotiations. Finally, prominence and strength abroad was seen as beneficial for Brazil in its region [104].

In May 2004, Lula voyaged to China and concluded deals relating to soya and iron ore exports, overseas energy cooperation between Brazilian and Chinese companies, collaboration in aerospace, and investment in coal and steel. He also pushed the creation of the aforementioned COSBAN and a developing world economic bloc to counter the US and Europe [21, 77, 97:241]. Six months later, Chinese President Hu Jintao went to Brazil. His visit yielded agreements to expand people-to-people exchanges, cooperate and coordinate in international affairs, and bolster economic cooperation [62]. In the wake of Hu's visit, Lula made the highly controversial decision to recognize China as a market economy; that is, he gave it market economy status (MES). One reason he reportedly did so was the expectation that China would, in return, support Brazil's bid for a permanent UNSC seat. China, however, reportedly did not support an expansion of the UNSC that would have accommodated Brazil's global ambitions, seriously rankling the Brazilians [40:93–94, 46].

In 2006, COSBAN convened its first meeting in Beijing and dealt with familiar topics such as agriculture, science and technology, and space [97:241]. Three years later, Lula voyaged to China. During his trip, Brazil and China struck a $10 billion loans-for-oil agreement and accords relating to science, space, and law, and reiterated customary calls for changes to the international financial system [48, 97:242, 99]. In 2010, Hu went to Brazil. A highlight of his visit was the signing of a lengthy Joint Action Plan for 2010–2014, which had both domestic and international aspects. Regarding domestic aspects, it set forth principles for bilateral ties, enumerated steps to foster information exchange, regular communication, and meetings, championed mutual gains in areas like trade and investment, set up various working groups, and called for cooperation like joint mining development and technology sharing [82]. As for the latter, it called for greater cooperation on multilateral issues like arms control and climate change and coordination in the WTO and G-20 [40:98].

Brazilian President Dilma Rousseff (2011–2016) made her first trip to Beijing in April 2011. There, she struck deals such as relating to Chinese investment in infrastructure and technology and opening Chinese markets to Brazilian pork. Brazil also expanded cooperation with China in various business, environmental, and scientific areas. In China, Rousseff emphasized the need for "'more dynamic, sophisticated, and equitable ties.'" She specifically called for the diversification of Brazilian exports to China and prodded China to import more high-tech goods and higher-value agricultural goods. Brazil also pressed for greater coordination in international institutions and other venues [26, 54:5, 89, 97:242–243, 114]. In 2012, the two countries held their 2nd COSBAN meeting, which produced a "Ten-Year Action Plan for Cooperation." As well, the two giants "expanded" their strategic partnership towards the global level and discussed cooperation in finance, mining, science and technology, investment, education, and so on. Furthermore, they elevated their strategic partnership to a "Comprehensive Strategic Partnership." [62, 97:243, 133] In 2013, the two countries held another COSBAN gathering in China, during which time Chinese President Xi Jinping met with Brazilian Vice-President Michel Temer [97:243, 133] In July 2014, Brazil welcomed Xi who had journeyed there to participate in a BRICS' leader summit and China-Latin America and the Caribbean (CELAC) meeting. Xi labeled the bilateral relationship a "Community of Destiny." In tandem with his visit, Brazil concluded agreements with China on financing, infrastructure cooperation, and cloud computing and intelligent cities, and lobbied for greater expanded cooperation in global forums like the BRICS and BASIC [124–126].

In May 2015, Chinese Premier Li journeyed to Brazil at a challenging time. Not only were economic ties losing some of their luster due to falling Chinese imports, but Brazil presented him with a long wish list prior to his arrival [93]. In Brazil, Li called on the two countries to "map out a new plan for industrial investment cooperation" focusing on areas like railways, mining, electric power, and equipment manufacturing and advocated collaboration in sectors like clean energy coupled with enhanced cooperation in energy exploration and exploitation. Li said China supported more Chinese FDI in Brazil and technology sharing by Chinese firms. He added China was ready to enhance strategic cooperation with Brazil in multilateral venues. Rousseff responded Brazil would "maintain close communication and coordination with China on major international and regional issues." The two leaders renewed their countries' aforementioned Joint Action Plan until 2021 and struck accords pertaining to Brazilian jet exports and obstacles to increased Brazilian meat exports. They issued a joint statement on climate change, too [127, 128]. One journalist pointed out one marquee accomplishment of the visit—$53 billion of deals—largely consisted of "old announcements reheated to look more appetizing" [71, 103].

The month following Li's visit, the Brazilian Chamber of Deputies (Brazil's lower house) agreed to enhance parliamentary relations with China's National People's Congress (NPC). Eduardo Cunha, the President of Brazil's Chamber, stated cooperation benefitted both countries and "has gained broad support from the Brazilian people" [29]. That same month on the sidelines of the 7th BRICS gathering, Chinese President Xi Jinping said Brazil and China had become "'good friends'" and "'good partners'" [30]. For her part, Rousseff "hailed the frequent high-level interactions between Brazil and China." Rousseff said the two sides should "continue to boost cooperation." She further "lauded China's commitment to friendship and cooperation with Latin American countries" and proclaimed that "the Brazilian side will work for the development of the relationship between China and Latin America" [30].

Moving to the present, in August 2017, Brazil signed a Memorandum of Understanding (MoU) with China calling for greater interactions in service sectors like finance, tourism, e-commerce, engineering, and banking. Brazil sought to shift bilateral trade away from its emphasis on commodities as well as to upgrade its commercial structure [135]. The following month, then Brazilian president Temer met with top Chinese leaders including Xi and Li during a state visit to China. Temer specifically said, "Brazil prioritizes the comprehensive strategic partnership and described China as a reliable friend of Brazil." He added Brazil "will work with China to advance BRICS cooperation with the developing countries" [36]. In the spring and summer of 2018, Brazilian elites continued to meet with Chinese policymakers, voice warm sentiments, and, above all, speak glowingly about COFDI. Evidencing this, in May 2018 in Brazil, a Brazilian Ministry of Planning, Development and Management official observed, "the investment relationship is good for Brazil-China relations." [130] Similarly, the president of Brazilian Trade and Investment Promotion Agency opined, "'China-Brazil ties are permanent…I see a natural and necessary tendency [toward growth] in all aspects of the relationship.'" [38].

The above review of Brazil's political relationship with China and policymaker statements suggests it is close. As for statements, in 2011, Antonio Patriota, Brazil's Minister of External Relations, stated his country's relationship "'with China is vital and at the top of President Rousseff's agenda'" [24]. The next year, then Brazilian Ambassador to China Clodoaldo Hugueney asserted the relationship is "very good," lacking any "substantial problems from a political standpoint" and having areas of convergence "much greater than" the areas of divergence [23:52–53]. In June 2018, Temer said "Brazil attaches great importance to its relations with China and welcomes more Chinese companies to join Brazil's investment partnership program" [131]. Per one specialist on Brazil's China policy's assessment, all the aforementioned meetings, communiqués, and so on reflect Brazil's "deepening mutual understanding and political relations" with China [97:243–244].

The preceding treatment of the political relationship indicates interaction in global institutions and on global issues are a key component [133]. One expressive analyst gushes the two countries have "consistently" acted "in concert" in international fora, championing non-interference, supporting negotiated solutions to conflict, and pushing for a more democratic international order [97:245–247]. On the economic front, the two countries have sought to reduce the global dominance of the US dollar, to reform IMF quota allocations and the selection process for the IMF Executive Director, and to create alternative financing institutions such as the BRICS Development Bank. In the WTO, the two countries have pressed the developed world to embrace policies that would give developing countries greater agricultural export opportunities while blocking efforts to force developing countries to open their industrial and service sectors [40:96–97, 100–101]. On global matters like climate change, the two countries have lobbied for developed countries to bear a greater proportion of the burden of reducing greenhouse gas emissions [97:246]. And Brazil has "repeatedly endorsed the One China policy and supported Beijing on matters relating to Tibet and the Dalai Lama [46].

All of the above seems to track the expected political impetuses flowing from Brazil's massive economic links with China or hypothesis ES1-direction. One writer retorts, though, that so-called Brazil-China shared positions lack substance: "When you compare the Brazilian and Chinese visions of what this new order should look like, it's clear there is a very small common denominator on most issues" [18]. Accepting for debate's sake that Brazil's shared positions with China matter, other critical issues are whether Brazil has moved as close as one would expect given the scale of economic ties and Brazil's economic need for China, and whether the movement tracks the expansion of Brazil's economic links with China or other factors. In short, we need to consider if the facts seem to support hypothesis ES2-intensity versus PS2-intensity and/or hypothesis ES3-sequencing versus PS3-sequencing. We now turn to these questions.

In practice, Brazil's identity, interests, and policies remain quite separate from China's [40:105]. Large COFDI and huge trade ties have not pushed Brasilia to synchronize all its agendas with Beijing, to silence political disagreements, or to shy away from making demands or criticizing China. On the political front, Brazil's stances toward Africa, nuclear proliferation, and UNSC expansion continue to vary from China's [54:5–6, 75, 87:8–9]. Indeed, on a trip to Africa in 2010, Lula spoke negatively about the employment benefits of Chinese investment in Africa, hardly a sign of obeisance [98]. Furthermore, Brazil rejected intensified sanctions against Iran even while China proved willing to embrace them. Beyond this, Brazil eventually adopted a stance on the application of the Responsibility to Protect principle that differed from China's, even though the two countries had been in sync about its application to Libya [40:102–103]. Further displaying Brazil marches to its own drummer is the fact that only two months after Temer went to China for his 2017 state visit, Brazil welcomed US military personnel to participate in a humanitarian assistance and disaster relief exercise in the Amazon. This exercise came eight months after the Commander of the US Army South visited Amazonian military installations [53].

On the economic front, Brazil repeatedly has proven willing to challenge China. One was China's currency policy. In 2010 and 2011 Brazilian officials criticized China's exchange rate policies, going so far as to accuse it of engaging in currency warfare to boost exports. The highly public nature of Brazilian accusations was noteworthy as was the fact Brazil was the only developing country to charge China [16, 68, 87: 5–6, 98]. Brazil also has expressed dissatisfaction with the scale and nature of Chinese investment, which it sees as overly focused on resource exploitation. A third (ongoing) problem area is trade, particularly the composition of Brazilian exports to China and Chinese competition. Regarding the former, an archetypical remark was Patriota's statement that "Brazil wants to be seen as a land of opportunity and not just a commodities warehouse" [24]. As for latter, it should be highlighted that Brazil continues to use trade measures aggressively against China despite having (putatively) awarded the latter MES [114]. More recently, Brazil has begun to contemplate filling a WTO case against China because of Chinese barriers against Brazilian chicken and sugar in the form of duties and special deposit requirements [101].

The preceding discussion of Brazilian divergences with China hardly implies the Brazil-China relationship has severe problems, is on the verge of a breakdown, or that Brazil no longer has an interest in working with China. However, it does suggest problems with hypothesis ES2-intensity. According to the logic of ES2, we should have witnessed Brazil moving notably closer to China as COFDI stocks in Brazil have accumulated, trade has grown, and loans have increased. Moreover, given that the value of COFDI, trade, and loans and other forms of economic cooperation have been increasing given Brazil's troubled economic situation and lack of alternative markets and sources of capital, ES2 would lead one to expect the magnitude of Brazil's embrace of China and China friendly policy to be even greater. Yet these two outcomes have not obtained. The next section examines why.

Limits to the Power of Economics

One glaring problem with many economic theories of foreign policy is their highly debatable assumption that economic interactions are uniformly positive. In actuality, they often have coexisting positive and negative aspects. Indeed, even the same economic interaction can be Janus-faced—for instance, trade can bring both growth and job losses. Moreover, economic theories of foreign policy often neglect the fact that even if economically links are deemed economically positive, they may not be deemed so politically. It also is important to recognize domestic variables influence the ways in which external economic stimuli shape foreign policy. To illustrate, if the "losers" from Brazil's economic dealings with China are more adept at influencing the domestic political process than the winners, then the former and not the latter will shape foreign policy.

Relevant for us, COFDI figures and the benefits touted in the headlines frequently fail to materialize as shown by the cases of Chinese investment in the automobile and internet spaces [72, 80, 100]. Even if COFDI happens, it still may generate negative externalities in tandem with positive ones. For instance, many Brazilians view COFDI in sectors like energy as evidence of a great Chinese resource grab. The intensity of feelings is captured in former Brazilian finance minister Antonio Delfim's criticism of the government for "allowing China to 'buy' Brazil as it had 'bought' Africa.'" Others see COFDI as intensifying pressure on Brazilian firms, which already are under siege from Chinese imports. Yet others decry the failure of Chinese companies to share their technology, boost Brazilian exports, and create a more jobs for locals. Brazilian elites stress there is a need for true partnerships. Finally, some Brazilians fret about the power asymmetries that may flow from the skewed nature of Brazil's economic ties with China [22:25, 40:97–99, 55, 68, 87:6, 114, 122].

Looking at trade, Brazilian decision makers are well aware their country profits from trade with China. However, they cringe at its composition [97:250–151]. Former Brazilian Minister of External Relations Patriota diplomatically noted while "'there is a very visible and mutually beneficially relationship…[but] we would like to make this more sophisticated'" [24]. It is not surprising Brazilians want a "more sophisticated" relationship given the current trade composition has negative implications for Brazil's development, image, and national independence. Moreover, even if Brazil is gaining at the macro level, many are "losing" at the micro level. As noted, many Brazilian manufacturers are suffering from Chinese imports plus competition in other markets. Awareness of this forced the government, even at the risk of retaliation, to embrace protectionist measures [6, 23:51, 46, 54:8–9, 87:6–7, 97:252–253]. Brazilian Ambassador Robert Abdenur opined, "The reality of competition…overrides the sense of partnership and common interests." [1]

Chinese investment and trade not only confront Brazil with economic challenges, they also generate negative political externalities for Brazil. In particular, China's construction of broader and deeper economic links as well as political ties with Latin American countries undercuts Brazil's regional integration plans and pretensions to be the regional hegemon. This is so because it focuses Latin American capitals on Beijing, not Brasilia, and gives them opportunities to ignore or balance against Brazil if they deem Brazil cannot fulfill their needs. This is problematic for Brasilia since Brazil clearly wants to be the core state of the region. Yet Brazil is no longer the main source of capital, goods, and markets for countries in South America. China is! This and the evolving nature of regional links mean "Brazil is experiencing a sharp decline in its regional importance," which adversely affects the way Brazil views China [44, 117].

We also must look inside Brazil to understand what is bounding the positive political effect of its economic ties with China. Brazil's internal dynamics are germane because Brazil is a democracy with a fragmented political system [4:105–107]. More specifically, in the face of Chinese competition, domestic groups have strongly lobbied the government to implement protectionist measures and restructure the country's relationship with China.

Their impact was shown in, for example, the rejection of an attempt to ease taxes levied on auto assembly plants using too many imported components [97:252; 255–256, 122]. One study contends the backlash against Chinese land investment that led to the passage of a law in 2010 to limit foreign land purchases resulted from the actions of interest groups including nationalists, peasant groups, and environmentalists anxious about the Chinese land purchases as well as landowners, agricultural firms, and industrialists that wanted to protect their positions, secure a role as partners for Chinese agricultural investors, and create support for a protectionist agenda [90].

One might wonder why seemingly pro-China Brazilian leaders have not ignored, countered, or eliminated domestic opposition to closer ties with China. The main reason is that they do not necessarily have the political wherewithal to do so. To illustrate, the Worker's Party, which was the party in power under Lula and Rousseff, bowed, in 2010, to calls for restrictions on Chinese land acquisitions because political realities meant it had to show it was protecting domestic interests and because it needed to ensure landed and agribusiness elites would support Rousseff, Lula's anointed successor [90:120–124]. With respect to Rousseff, she had few allies and low legitimacy due to her imperial style and lack of political and economic management skills, a huge corruption scandal that broke out during her tenure in office, and an economic crisis [60]. These factors not only doomed her when it came to her impeachment trial, but also hindered her ability to make policy. As for Temer, his administration confronted "a constant battle for political survival, reducing the time and energy it [could] dedicate to foreign policy" [109]. Even if they were strong, the ideologies and political priorities of leaders might divert their attention from China, limit the extent they move closer to China, or the sequencing of their shifts towards China. For example, Rousseff was intensely focused on domestic political problems and prioritized international economic gains rather than South-South cooperation [18, 132].

It is needs to be recognized that long before Brazil's economic relations with China exploded, many Brazilian elites and certain elements in the Itamaraty disdained the extant hegemonic international order, which was seen as one source of Brazil's economic difficulties and a constraint on its ambitions. It was quite natural, therefore, that Brazil would push for a global system with more diffuse power structures and more democratic institutions and challenge the US, which was seen as an obstacle to Brazilian ambitions and principles. It followed, too, that Brazil would seek closer ties with other South American countries, other members of the BRICS, and other major "southern" states like China to realize its goals. It further is important to point out that Brazil has formed/worked closely with many other groupings (e.g., IBSA) and built close bilateral links to champion the same agenda it pushes with China even though it has no substantial investment and trade relationships with the relevant countries [2:108–110; 114–115, 39, 106]. In light of the above, hypotheses ES3 about sequencing appears problematic. Political drivers arose before or operated in tandem with the supposed economic stimuli motivating Brazil's China policy.

Conclusion

Some have raised the possibility COFDI may transforming the tenor, content, and orientation of Latin American countries like Brazil [16:37, 50, 118]. This seems reasonable given theories of foreign policy that assume there will be a close link between economic stimuli and foreign policy making. Interestingly, some businesspeople and policy makers hold similar views [98]. The case of Brazil, however, indicates such views overstate the power of economic forces. As shown, COFDI and other economic ties have pushed Brazil's foreign policy towards China, but have not transformed it. Economic forces have had less influence than expected for reasons such as the fact that positive economic stimuli are coupled with negative ones and that certain political variables work to offset the impact of economic stimuli. Moreover, domestic political factors have fostered a disconnect.

This study has various implications. First, we should not assume an automatic correlation between economic stimuli and the foreign policy of states receiving the stimuli. Second, we need to incorporate the political context into our analyses. Third, we need to recognize the domestic context matters. This article, then, supports theories stressing the necessity of acknowledging international and domestic political variables when weighing the political consequences of economic stimuli. From a policymaking vantage point, parties such as the US and Japan do not need to be alarmed that they will be pushed out of LAC or that their traditional relations will be completely upended by China's economic penetration of the region. The flipside of this is that Beijing needs to appreciate that deepening economic interactions with Latin American countries are limited in the amount of cooperation and deference they yield.

Looking ahead, familiar economic and political factors will propel greater Brazil-China economic ties. Furthermore, the weakening of the extant order and US protectionism suggest Brazil "has little choice but to increasingly rely on…China" [110]. This study demonstrates, though, that we should not assume the expansion of Brazil's economic dealings with China over time will have potent political effects such as Brasilia embracing entirely new positions on international institutions, abandoning long standing (important) partners, or making a *volte face* on core domestic positions. What actually occurs, if anything, will depend not just upon the economic stimuli China presents, but also the political (international and domestic) context as well as the ideology, interests, and political power of Brazil's top leaders (which influences their latitude vis-à-vis the international and domestic context). Still, China has structural power because it defines the new economic order within which Brazil operates. As a result, it will continue to weigh upon the political discourse in Brazil and the country's future policies.

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Jean-Marc F. Blanchard Ph.D. is Distinguished Professor, School of Advanced International and Area Studies, East China Normal University (China) and Executive Director of the Mr. & Mrs. S.H. Wong Center for the Study of Multinational Corporations (USA). He is a co-author of *Economic Statecraft and Foreign Policy*, the editor or coeditor of and a contributor to fourteen edited volumes and journal issues and the author of nearly fifty-five refereed articles and book chapters. One of his major contemporary research streams focuses on the political economy of China-Latin America's investment links and he has orchestrated one special journal issue in 2017 and several conference panels on topics pertaining to this theme. Another research focus is China's Maritime Silk Road Initiative (MSRI). In this vein, he has edited *China's Maritime Silk Road Initiative and South Asia* (2017) and several special journal issues on China's MSRI with a focus on regions such as South Asia and Southeast Asia. Dr. Blanchard received his Ph.D. from the University of Pennsylvania. Prior to his career in academia, Dr. Blanchard worked for the United States (US) Federal Savings & Loan Insurance Corporation and US Federal Deposit Insurance Corporation and the investment banking firm Kelling, Northcross, & Nobriga.