

New Globaliser in the Hood: How is China Globalising the Brazilian Economy?

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Abstract: During most of the 19th century, the UK was the primary driver of economic globalisation in Brazil. In the early 20th century, the US surpassed the British as Brazil's main economic partner. Since 2009, China has become Brazil's most important trade partner. Nowadays, Washington pushes for deglobalisation, while Beijing paves the way to reinforce globalisation. Accordingly, the global interconnection of the Brazilian economy increasingly depends on China. This article analyses how China is globalising the Brazilian economy, comparing this case with how the UK and the US did it in the past. The analysis considers indicators on trade and investment patterns. Both globalisation theory and the new theory of globalisers guide this study.

Keywords: economic globalisation, globaliser, Brazil-China relations, Brazilian economy, Chinese economy.

Introduction

During most of the 19th century, the United Kingdom (UK) was the primary driver of economic globalisation in Brazil. In the early 20th century, the United States of America (US) surpassed the British as Brazil's main economic partner. Since 2009, China has become Brazil's most important trade partner. Under the Trump presidency, Washington has been pushing for deglobalisation, while Beijing is paving the way to reinforce globalisation. In this context, the global interconnection of the Brazilian economy increasingly depends on China.

How is China different from the UK and the US? Each *economic globaliser* implemented a *globalisation policy* that moulded the choices each country had in the face of increasing global transformations. This article analyses how China is globalising the Brazilian economy, comparing this case with how the UK and the US did it in the past. Contemporary

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literature and data inform the direct answers, assuming historical comparison is useful to understand the way China globalises Brazil.

There are four main findings in this analysis. First, China is about to become the central vector of economic globalisation in Brazil. Second, Brazil-China bilateral trade and investment patterns resembled Brazil-UK relations in the 19th century. Third, transnational corporations (TNCs) from developed economies in China strongly affect the Brazil-China trade matrix. Finally, political negotiations between Beijing and Brasilia influence the prospect of Chinese investments in infrastructure and manufacturing in Brazil.

Both globalisation theory and the new theory of globalisers guide this study. Globalisation and the rise of China should remain at the core of the research agenda in International Relations, since they are complex phenomena that entail drastic changes in societies all over the world and international politics. In a globalising world, managing the asymmetries between interdependent actors is a source of power (Keohane & Nye, 2001). Correspondingly, comparing different phases of globalisation and forms of globalising unveils the political alternatives of each country when engaging with globalisers. Managing the costs and benefits of globalising an economy depends on how the country interacts with economic globalisers, such as China. In this sense, this article hopefully inspires more studies on how China globalises other parts of the world.

Numerous studies discuss when and how economic globalisation started and changed (see Arrighi, 1996; Spero & Hart, 1997; Held, McGrew, Goldblatt & Perraton, 1999; Robertson, 2003; Hobsbawm, 2006; Ghemawat, 2012). Some assumptions are required to avoid endless discussions in this regard. This article refers to widely known historical references to compare three moments of globalisation: from 1870 to 1914,² when the UK prevailed; from 1970 to 2000,³ when the US led the process; and the current moment, featuring the rise of China and the post-American world (Zakaria, 2008; Ghemawat, 2012; Martin, 2012; Bremmer, 2013).

The cross-temporal comparisons consider three bilateral relations: Brazil-UK in the first phase of economic globalisation, Brazil-US in the second phase, and Brazil-China at the current moment. The reason for comparing British, American, and Chinese economic relations with Brazil lies in the fact that the UK and the US were the main economic globalisers in those moments, while China seems about to become one in a few years. A set of indicators concerning economic globalisation allows such a historical comparison. The indicators refer to the volume

² The “Industrial Age” (Held et al. 1999), “Age of Empires” (Hobsbawm, 2006) or “first phase of globalisation” (CEPAL, 2002).

³ The “Contemporary Globalisation” (Held et al. 1999; Keohane and Nye, 2001),

of capital and trade flows, the geographical distribution (origin/destination) of such flows, and their sectorial distribution.

The first section presents the assumptions and theoretical framework that allows an assessment of the power of countries over globalisation and the leaders of this process. The second section highlights the distinctive status of China in the context of economic globalisation compared to Brazil. It also analyses the asymmetries in the bilateral relations. The third and fourth sections respectively present a summary of how the UK led the globalisation of the Brazilian economy during the 19th century, and how the US did it in the 20th century. The final section develops the comparative analysis and shows that China is about to become the central reference of globalisation for the Brazilian economy.

Applying globalisation theory and the theory of globalisers

Economic globalisation (as in other dimensions of the process) does not happen anonymously or spontaneously. A few countries are decisive to “globalise” the least integrated economies. For example, in the late 19th century, the UK, Germany, France, and the US were decisive in carrying globalisation into both Brazil and China. The UK had a leading role in promoting the economic integration of most countries, which the US performed from the end of the Second World War. Recently, has China become the leading globaliser? To answer this question, one must consider looking at it from another perspective: the one from the countries that embrace globalisation and hence become globalised.

In the late 19th century, where would Brazil or China get the products that symbolised technological progress? Without the capital or technology to produce locomotives, telegraphs, industrial machines, or electric generators, where would Brazilian and Chinese families, businesses, and governments acquire them? To what countries should they export their output in exchange for those goods? The UK, Germany, France, the US, and no more than five other countries would have been the references for both the Brazilians and the Chinese.

Each historical moment had a small set of countries as references of economic globalisation. In the 20th century, there would be no “global economy” as we know it without the members of the G7 (the political association of the US, Japan, Germany, France, the UK, Italy, and Canada). They were major markets and providers of capital, goods, services, and technologies. Thus, they were decisive in expanding the scale, scope, speed, and impact of intercontinental business networks and economic flows.

Acknowledging such a perspective and implicit indicators of global interconnection, this article assumes globalisation is

a process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions – assessed regarding their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power (Held, McGrew, Goldblatt & Perraton, 2003: 68).

The economic dimension – commerce, finance, and production – is implicit in the broad terms of ‘social relations and transactions’. Both trade and financial globalisation imply the increase in extensity, velocity, intensity, and impact of businesses, whereas productive globalisation refers to global production networks and corporate strategies, as well as the industrial and technical prowess of countries (Held, McGrew, Goldblatt & Perraton, 1999). Although globalisation is not merely an economic process, this article discusses only the economic dimension due to necessary analytic delimitation.

The theory of globalisation (see Albrow & King, 1990; Giddens, 2003; Held, McGrew, Goldblatt & Perraton, 1999; Hirst & Thompson, 1998; Keohane & Nye, 2001; Robertson, 1992; Santos, 2006; Stiglitz, 2002; Volberda *et al*, 2011) usually does not pay enough attention to the political actors leading the process. For this reason, I introduced the concept of globaliser (Magalhaes, 2011).

Globalisers are the leaders (vectors, poles, architects) of globalisation [...] the countries that most affect the increase or decrease of globalism and shape its characteristics – the particularities of networks and the velocity, intensity, direction and impact of global flows (social, cultural, military, environmental etc.) [...] Globaliser countries are those who contribute the most to determine the characteristics of one dimension of globalisation in a given period (Magalhaes, 2015: 69, translated).

Through this perspective, to globalise is to thrust and steer flows and networks towards another continent actively. Globalisers are the actors this process. Conversely, globalising countries are the ones becoming increasingly open to such transcontinental flows and networks.⁴ In the economic dimension, globalising countries regard globalisers as their main references for market access, capital, and technology.

Each globaliser adopts a particular approach towards globalisation to reshape and benefit more from it. This approach is a globalisation policy: the set of actions and decisions that engenders distributive and organisational changes in a dimension of globalisation.

⁴ Nye (2000) actually refers to this meaning when writing on Japan as the first “globaliser”.

Economic globalisation policy refers to how a country develops international economic relations.

Global projection indicators allow the identification of globalisers. Accordingly, economic globalisers account for shares of foreign trade and exports of high technology goods and services on a global scale. They are significant trade and investment partners for a large number of distant countries. They lead the supply of credit and portfolio investments. They host large TNCs (including financial corporations). They control the largest foreign direct investment (FDI) stocks in a large number of distant countries. Finally, they are leading holders and generators of patents.

Two indicators measure economic openness (or the level of globalisation) (Ghemawat, 2012; Held, McGrew, Goldblatt & Perraton, 1999; Hirst & Thompson, 1998; Krugman & Obstfeld, 1999; Stiglitz, 2002; Babones, 2007). The first is the ratio of total international trade (exports and imports) to the gross domestic product (GDP); in other words, how much of internal production and consumption entail external transactions. The second is the proportion of FDI stock in relation to the GDP, which refers to the participation of foreign capital in a country's output. In this context, economic globalisers are important business partners for many distant countries, accounting for a substantial part of these countries' international trade and FDI stock.

Asymmetric South-South relations: China is a globaliser, and Brazil is more dependent

Developing economies, emerging markets, and the Global South are expressions that underline the similarities of countries outside the developed world. Relations between such countries are usually referred to as South-South cooperation, for instance, the partnership between the BRICS countries (the political association of Brazil, Russia, India, China, and South Africa). However, recent studies have been unveiling asymmetric bilateral relations within the Global South (CEPAL, 2010; Phillips, 2010; Zweig, 2010; Xing, 2016; Callahan, 2016). This is especially true in countries where China is the main link to economic globalisation.

Six global economic projection indicators prove that China's status in the context of economic globalisation is incomparably higher than Brazil, which is rather distant from becoming a globaliser. First, China (mainland only)⁵ is the largest exporter and the second largest importer in the world, accounting respectively for 13% of global exports and 10% of

⁵ All data from IMF, UNCTAD, and the World Bank about "China" refer to "mainland China" only, excluding the Chinese special areas of Hong Kong, Macau, and Taiwan.

global imports in 2016, while Brazil is in distant 25th and 30th places respectively, with 1% of global exports and 1% of global imports (UNCTAD, 2017a). Furthermore, China is the largest provider of high-tech goods (technology intensive merchandise that requires high-skilled labour), accounting for 16% of global exports in the sector in 2016, while Brazil provided just 0,4% (UNCTAD, 2017a).

Second, China is a central economic partner for several countries outside its region. Such inference derives from the fact that the country is the largest extra-regional importer of Africa, America, and Oceania, and the second biggest buyer of European exports (UNCTAD, 2017a). Contrastingly, Brazil is not amongst the top five extra-regional importers of any continent (UNCTAD, 2017a). Therefore, China's thrust to trade flows and networks in other countries is much stronger.

Third, neither Brazil nor China stand up as major holders of portfolio investment assets abroad. However, since data in this regard is misleading,⁶ other factors must be taken in to account to avoid underestimating China's actual role in international financial transactions. In 2015, China managed more than ten times more worldwide portfolio investment assets than Brazil, and Hong Kong (a Chinese special economic zone) was amongst the top ten primary holders of such assets (IMF, 2017).

Fourth, there are four Chinese TNCs (including one from Hong Kong and another from Taiwan) amongst the world's top 100 with the largest amount of foreign assets, while just one Brazilian TNC is on the list (UNCTAD, 2017b). Amongst the largest TNCs from developing countries, 38 Chinese TNCs (including 14 from Hong Kong and six from Taiwan) and six Brazilians (UNCTAD, 2017b). Therefore, the ethnic Chinese play a stronger role in international production networks.

Fifth, the same conclusion derives from data regarding the control over FDI stocks. Nearly 5% of worldwide FDI stocks in 2016 were from mainland China and another 6% from Hong Kong (*idem*), while less than 1% originated from Brazil (UNCTAD, 2017a).

⁶ Most nations fail to transparently register all inward and outward capital flows (Cunha & Acioly, 2009; Macedo & Spinola, 2015; CNI, 2017). The World Bank (2017), IMF (2017) and UNCTAD (2017) often provide different figures on the subject. Capital flows from one country to another frequently pass through intermediary countries, such as the British Virgin Islands, Hong Kong (China), and Luxembourg, hence problems of double counting. Such triangular flows conceal the actual origin of the capital. For example, many countries register investments received from Hong Kong or Luxembourg, but that money is actually Brazilian or Chinese that went elsewhere before reaching its final destination. Furthermore, data on Chinese investments is underestimated if just "mainland China" is considered. On the other hand, a serious problem of double counting would appear if such data was summed with data on Chinese special areas, such as Hong Kong and Macau.

Finally, China has also more available technical and industrial expertise to produce the contemporary symbols of technological progress. The country is the third largest holder of patents in force and the one that requests the most licenses per year (WIPO, 2017). The Chinese hold more than ten times the number of Brazilian patents in force (WIPO, 2017).

An additional point differentiates not only the emerging countries themselves, but also the supposedly South-South relations they develop. That is: China is more important to Brazil than Brazil is to China, at least when considering investments, trade, and technology. China accounted for 2.3% of FDI stocks in Brazil in 2014, and 17% of Brazilian trade (imports plus exports), while the corresponding Brazilian share in China's business are 0.02% and 1.6% (China, 2017; CNI, 2017). Moreover, in 2016, China supplied 40% of all high-tech imports in Brazil, while Brazil made just 0,15% of all high-tech imports in China (UNCTAD, 2017a).

All in all, the indicators prove that China is amongst the countries with the greatest power over globalisation, presumably, alongside with the US, Japan, and Germany. These countries are economic globalisers and, thus, capable of actively changing globalisation itself and the risks and opportunities it conveys. In contrast, Brazil has limited power over economic globalisation and, thus, faces a different set of risks and opportunities. Accordingly, the costs and benefits of globalising the Brazilian economy depend more on the country's relations with the economic globalisers, such as China.

The UK in Brazil during the first golden age of globalisation (1870-1914)

In the late 19th century, the UK, along with the US and a handful of developed European economies, led the innovation in transportation (i.e. railways, steamships, and automobiles), communication (i.e. telegraph and telephones), energy (i.e. turbines and electricity), industry (i.e. steel and machines), agriculture (i.e. fertilisers and tools), and mining (i.e. coal and iron ore). They were economic globalisers, given their weight in international trade and capital flows.

The UK was the central locomotive of economic globalisation, and a primary reference for globalising countries that aspired to modernisation, economic growth, and industrialisation. The British were the main traders, investors, and creditors for most of the world, as well as major providers of the technical infrastructure required by any globalising country, such as railways, electricity, and other symbols of technological progress. The British accounted for 22% of world exports in 1870 and 15% in 1913 (Maddison, 2001). In 1914, they provided 44% of all international investment in the world, most of which was for railways and public utility projects (Abreu, 2000; Hobsbawm, 2006).

Portugal introduced economic globalisation to Brazil within a colonial framework that lasted about 300 years. After the independence of Brazil, Portugal, as its first globaliser stepped down, being replaced by the British. Virtually all foreign investment in Brazil until 1895 came from the UK and, by 1913, this percentage was about 65% (Leslie, 1989; Philip, 1989; Abreu, 2000; Almeida, 2001; Curado & Cruz, 2008). More than 80% of this capital financed infrastructure: from 1870 to 1913, British capital and technology were crucial to building railways (more than 20,000 kilometres), telegraph services, electric distribution systems (Leslie, 1989; Philip, 1989; Abreu, 2000; Almeida, 2001; Summerhill, 2005). As an example, both British capital and technology integrated the Brazilian Traction, Light and Power Company, a Canadian firm that built the biggest hydropower facility in Brazil in 1906 in Rio de Janeiro and operated tramway cars in Sao Paulo (Abreu, 2000; Light, 2006; Fausto, 2007).

British firms financed most of the export-import-transport-insurance complex in Brazil and indirectly played a central role in the country's nascent industry, which employed nearly 14% of Brazilian workforce in 1920 (Abreu, 2000; Fausto & Devoto, 2004; Fausto, 2007; Cervo & Bueno, 2010). Commerce, shipping, banking and other intermediation activities gave support to industrial growth in Brazil. However, concerning the industrial sector, British investments in Brazil (i.e. shoes, matches, and textiles) were relatively small when compared to those of North Americans and other Europeans (Abreu, 2000; Curado & Cruz, 2008). In the 1920s, the British stock of FDI in Brazil was twice as the American, but since then the US has become the largest source of FDI influx.

In the 1870s, the British provided nearly 54% of Brazilian imports and absorbed about 40% of Brazilian exports, but thenceforth their share fell to about one-fifth of total Brazilian foreign trade (imports plus exports) by 1901 (Brasil, 1990). The US replaced the UK as Brazil's most important trade partner between 1880 and 1890 (Brasil, 1990; Abreu, 2000; Cervo & Bueno, 2010). Regarding the bilateral trade matrix around the year 1900, Brazil provided cotton, leather, sugar, and rubber to the UK, and acquired symbols of progress (i.e. machinery and telegraph equipment) and other manufactured goods, mainly textiles (Leslie, 1989; Philip, 1989; Fausto, 2007; Cervo & Bueno, 2010).

In sum, three features of the British way of globalising Brazil between 1870 and 1914 are useful to develop the next sections of this article. First, the focus of British investments were less on industry and more on transport and communication infrastructure such as railways and, to a lesser extent, electrification, telegraph, urban trains, and other public utilities. Second, they also prompted private business in Brazil – agriculture, industry, and mining – because of intermediation activities related to commerce, shipping, and banking. Third, the bilateral trade

matrix perfectly illustrated the centre-periphery (or North-South) model in which the developed economies sell manufactured goods to the periphery in exchange for raw material.

The US in Brazil during the second golden age of globalisation (1970-2000)

In the late 20th century, the G7 were the largest and most industrialised economies in the world, and they gave birth to most Nobel Prize winners in technical fields (Hobsbawm, 1995). Aside from leading innovation in transportation (i.e. modern and faster trains, ships, automobiles, and airplanes), communication (i.e. computers, cell phones, and satellites), energy (i.e. fuel and nuclear energy), industry (i.e. healthcare and robotics), agriculture (i.e. fertilisers and tools), and mining (i.e. modern mining trucks and drills), they accounted for most of the international trade and capital flows.

The US became the first and undisputed economic globaliser in the 1940s. In the following decades, it became the primary reference for globalising countries, just as the British were during most of the 19th century. The American share of total global trade oscillated from 17% in 1948 to 13% in 1970, and once more to 16% in 2000 (UNCTAD, 2017a). The US had the leading position as a global trader during most of the 20th century, despite oscillation caused mainly by the increasing participation of the other G7 countries in global trade. The Americans provided more than half of the world's FDI flows between the 1950s and 1970s (Castells, 2003; UNCTAD, 2017a). In 1986, the US share of the world's FDI stocks reached its peak, 46%, but by 2000 it declined to 36% (UNCTAD, 2017a). Most of the US FDI is for business supporting activities, such as management, accounting, and advertising, but a substantial part is directly related to manufacturing activities, mostly transportation, telecommunication, chemicals, and food products (OECD, 2017a, 2017b).

When examining the accumulated FDI stock in Brazil by 1950, the US and Canada had nearly 29% each, followed by the British with 11% (Curado & Cruz, 2008). In 1979, the US accounted for 28% of that stock, far from the Germans, who were the second largest investors in Brazil, with 15% (Curado & Cruz, 2008). By 2003, American FDI stock accounted for 23% of all FDI stock in Brazil (OECD, 2017a, 2017b).

American TNCs gave a decisive thrust to the process of heavy industrialisation in Brazil from 1955 to 1980 (Curado & Cruz, 2008). Indeed, in the 1970s, industrial investments featured about three-quarters of all American FDI in Brazil (Curado & Cruz, 2008). For example, the automotive industry accounted for 11%, mostly Ford and General Motors plants in Sao Paulo (Curado & Cruz, 2008; Fausto, 2007). Other industrial investments were relatively diversified

and included chemical and mechanic industries, metallurgy, and electronic and communication material (Curado & Cruz, 2008; Fausto, 2007).

In the second half of the 20th century, the US share in overall Brazilian foreign trade (imports plus exports) oscillated between a third and a quarter (Brasil, 1990; UNCTAD, 2017a). Almost all Brazilian imports from the US were manufactured goods, accounting for 92% in 2000 (UNCTAD, 2017a). Unlike the UK in 1900, the share of manufacturing goods that the US bought from Brazil has been considerable since the 1970s, oscillating around 70% of Brazilian sales to the North Americans until 2016 (UNCTAD, 2017a).

Three features distinguish the way the US globalised Brazil between 1970 and 2000 from the British style in the past. First, North American investments focused on industry, and not on infrastructure. Their industries were more competitive than the British and resorted to modern internationalisation strategies to face the growing European competition (Abreu, 2000; Curado & Cruz, 2008). Besides, Brazil lifted heavy restrictions to foreigners in other sectors – such as infrastructure and mining – and allowed foreign investors access to abundant raw material, a large and dynamic domestic market, fiscal incentives, and protection from external competition (Fausto, 2007; Cervo & Bueno, 2010).

Second, just as the British did in the 19th century, the US had (and still has) a central role in business intermediation activities and foreign trade in Brazil. The distinguishing feature now is how large TNCs increasingly fragment, displace, and organise their activities within global value chains (GVCs) to benefit from the comparative advantages of each country. GVCs entail intra-industry and intra-company trade, transnational production networks, exports, added value trade, and re-exports (OECD, WTO & World Bank 2014; UNCTAD 2013). As a result, Brazil and other nations involved in GVCs import and export larger quantities of manufactured parts and components, such as American TNCs in Brazil trading vehicles and auto parts.

Third, the bilateral trade matrix diverged from the North-South model, since manufactured goods represented a significant share of Brazilian exports to North America. Actually, instead of the traditional international division of labour, globalising Brazil under US leadership meant industrialisation and involvement in GVCs.

Considering these distinctive features, sceptics might argue that the UK style of leading globalisation was different from the US because of the diverse historical contexts. They would underline the differences related to technical changes: the Second Industrial Revolution and the advent of new industries, as well as the Information Technology Revolution and new hardware

and software sectors. If they were right, it would be pointless to compare the presence of the UK, the US, and China in the Brazilian economy during different historical moments.

There are several limitations in this argument. First, the UK and the US had different approaches towards globalisation in the 19th and 20th centuries, thus reflecting each country's deliberate choice and not an unavoidable path derived from technical change. Each globaliser has its particular style derived from its interests. Second, globalising countries, including Brazil, are also capable of politically shaping their interactions with globalisers, for example, forbidding foreign capital in national infrastructure. Therefore, the distinctions between the economic presence of the UK and the US in Brazil was partly defined by Brasilia. Third, the way China globalises is less determined by contemporary technical constraints, and more by Beijing's globalisation policy, as discussed in the next section.

How China globalises Brazil: UK style, foreign firms, nascent GVCs, and politics

In the first decades of the present century, China joined the group of economic globalisers. As mentioned before, data on innovation trends are sufficient to assure China's leading role in technology, notwithstanding the obvious impossibility of predicting what country will host the next technical revolution in what sector.

As the world's largest exporter since 2009 and second largest importer, China has a huge weight in international trade. While the American share in total global trade went from 16% from in 2000 to 7% in 2016, the Asian dragon's share went from 4% to 13% (UNCTAD, 2017a). The contemporary "world's factory" accounted for 19% of the world's manufactured exports and 17% of high-tech exports in 2015 (UNCTAD, 2017a).

The Asian giant significantly contributed to increasing both global trade and Brazilian foreign trade. World exports went from US\$6.4 trillion to US\$16 trillion in that same period, whereas 19% of the additional trade involved China (UNCTAD, 2017a). Brazilian exports went from US\$55 billion to US\$185 billion, and China's soaring imports accounted for 26% of the difference (UNCTAD, 2017a). Regarding FDI outflows, the Chinese contribution was less impressive, accounting for 5% of all the global FDI flows between 2000 and 2016 (UNCTAD, 2017a). Nevertheless, the Chinese annual share of global FDI outflows remained around 1% until 2007. Then it swiftly rose to 13% by 2016, so the most recent trends favour China (UNCTAD, 2017a).

In this context, globalising countries currently see China as one of the prominent sources of FDI flows. From 2000 to 2016, the Chinese share of FDI stocks in the world went from 0.1% to 5%, and Beijing's globalisation policy seems determined to keep pace with this recent trend

(China Daily 2008; Santos & Milan 2014; Pautasso & Ungaretti, 2017; CNI, 2017). Beijing has been actively promoting investments in energy and electricity, which account for 41% of Chinese FDI stocks in the world by 2015, followed by other relevant sectors, such as metals (mining and steel industry, 17%) and real estate (10%) (CNI, 2017). Between 2005 and 2015, the US was the primary destination of Chinese FDI flows, absorbing 14%, followed by Australia (11%), Canada (6%), and Brazil (5%) (CNI, 2017).

China became the 13th country with the largest FDI stocks in Brazil in 2014, reaching 2.3% of all FDI stocks in the country (CNI, 2017). China's presence in Brazil will increase even more, given the Chinese interests in market access and raw material (CEPAL, 2010; Zweig, 2010; Lucena & Bennett, 2013; Macedo & Spinola, 2015; CNI, 2017). In 2015, 69% of the Chinese FDI in Brazil were in energy and electricity, while the metal and steel sectors absorbed 11%, and financial services received 5%, as did agriculture (CNI, 2017). Sinopec and Sinochem (Chinese oil and chemical TNCs), which control massive investments in the oil sector worldwide, illustrate Beijing's "resource diplomacy", notwithstanding recent announcements about considerable investments in automotive, technology, telecommunications, and electronic industries (Zweig, 2010; IPEA, 2011; Lucena & Bennett, 2013; Macedo & Spinola, 2015; Bernal-Meza, 2016; Li, 2016; CNI, 2017).

Backed by the BRICS and a strong history of partnership since the 1970s, the close diplomatic relations between Brasilia and Beijing allowed the Chinese to negotiate investments in strategic and highly regulated sectors in Brazil, such as transportation, communication, and energy (Oliveira, 2006; Becard, 2008; Cervo & Bueno, 2010). Accordingly, nowadays, the Brazilians have been expecting Chinese investments in railways, internet cables, and power generation (Lucena & Bennett, 2013; Brasil, 2015; Lima, 2016; Li, 2016; CNI, 2017; Maele, 2017; Pereira & Scaramuzzo, 2017; Lee, 2017). The political and economic crises in Brazil since 2014, along with slow growth and uncertainty, have also been affecting Chinese investment decisions.

The case of the automotive sector illustrated such uncertainty. Brazil implemented INOVAR AUTO from 2013 to 2017 to attract investments, affecting the original Chinese investment plans (Macedo & Spinola, 2015; CNI, 2017). INOVAR AUTO raised taxes on automakers that did not meet its requirements, such as producing most of the vehicle's parts and components in Brazil (G1, 2017). The World Trade Organisation deemed this policy for encouraging national content in manufacturing activities discriminatory and condemned Brazil, which is currently changing the rules of the game once more (Agencia Estado, 2017). Despite

the uncertain perspective for Chinese factories in Brazil, vehicle-related trade between both countries is soaring.

The Asian dragon surpassed the US as Brazil's most important trade partner in 2009, accounting for 17% of Brazilian trade (imports plus exports) in 2016, when Brazil-US trade made 16% (UNCTAD, 2017a). The Brazilian export matrix to China is hugely concentrated. Soya beans accounted for nearly 41% of Brazilian exports to China, followed by iron ore (21%), and oil (11%) (UNCTAD, 2017a). Roughly 96% of the Brazilian imports from China were manufactured goods, whereas 33% of such imports were high-tech goods (i.e. telecommunication equipment, optical instruments, and electrical machinery), making China the supplier of 40% of all Brazilian high-tech imports (UNCTAD, 2017a). Thus, Brazil acquires smartphones and other contemporary symbols of progress from China, just like it bought telegraph equipment from the British more than a hundred years ago.

Overall, the Chinese way of globalising Brazil in the 21st century is closer to that of the UK than the US. First, like British investments in the 19th century, the Chinese also focus less on industry and more on infrastructure and mining. Second, the Chinese also prompted business in Brazil, not directly or through intermediation activities, but rather through partnerships with both private and state-owned companies in sectors in which Brazil regulates foreign capital, such as railways, oil extraction, and mining. Third, the current Brazil-China trade matrix reflects typical centre-periphery relations, instead of "South-South".

Within the scope of this article and its indicators, what distinguishes the Chinese from the British way of globalising is that China incorporates and reinforces a core characteristic of the US-led globalisation, which is the central role of TNCs and GVCs. In this sense, Beijing's globalisation policy acknowledges the role of foreign TNCs behind China's foreign trade and promotes the nascent Chinese GVCs.

Most of the largest TNCs have subsidiaries in both Brazil and China. Accordingly, TNCs from the US and other G7 countries, through their GVCs, play a central role in Brazil-China trade and investment relations. Foreign TNCs in China account for a major – although decreasing – share of the country's foreign trade: 48% of all exports from China in 2000 and 44% in 2015, and 52% of China's imports in 2000 and 49% in 2015 (China, 2017). The share of foreign TNCs in China's high-tech exports might have reached 85% in 2003 (Dittmer, 2010). Therefore, a large portion of China's foreign trade is not "Chinese exports" or "Chinese imports", because it is managed by foreigners, not by ethnic Chinese using their capital and technology.

China became a huge production hub, mostly by importing high-tech goods, adding low valuable parts and components, and re-exporting the final product (Cunha & Acioly, 2009; UNCTAD, 2013; Zweig, 2010; Dittmer, 2010; Sawaya, 2011; OECD, 2013). However, Beijing promoted Chinese ownership by co-opting foreign capital and merging companies to modernise and industrialise the economy, so Chinese TNCs absorbed foreign capital and technology through joint ventures and reverse engineering (Cunha & Acioly, 2009; Hout & Ghemawat, 2010; IEDI, 2011; Oliveira, 2011; Sawaya, 2011). As a result, nowadays, Chinese TNCs are increasingly developing their technology, producing high-tech goods, and organising their GVCs (IEDI, 2011; Sawaya, 2011; Oliveira, 2011).

In this context, either Brazil remains just a provider of primary goods and low technology manufacturing for the “world’s factory”, or Brasilia reasserts its relations with China and encourages Chinese industrial investments (Cunha, Bichara, Monsueto & Lélis, 2011). The nascent Chinese GVCs that recently announced industrial investments in Brazil could attenuate the mentioned asymmetry in the bilateral trade matrix (Lucena & Bennett, 2013; Li, 2016; CNI, 2017). Such a change is unlikely without any political negotiation, because market forces alone might follow the current Revealed Comparative Advantages on both sides, whereas China outdoes Brazil in every sector except for primary goods and natural resources (Cunha, Bichara, Monsueto & Lélis, 2011).

The final feature that distinguishes the China-led globalisation is the central role of politics and public capital. Beijing’s globalisation policy was vital for transforming China into a modern and globalised economy and, in the present century, it is decisive to guide China’s economic projection (Santos & Milan, 2014). The reassertion of political interests through public capital and state-owned TNCs is a Chinese characteristic of contemporary economic globalisation. Political considerations behind private, state-owned or combined projects define the Chinese economic projection through infrastructure investments and manufacturing GVCs (Lucena & Bennett, 2013; Santos & Milan, 2014).

Conclusion

China is about to become the primary driver of economic globalisation in Brazil if current trends persist. Accordingly, the pace at which the Brazilian economy opens, the volume of economic transactions, the extent of Brazilian business networks, and the impacts of economic globalisation on the country increasingly depend on Beijing’s globalisation policy and the specific compromises between Beijing and Brasilia. Notwithstanding their common profile as

emerging countries from the Global South and their shared political interests as members of the BRICS, there is a considerable economic asymmetry between them.

From a Brazilian point of view, the Chinese globalisation policy in the first decades of the 21st century meant investments in extracting natural resources and expanding agriculture, disappointing investments in infrastructure and industry, concentration in non-manufactured exports, and swelling manufactured imports. In this sense, China's economic presence in Brazil currently resembles the UK's in the 19th century in both weight and style. It contrasts with how the US globalised Brazil.

While the US in the 20th century heavily invested in the manufacturing sector in Brazil, the Chinese – like the British in the 1800s – recently concentrated in infrastructure and natural resources. Brazil's foreign trade is becoming similar to how it was in 1900, when it provided primary goods to its main economic globaliser, the UK, and acquired the symbols of progress and other manufactured goods. Contrastingly, Brazil-US trade patterns for the past five decades have been more balanced, involving GVCs and intra-industry trade. Nevertheless, there are more channels through which the US and other developed economies continue to globalise Brazil.

China's weight in the Brazilian economy is huge and increasing, so it is likely that Brazilians might start to equate economic globalisation to the Chinese presence in the country instead of that of the US. However, the US and other G7 economic globalisers host most of the foreign TNCs that account for a major share of China's exports. China is deeply involved in GVCs, buying parts and components, and selling the final product. A substantial portion of Brazilian exports to China supply the subsidiaries of those TNCs, which in turn provide manufactured goods to Brazil that are not completely "made in China". In this sense, instead of "replacing" the US, China's economic presence in Brazil partly reinforces the role of the G7 as economic globalisers in Brazil.

Nevertheless, TNCs from developed countries are not the only ones building GVCs. Relatively new and already large Chinese TNCs have been doing the same in several countries, mostly in East Asia. It is possible that China, like the US did, will involve Brazil in GVCs and intra-industry trade, which would meet the Brazilian interest in promoting industrial growth. This possibility relates to the distinctive feature of China-led globalisation, which is the central role of politics and public capital, whereas Beijing's globalisation policy steers trade and investment flows. Thus, China's strategic partners, such as the BRICS countries, have better conditions for dialogue and cooperation to address economic asymmetries. In this context, negotiations with Brasilia might define the prospect of the Chinese infrastructure projects and

manufacturing GVCs in Brazil. As talks between the countries regularly address these issues, Brasilia can effectively negotiate a mutual development project and a more balanced partnership with Beijing. Whether this happens or not is a subject for other studies.

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