

# JOURNAL OF CHINA AND INTERNATIONAL RELATIONS

## Special Issue: China and Brazil at BRICS: “Same Bed, Different Dreams?”

### Introduction

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Cirkeline Kappel

**The Secretariat**

Kroghstraede 1

Aalborg University

9220 Aalborg East, Denmark

Tel. +45 9940 9150

E-mail: [stewart@cgs.aau.dk](mailto:stewart@cgs.aau.dk)

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## **Preface**

### **In Commemoration of Our Dear Colleague and Friend**

### **Steen Fryba Christensen**

On April 9, 2018, Steen Fryba Christensen, our closest and dearest colleague and friend, suddenly left us forever. His departure is a great loss to me, our research group, our department, and Aalborg University. In particular, it is a great loss to Brazilian studies in Denmark, an area to which Steen had made significant contributions.

Steen Fryba Christensen was Associate Professor at the Research Centre on Development and International Relations (DIR), Department of Culture and Global Studies, Aalborg University, Denmark. His teaching and research interests and areas included development studies, foreign policy studies, international relations, international political economy, emerging powers, Latin American studies, and the world order. His main research focus was on Brazilian and Latin American engagement in global political economy, China-Latin America relations, and analyses of the changing global order. He acted as advisor to the Danish Foreign Ministry and received a grant from the Danish Agency for Science, Technology, and Innovation for research collaboration between Brazilian and Danish scholars. This same Agency invited him to participate in research network activities in São Paulo. He had been very active in the Danish media, giving expert commentary on Brazilian and other Latin American issues.

This special issue is thematically about China-Brazil relations. Although Steen was not directly involved in this issue (he was involved in the previous special issue on China-Latin American Relations in 2016), in recent years he had been working extensively on China-Latin America relations in general, and China-Brazil relations in particular. I wanted to find a way to honour Steen as Editor in Chief. Therefore, I decided to add a preface to this Special Issue of the JCIR to express both my sorrow for Steen's passing away, and my sincere thanks for his partnership, cooperation, loyalty, support, and love for me and other DIR members over the past two decades we had been working together.

Steen was such a good and invaluable partner, and together we had accomplished a lot. During my Professorship inaugural reception on April 5, 2018, Steen made a very sweet speech – a gift I will treasure – in which he presented a chronological evolution of our personal and professional relationships, including some funny stories about our international conference trips. I still have difficulty in believing the fact that Steen has left us forever, and that I have lost my closest colleague and dearest friend.

Steen was a senior and important member of the DIR research group. DIR colleagues will miss him and love him always. As the saying goes, death leaves a heartache no one can heal, while love leaves a memory no one can steal.

The memory of Steen will always be in the hearts and minds of all his DIR colleagues.

This special issue on China-Brazil relations is dedicated to Steen's memory. May his spirit remain with us and encourage us to continue our work and lives.

Li Xing, on behalf of the DIR group.

## Introduction

### China and Brazil at BRICS: “Same Bed, Different Dreams?”

Alexandre Cesar Cunha Leite<sup>1</sup> and Li Xing<sup>2</sup>

#### The Placement of the Discussions

In the first quarter of the 21st century, China and Brazil have emerged on the international scene as proactive players in international relations. Both countries have an interest in participating more actively in shaping the international order via a coalition of the BRICS (Brazil, Russia, India, China, and South Africa). The BRICS as a group has come to play an important role on the global political scene, as they have coordinated foreign policy positions on key issues in different international institutions that provide direction to different aspects of global and regional governance. In this sense, the BRICS may be interpreted as a sort of “balancing coalition.” Often, the BRICS constituent is seen as one the main challenging forces to Western powers in international negotiations. At the same time, the BRICS as a group – as well as individual BRICS countries – have taken initiatives to establish new institutions led by themselves, such as the New Development Bank (the BRICS Bank) and the China-led Asian Infrastructure Bank (AIIB), etc. Since 2009, they have also been engaged in yearly summits that, apart from focusing on coordinating their voice within international institutions, also focuses on intra-BRICS cooperation.

The rapid global attention on the BRICS was closely followed by the world financial crisis in 2008 with the decline of the hegemonic dominance of the US-led world order. The rise of emerging powers has successfully penetrated into some power areas in terms of economic competition, capital accumulation, political and economic influence, as well as technical and material capacities. China, in particular, is performing outstandingly in terms of its global share of high-tech manufacturing products, financial competitiveness, as well as international aid and

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<sup>1</sup> Alexandre Cesar Cunha Leite is Associate Professor in the Graduate Program of International Relations, PPGRI/UEPB (Paraíba State University), Brazil, and Professor in the Graduate Program of Public Management and International Cooperation, PGPCI/UFPB (Paraíba Federal University), Brazil. Email: alexccleite@gmail.com

<sup>2</sup> Li Xing is Professor, Department of Culture and Global Studies, Aalborg University, Denmark. Email: xing@cgs.aau.dk

overseas investment. China's economic success is putting China in a more positive structural position both in terms of the production and distribution of global wealth.

However, after almost a decade since the birth of the "BRICS" acronym, what is the situation today? The economic condition of Brazil is particularly discouraging. The Brazilian economy is heavily reliant on commodity exports, and it went into recession (South Africa has a similar situation). The Russian economy has also depended on oil exports for many years, and in recent years it has suffered due to collapsing oil prices. The Ukraine crisis turned Russia-West relations back to the Cold War. Due to a devaluation in currency and Western sanctions restricting its trade, Russia is experiencing its worst recession in six years. India's economic growth is far from robust or sustainable, the country still has a high level of unemployment, and it suffers from comprehensive poverty and backward infrastructure.

The BRICS has great importance for China. The growth of the BRICS' international relevance can multiply the strength of Chinese diplomacy and intensify its path of extensive international insertion. On the other hand, the BRICS has a particular significance for Brazil: it comprises four of the country's main partners, all of which have strong regional leadership and growing participation in the global economy. Thus, the BRICS has the possibility of expanding its international presence, seeking higher support and involvement in the construction of a less exclusive global governance.

China's relationship with Brazil is distinctly different from that of the other BRICS members, especially Russia and India, which have suffered from historical and political difficulties. Brazil is the largest developing nation in the Western hemisphere, and there is no fundamental problem that is rooted in historical conflict, security threats or territorial disputes in the relationship between the two countries. Brazil was the first Latin American nation to foster a comprehensive strategic partnership with China. In relation to the BRICS, both countries, driven by their own motivations and within their own conditions, act in the same space and seek greater international insertion, but in different ways and with different expectations. Among the existing mechanisms, the institutionalisation of the BRICS is presented as a coordinated and integrated possibility for the two countries to participate in shaping the international order without the constraints imposed by the Bretton Woods system. Both countries have boosted their strategic collaboration on important international issues and in dealing with global challenges, such as climate change and the international financial crisis, as well as to advocate for the interests of developing nations.

China's capital and production outward expansion represents the capitalist world system's new round of capital and production relocation, which will dialectically enlarge or

reduce the “room for manoeuvring” and increase or decrease “upward mobility” for developing countries, including Brazil. “Room for manoeuvre” refers to the conducive external conditions for internal “upward mobility,” i.e. a favourable external environment or opportunity that leads to an internal driving force for modernisation and technological upgrading. The rise of China does present a dual effort for semi-periphery and periphery countries – the coexistence of opportunities and constraints. Currently, we are witnessing a dual phenomenon in China-Brazil relations.

On the one hand, China and Brazil have cooperated in several international multilateral platforms such as the United Nations, BASIC (Brazil, South Africa, India and China), the BRICS, and the G20. This was essentially because closer ties with Beijing would enable Brazil to fulfil its ambition of establishing a multipolar world order, instituting a developing country coalition in chief multilateral institutions, promoting South-South cooperation, and enhancing the country’s autonomy in international politics. There is a clear economic complementarity between the two economies. Brazil’s vast natural resources are very important to China’s economy and China has long been the key importer of Brazilian primary and agricultural food products. China-Brazil trade relations are becoming more and more important to Brazil, bringing many benefits to the country, particularly in the areas of commodities such as iron ore and soybeans, a similar situation to many other developing countries that have benefited from China’s rapid growth of demand for primary products and rising world prices.

On the other hand, the “unequal exchange of trade” between the two countries, with China exporting manufactured products and Brazil exporting commodities and raw material, is seen by many critics as causing a “primarisation” of Brazilian exports and a “deindustrialization” of its economy, generating negative impacts to Brazil’s long-term economic development. The argument is that China’s competition breaks down the relative monopoly of the existing semi-peripheral states in certain global commodity chains and causes a certain degree of deindustrialization or peripheralisation of many existing semi-periphery countries due to the change of their position from being an exporter of manufactured goods to being a commodity supplier. In the case of Brazil, the country has been hard-hit by the economic slowdown and economic restructuring in China, as well as by the global drop in commodity prices over the past few years.

### **The Continuous Debate and the Contributions by this Special Issue**

On the issue of the BRICS, much of the current debate is centred around the question of whether this alliance is really a “historical bloc” that is based on not only benefits and opportunities, but

also on shared beliefs, values, and visions, or whether it is just a “marriage of convenience” that is based on cost-benefit calculations and issue-based political support. Taking the political realm for example, while China and Russia are permanent members of the United Nations Security Council, they have maintained an unsupportive attitude towards the G4 nations (Brazil, India, Germany, and Japan) in their struggle for permanent membership in the Security Council, and two of them are BRICS countries. This is seen as a clear mismatch with the typical “South-South” cooperation and “win-win” relationship that China propagates.

While recognizing the fact that China’s ties with other member nations in the BRICS group has been the subject of much deliberation, the country’s strategic partnership with Brazil is still an under-discussed issue. The objective of this special issue aims to contribute to the ongoing debate on some of the central issues in economic, political, and international realms of China-Brazil relations. Among these issues, the nature of China-Brazil economic relations is of frequent deliberation. Unlike the official rhetoric, the economic relationship between the two countries seemingly follows a “North-South” pattern shaped by the “unequal exchange” mechanism as termed by dependency theory.

Given these asymmetries in the China-Brazil relationship, we foresee formidable challenges to their policy makers and analysts alike in the years to come. The Chinese idiomatic proverb “sleeping in the same bed while having different dreams” suggests a situation in which China and Brazil have shared the same space but have different expectations than each side wishes as a result of institutional integration. “Riding a tiger” is another Chinese idiomatic expression with dialectical implications – “being empowered by riding on the back of a tiger while finding it too dangerous to try to get off.” The nexus between the two proverbs points to the conundrum that different dreams will lead to a dangerous deadlock. This special issue attempts to disseminate critical contributions on the roles of Brazil and China in the BRICS as leverage for their actions, and as an agency within the international system. The definition of both countries being “emerging powers” does not provide a holistic framework for capturing all the nuances of the relationship. The different contributions included in this special issue intend to promote mutual understanding by covering different analyses of the China-Brazil relationship, and on the way China and Brazil have been affected by and have reacted to globalisation, the capitalist world system, and the interactions of international political economy, as well as the challenges, contradictions, and opportunities in their relationship faced by the two countries.

In the analysis made by Ramos et al. (in this issue), the BRICS, as an institutional arrangement, was marked by the results derived from the G-20. Supported by a qualitative

analysis of the documents produced by the Summits, the authors seek to analyse the institutional densification processes in the areas of international political economy and international security, and their respective path dependence mechanisms. The authors note that the 10-year celebration does not set the best context. Brazil still faces a severe political and economic crisis, while China goes through the uncertainties stemming from a deceleration process. Regarding the theme of institutional densification, Ramos et al. established that: “(i) issues of international security are increasingly occupying a prominent place at the summit”; and (ii) Brazil, since the coup d’état in 2016, has lost ground as a proposer in the BRICS’ economic agenda, while China maintains its attention in the created financial institutions.

Fernanda Martins (in this issue), takes into account “the initiatives that have emerged within the BRICS grouping regarding global financial governance and considers the possible impact of these institutions.” Martins notes that “Brazil and China are very different countries even though both are part of the BRICS and share common interests regarding the promotion of development and greater influence for developing countries over decision-making processes.” In her article, she differentiates between China’s and Brazil’s positions concerning “the new financial institutions in order to assess how each one might influence them and benefit from them.” Martins argues that “China will most likely benefit the most from these new institutions and have increasing influence over them, while Brazil will most likely have a more marginal role due to recent domestic developments that have shifted the country’s perception of priorities.” Also, she argues that, “while China has a clear plan of engagement in international financial governance ranging from new sources of credit for development to the internationalization of its national currency in detriment of the dollar, Brazil seems to not have such a clear agenda of its interests for international financial governance besides increasing developing countries influence over decision-making processes”.

It can be observed that the articles by Ramos et al. and Martins carry out comparative analyses of the positions of China and Brazil regarding the institutional basis derived from the BRICS. Issues such as security and the maturation of financial institutions and financial mechanisms of governance are among the most relevant to the institutional agenda. And since the institutionalization of the group in Yekaterinburg, 2009, we can see that China has had a more active role than Brazil in both issues.

Diego Magalhães (in this issue), goes deeper into the issue of the relationship between China and Brazil. Magalhães points out that, in this relationship, China is globalizing Brazil. His article aims to analyse how China is globalizing the Brazilian economy, comparing this case with how the UK and the US did it in the past. Considering contemporary literature and a

comparative data analysis, Magalhães' conclusions are: (i) "China is about to become the central vector of economic globalization in Brazil"; (ii) "Brazil-China bilateral trade and investment patterns resembled Brazil-UK relations in the 19th century"; (iii) "transnational corporations from developed economies in China strongly affect the Brazil-China trade matrix"; and (iv) "political negotiations between Beijing and Brasilia influence the prospect of Chinese investments in infrastructure and manufacturing in Brazil".

Some of the conclusions from Diego Magalhães' article raise an alert for the Brazilian economy. The precocious deindustrialisation process that has been occurring in Brazil, due to the sum of domestic variables and international events – such as the more significant Chinese presence in productive and financial activities in Brazil – has increased in recent years. Associated with the absence of an industrial policy (with a close relationship to the exchange rate, taxation, and real interest rate), the increase in Chinese participation in Latin American markets and its growing activity in Brazilian economic activity creates a complex puzzle for Brazilian policy makers and decision makers.

Concerning the question of security and defence, Medeiros et al. (in this issue), argue that Brazil and China are partners in the debate about defence spending and infrastructure investments as an asset for development. The authors consider Brazil and China as developing countries that deal with "basic challenges such as social inequality, technological impediments, high international trade dependence." They see both of them wishing to "become self-sufficient societies, with high-level employment and strong national industries; and both are also dependent on natural resources whose security is unstable and compromising." Medeiros et al. (in this issue) assert that "Brazilian's oil industry, its hydric potential, and biodiversity are elements which require the attention of the state," and they argue that "the same situation is true with China, a country highly dependent on imports from natural resources which demand energy supply infrastructure". To observe and analyse the relationship between Brazil and China, they try to "outline how the Chinese and the Brazilian governments understand their national development henceforth their defence investments and status." This analysis is done through a reading of the field's documents and a dialogue with the literature related to the theme. From this point, the authors seek to make a comparison of the policies put into practice by Brazil and China. The result is, in the view of the authors, that despite the existence of the BRICS as an institutional umbrella, relations regarding investment in infrastructure and specific sectors tend to move towards bilateral relations between Brazil and China.

It is not easy to define the position of Brazil and China either in their bilateral relations or the construction of a governance agenda within the scope of the BRICS. Although it is

possible to verify similar objectives, recent political actions and the politico-economic scenarios of Brazil and China encourage a better deal in their positions on the international scene. Their role in building a common governance agenda and agency is influenced by the specific circumstances of each country. It seems right to question how much the BRICS matter to Brazil and China, just as it is appropriate to seek an understanding of how the BRICS affects the posture of each of these countries in the scenario of greater interdependence, especially in the direction Brazilian-Chinese.

In a way, this is the issue contemplated in the articles by Hurel & Santoro (in this issue) and the article by Xavier et al. (in this issue). Hurel & Santoro draw a comparative analysis between China and Brazil in the negotiations on global Internet governance. Their goal is “to determine if Brazil and China can cooperate on a common agenda in the BRICS concerning Internet governance, in spite of big differences on this issue – in areas such as freedom of expression and protection of privacy.” Hurel & Santoro take into account the active position of Brazil and China in resistance and opposition to US dominance. Brazil and China disagree with the US view that the UN system is an ideal space for Internet governance debates. And, at this point, Hurel & Santoro's conclusion points to the existence of qualified cooperation between Brazil and China.

Still considering the possibility and existence of cooperation between Brazil and China in specific agenda items, Xavier et al. (in this issue), work with two questions: (i) is it possible to infer that the BRICS has boosted energy cooperation between Brazil and China? and, (ii) if so, how did it happen? Xavier et al. analyse the statements from the eight summits promoted under the BRICS (2009-2016) and the thirty-four-energy related bilateral international acts promoted among BRICS countries between 1994 and 2015. Therefore, the BRICS is considered as a multilateral forum with the potential to leverage energy cooperation among its members. Then, could the BRICS have served as a platform for negotiation and political-diplomatic articulation in the sense that it influenced the expansion of the number of initiatives and agreements between those countries concerning energy issues? Xavier et al. found that, “while bilateral energy relations between Brazil and Russia, and India and South Africa, respectively, have undergone subtle changes during this period, Brazil-China energy relations underwent an enlargement concerning scope and complexity.” The authors suggest that the “BRICS provided an especially cooperative environment for these two countries in the energy sector, although [they] cannot infer causality.”

## A Decade of Emergence: The BRICS' Institutional Densification Process

Leonardo Ramos<sup>1</sup>, Ana Garcia<sup>2</sup>, Diego Pautasso<sup>3</sup>, & Fernanda Rodrigues<sup>4</sup>

**Abstract:** The article aims at presenting a discussion about the processes of institutionalization and the expansion of the BRICS through its eight summits. Two issue areas will be emphasised: (i) international political economy – particularly international development – and (ii) international security. The hypothesis is that the BRICS forum has passed through an institutional densification process – see the New Development Bank and the Contingent Reserve Agreement. In such a process, despite the increasing relevance of international security issues, this occurs because of the geopolitical transformation of contemporary capitalism. In such a context, there are different patterns of institutional densification directly related to the role of the BRICS in the world order.

**Keywords:** BRICS, institutional densification, international political economy, international security

### Introduction

On September 23<sup>rd</sup>, 2006, the chancellors of Brazil, Russia, India, and China met on the sidelines of the 61<sup>st</sup> United Nations General Assembly in what could be considered the beginning of the collective work that would lead to the creation of the BRICS. The group, whose name arises from an acronym which stems from financial markets, assumed characteristics and a relevance that surpassed this origin. In fact, if previously the acronym BRICS was the focus of the attention of only political and economic analysts, the same can not be said contemporaneously. Even the investment bank Goldman Sachs, the creator of the acronym, abandoned it: almost 14 years after the acronym's creation, the bank closed the BRIC

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<sup>1</sup> Leonardo Ramos is Senior Lecturer at the Department of International Relations, PUC Minas, Brazil. Email: lcsramos@pucminas.br

<sup>2</sup> Ana Garcia is Professor of International Relations at the Federal Rural University of Rio de Janeiro, Brazil. Email: anagarcia@ufrj.br

<sup>3</sup> Diego Pautasso is Professor at the Military College of Porto Alegre. Email: dgpaotasso@gmail.com

<sup>4</sup> Fernanda Cristina Ribeiro Rodrigues is assistant professor at the University Center UNA. Email: nanda2003ri@hotmail.com

fund (Xie 2015). In this context, other acronyms have presented themselves in the imagination and practice of investors (Johnson, 2016; Silva, 2013)<sup>5</sup>

Nonetheless, the BRICS matter; and a more appropriate analysis of the BRICS necessarily involves an understanding of this arrangement from a broader perspective, which goes beyond the prism of the idea of “emerging markets” alone. It is necessary to take into account the broader processes of the institutionalization of the BRICS. Such an analysis is essential, in order to cope with the BRICS’ role in the world order.

In this sense, this article seeks to present a discussion about these processes throughout the organization’s nine summits, highlighting two thematic areas: (i) international political economy - particularly the sphere of international development, and (ii) international security. In both thematic areas, the BRICS has, since its origin, been passing through a process of institutional densification in which its main expression was the creation of the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). In this process, we note that international security issues are gaining importance, largely due to the transformations in the geopolitics of contemporary capitalism. In this context, the various ways in which institutions are set up marks and directly relates to the role that the BRICS have played in economics and security.

In this study, we highlight the following: (i) regional/global relations present in the construction of the BRICS’ international agenda, and (ii) the relations between the BRICS and the world geo-economic order. Our aim is to better understand the institutional densification processes in the areas of international political economy and international security, and their respective path dependence mechanisms.

This article will focus on the qualitative analysis of the documents produced by the summits, which will be done in close relation with the analysis of the existing literature on the subject, as well as the analysis of the international juncture in the period in question. Hence, it is organized in two broad parts: in the first part, we present a brief history of the BRICS, highlighting the main topics pertaining to its process of institutionalization. In the second part, we will discuss the limits of the BRICS’ emergence as a potential “counter-hegemonic” group.

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<sup>5</sup> See, for example, MIST (Mexico, Indonesia, South Korea, and Turkey), TICK (Taiwan, India, China, and South Korea), and N-11 (Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South, Turkey, Vietnam, and Bangladesh).

### **The BRICS summits and the (geo)-political economy BRICS' emerging process**

The economic crises since the mid-1990s made it clear that the management of the world order could not continue to ignore the advances of the emerging countries. Thus, in the late 1990s, the G20 (which until 2008 did not include a meeting of heads of state) was created after the Asian crisis (1997) and, from the early 2000s, Brazil, India, China, and South Africa - as well as Mexico - have gradually been invited as G8 observers (the idea of G8 + 5), without however, participating in debates on the direction of the world economy. At the same time, the IBAS forum (India, Brazil, and South Africa) was created in 2003, and in 2006 the first meeting of the foreign ministers of Brazil, Russia, India, and China took place on the margins of the UN Assembly. After this, the history of the BRICS has been marked not only by the intensification of agreements among participating countries, but also by a deepening of the institutionalization of the arrangement since the I BRIC Summit in June 2009 in Yekaterinburg, Russia.

The I Summit was marked by the outcomes of the G20 summit, reflecting the group's commitment to the agreed-upon decisions, as well as indicating what the group's cooperation would be at the next G20 summit. Besides that, the BRIC also emphasized the importance of reforming financial institutions in order to increase the participation of emerging middle powers in the international order. Finally, there were advances in cooperation among its members in the areas of science and education (BRIC, 2009). The II BRIC summit took place in Brasília, 2010, and dealt with a number of issues - despite the prominence of issues concerning global governance and international trade and finance. This summit stands out for its support of UN reform and for its emphasis on the importance of the stability of the international monetary system and the defense of a solution to the crisis of legitimacy of international organizations (BRIC, 2010). In 2011, in Sanya, the III BRICS summit took place. Two highlights of this summit were (i) the inclusion of South Africa in the BRICS and the fact that, at that time, (ii) all countries participating in the BRICS were also on the UN Security Council, which made the summit especially important for concerns over security issues, such as, for instance, the Arab Spring. At this point, it should be noted that, for the first time, there was an explicit reference in the final declaration to the UN reform (BRICS, 2011: §8). It also reaffirmed the importance of the G20 in the international financial architecture and the need for completing the Doha Round (BRICS, 2011). The IV BRICS summit in New Delhi, 2012, presented a new fact: for the first time, the possibility to potentially create a new multilateral development bank from the BRICS was discussed, a discussion which would culminate in the commitment of the finance ministers of each of the BRICS countries to examine the feasibility of such a bank. Moreover, the final declaration reiterated the importance of international cooperation, while stressing the

need for the reform of international financial institutions, so that the systemic importance of the BRICS countries would be institutionally recognized (BRICS, 2012a).

The V BRICS summit was held in 2013 in Durban, and closed the first cycle of the summits. It was also a milestone in the South African quest for a greater international presence, according to Andreasson (2011). This summit highlighted the BRICS' relations with African countries<sup>6</sup>, and as in the previous summits, it reaffirmed their commitment to multilateralism and the search for a more democratic global governance. In this case, the reform of the international financial institutions, in particular the IMF quota system, as agreed in 2010 (BRICS, 2013: §13) was highlighted. Also highlighted was the commitment of the BRICS to the conclusion of the Doha Round, the support for Brazil, India, and South Africa to play more prominent roles in the UN, and finally, the BRICS expressed their support for the WTO General Director to represent countries. This issue is relevant because the Brazilian Roberto Azevedo was elected to the position in question.

Following this, a \$100 billion reserve fund was also created, which would "help the BRICS countries to avoid short-term liquidity pressures" (BRICS, 2013: §10). This followed previous agreements signed in 2012 among BRICS countries, namely: (i) the *Framework Agreement for the Extension of Local Currency Credit Facilitation under the BRICS Inter-Bank Cooperation Mechanism*, and (ii) the *Agreement to Facilitate the Confirmation of Multilateral Credit Letters* (BRICS, 2012b). Finally, the creation of a BRICS development bank was announced, which should seek "resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries to complement the existing efforts of multilateral financial institutions and regional partnerships for global growth and development" (BRICS, 2013: §9) - following the New Delhi discussion.

The VI BRICS summit in Fortaleza, 2014, started the second cycle of the summits. The theme was "Inclusive growth: sustainable solutions", and in one of the most relevant moments in the history of the BRICS and its process of institutional consolidation, the "Agreement establishing the New Development Bank (NDB) was signed, with the purpose of mobilizing resources for infrastructure projects and sustainable development in BRICS and other emerging and developing economies" (BRICS, 2014a: §11). The NDB authorized an initial capital of \$100 billion - with a subscribed initial capital of \$50 billion, "divided equally among founding members" (BRICS, 2014a: §12). Furthermore, the BRICS CRA - \$100 billion - was also signed, and the *Memorandum of Understanding for Technical Cooperation between Credit Agencies*

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<sup>6</sup> Its theme was "BRICS and Africa: Partnership for Development, Integration and Industrialisation".

and BRICS Exports Guarantees was signed. The first "will have a positive effect in terms of precaution, will help countries counteract short-term liquidity pressures," and the second "will improve the enabling environment for increased trade opportunities" among the BRICS countries 2014a: §13 and §14).

The VII BRICS Summit, held in Ufa, 2015, was accompanied by high expectations. The deepening of economic cooperation was discussed within the framework of the "BRICS Strategy for Economic Partnership" which, while emphasizing the importance of cooperation in various areas, did not proceed objectively - a similar situation to that of the "road map for period until 2020" (BRICS 2015: §17). With regard to intra-BRICS trade, financial and investment cooperation, progress has been made by deepening the dialogue between the "BRICS Export Credit Agencies", the role of the "BRICS Interbank implementation of the BRICS Framework for Trade and Investment Cooperation and the importance of a study on the feasibility of "wider use of national currencies in mutual trade" (BRICS. 2015: §13, §14, §23 and §24).

However, in a critical context for the BRICS countries, it was clear that the top priority of the summit would be the NDB and the CRA. In this regard, the details revolving around these new institutional arrangements were discussed. Thus, some indications regarding the functioning of the NDB have already been realized, especially that NDB resources will be primarily focused on infrastructure investment in the BRICS countries - as was highlighted by the Russian finance minister, Anton Siluanov (Kaul, 2015). However, this was directly related to the situation of negative economic growth in both Brazil and Russia at that time: for Brazil, the NDB should favor investments in the areas of energy and infrastructure; Russia already saw in NDB the great opportunity to attract Chinese capital<sup>7</sup>. In addition, the proposal for cooperation between the NDB and the recently-created Asian Infrastructure Investment Bank (AIIB)<sup>8</sup> was presented at the summit - which would be important in financing the infrastructure projects linked to the New Silk Road (BRICS, 2015: §15). Thus, although the AIIB has to some extent eclipsed the importance of the NDB, this may mean less competition in the medium and long term and, consequently, greater availability of NDB resources for Brazil and South Africa.

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<sup>7</sup> NDB disbursed \$1.5 billion for seven projects in 2016: BNDES (\$300 million for renewable energy), Canara Bank of India (\$250 million), a project of the Eskom energy company in Africa (\$180 million), a solar energy project in China (\$81 million) and the construction of a highway in Russia. For more information, see <http://www.ndb.int/newsroom/medias/>

<sup>8</sup> The AIIB was created in the same year as the NDB. Meanwhile, it is made up of 57 founding members (some of them US historical allies such as England, Germany, and France) and has clear domination of China, which holds the veto power, the presidency of the bank and the location of its seat in Beijing ([https://www.aiib.org/en/news-events/news/2016/20160625\\_003.html](https://www.aiib.org/en/news-events/news/2016/20160625_003.html)).

It was already expected that the Ufa summit would be followed by those with a tendency for the host country to direct the previous agenda. In this case, a convergence was expected between BRICS, the Shanghai Cooperation Organization (SCO), and the Eurasian Economic Union. Thus, two issues stand out in the discussions on security: (i) explicit mention of the importance of respect for sovereignty and non-intervention in a number of cases (especially in Afghanistan, Iraq, and Syria) is made, and (ii) the existence of significant space for security issues and an exponential increase in explicit references to security problems on the African continent - reflecting the BRICS countries' concern with the region's stability (Ramos, Teixeira, Fernandes & Carnevali, 2012)<sup>9</sup>. Despite the criticism of the current order and the action of the traditional powers, the non-confrontational strategy remained, and the existing multilateral arrangements were reaffirmed (BRICS, 2015: §11, §18, §19 and §26) - and in some measure would remain the following year in Goa.

The Goa Final Declaration reiterated that sustainable peace requires the construction of an "equitable and democratic multipolar international order" with a "concerted and determined global approach" based on mutual trust, equity, and cooperation, but above all in the "strong commitment to international law and the central role of the United Nations as the universal multilateral organization entrusted with the mandate of maintaining international peace and security". While emphasizing the role of the UN, the document calls for reform of the UN Security Council, in order to make it more representative and efficient (BRICS, 2016: §6-8). This theme continues to be an important one, under pressure from India and South Africa, despite the less significant effort of the current Brazilian government.

Other important points were support for the recent decision of the working group of the UN Committee on the Peaceful Uses of Outer Space (COPUOS) on the intention to create a long-term sustainability plan in space by 2018 (BRICS, 2016: § 55-56) and support for the Russian initiative to develop an international convention banning chemical and biological terrorism based on bilateral and international cooperation (BRICS, 2016: §58). It is clear in this case the interests of Russian diplomacy regarding the fight against terrorism – particularly the Chechen separatism and international extremist groups, such as those fighting in Syria against the Assad government.

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<sup>9</sup> This is explicitly stated in the following: "We are committed to further strengthen and support South-South cooperation, while emphasizing that South-South cooperation is not a substitute but rather a complement to North- South cooperation, which continues to be the main channel for international development cooperation" (BRICS, 2015: §66).

Syria, moreover, was also highlighted in the final document. Russia, as the main BRICS member involved in the subject, noted in the document the position its diplomacy has been advocating: building peace through an inclusive national dialogue and a political process led by the Syrian government and based on the Geneva Communiqué June 30<sup>th</sup>, 2012, pursuant to UN Security Council resolution 2254 and 2268, as well as in the fight against terrorist groups such as ISIS and Jabhat al-Nusra (BRICS, 2016: §14). Russia's growing assertiveness in the Syrian conflict, centered on the stability of the country from the defense of Assad's government, has come at odds with US policy and that of its allies whose aim is to dismantle that government, even if it supports "rebel" Islamic jihadists (Pautasso, Adam & Lima, 2015).

Still regarding the security issues, two other themes were highlighted at the summit. First, the need to implement the two-state solution to the Israel-Palestinian conflict based on UNSC resolutions, the Madrid Principles, and the Arab Peace Initiative. Second, concern for security challenges in Afghanistan and support for efforts of the Afghan government to build national reconciliation, combating terrorism and drug trafficking, and counting on the NATO Support Mission, the SCO and the Collective Security Treaty Organization was raised (BRICS, 2016: §15-16).

In addition to these security issues, another point that stands out at the summit is the progress in the BRICS process of institutionalization. In this sense, it is important to see the signing of a Memorandum of Understanding for the Establishment of a BRICS Agricultural Research Platform (BRICS, 2016: §86); the first meeting of the BRICS Counter-Terrorism Working Group (BRICS, 2016: §60); the NDB's operational advances; the start of negotiations on the proposal to create a BRICS rating agency (BRICS, 2016: §44); the creation of a joint discussion platform between the BRICS Export Credit Agencies for trade cooperation among the BRICS countries - which had already had its 'inaugural meeting' in Ufa (BRICS, 2016: §13); and the establishment of a BRICS Customs Cooperation Committee within the framework of the BRICS Strategy for Economic Partnership, previous established at the VII Summit in Ufa (BRICS, 2015: §17 §48).

Under the banner "BRICS: Stronger Partnership for a Brighter Future", the IX BRICS Summit occurred in Xiamen, China. Three relevant documents signed at the summit were (i) the action plan for innovation and cooperation (2017-2020); (ii) the strategic framework of BRICS customs cooperation; and (iii) the MOU between the BRICS Business Council and the NDB on Strategic Cooperation. Initiatives for the development of BRICS Local Currency Bond Markets and to establish in the future a BRICS Local Currency Bond Fund were agreed (BRICS, 2017: §10), and highlighted "the progress in concluding the MOU among national

development banks of BRICS countries on interbank local currency credit line and on interbank cooperation in relation to credit rating” (BRICS, 2017: §11). In this meeting, the discussion of the developments regarding NDBs were mentioned and the NDB African Regional Center in South Africa was of importance as it is the first NDB regional office (BRICS 2017: §31). Concerning the CRA, the CRA System of Exchange in Macroeconomic Information was established (BRICS 2017: §30).

On security, the BRICS condemned “unilateral military interventions”, referring to some of the declarations and behavior of the US president, Donald Trump. Topics such as terrorism, Syria, and other international conflicts were mentioned, as well as discussions concerning the implementation of International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation in Financial Action Task Force against Money Laundering and Financing (FATF) (BRICS, 2017: §38, §11). For the first time, China recognized Pakistan-based terrorist groups - Lashkar-e-Taiba, Jaish-e-Mohammad and the Haqqani network - an important fact for Indian diplomacy (Pandey 2017). Also, an important initiative, the 7<sup>th</sup> Meeting of the BRICS High Representatives for Security Issues, held on 27-28 July 2017 in Beijing, advanced security issues already discussed by the BRICS. It is important to note that the security issues, in general, occupied a significant portion of the Xiamen declaration (see also BRICS, 2017: §41-§51).

**Figure 1**

	<b>IPE (International Development)</b>	<b>International Security</b>
<b>III Summit 2011</b>		Reform of the SC (explicit mention in the final document) Arab-Libyan Spring
<b>IV Summit 2012</b>	NDB (discussion) Framework Agreement for the Extension of Local Currency Credit Facilitation under the BRICS Inter-Bank Cooperation Mechanism and the Agreement to Facilitate the Confirmation of Multilateral Credit Letters 100 Million Fund NDB (creative announcement)	
<b>V Summit 2013</b>		Syria and Africa
<b>VI Summit 2014</b>	NDB (signature of the creation agreement) CRA	

<b>VII Summit 2015</b>		Syria and Africa
<b>VIII Summit 2016</b>		Syria 1 <sup>st</sup> meeting of the Counter-Terrorism Working Group.
<b>IX Summit 2017</b>	Action plan for innovation and cooperation (2017-2020) Strategic framework of BRICS customs cooperation NDB Africa Regional Center in South Africa CRA System of Exchange in Macroeconomic Information	Implementation of International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation in FATF Recognition of Pakistan-based terrorist groups 7 <sup>th</sup> Meeting of the BRICS High Representatives for Security Issues

### **Institutional densification and the limits of emergence**

The context of the BRICS' 10-year celebration is surely not the most appropriate. Much of the success among BRICS' members in terms of economics has only been seen in India, though many pressing social problems remain. China is still in a delicate process of deceleration, while Russia and Brazil have negative rates - the latter with severe economic and political problems, which marked it as an outsider at the Goa summit - and South Africa has serious governance problems (Toloraya, 2016).

Regarding institutional densification (summarized in Figure 1), we can see some paths covered by the BRICS. First, issues of international security are increasingly occupying a prominent place at the summits. In this case, the BRICS' unit capacity has been tested with the geopolitical transformations associated with US-Russian relations and, to a lesser extent, the relations between the US and China. In particular, it is interesting to note how the crisis in Ukraine and its developments - for example in the context of the G7/8 - had an impact on the BRICS in the first place: if, until 2014, for some analysts Russia should not even have been part of the BRICS (Macfarlane, 2006; Cooper, 2006; Khalid, 2014), since 2014 the intense engagement of Russia with the BRICS can be noted, such that in its quest to maintain its regional sphere of influence, it ends up influencing significantly the group agenda (Fortescue, 2014). Besides that, there is a convergence of interests between India, Russia, and China in relation to the fight against terrorism (Neelakantan, 2016; Ryabkov, 2016).

Looking at this issue from the respective engagements of each of the BRICS countries, Brazil and South Africa seem to be trailing behind, despite their more proactive roles at certain moments in the bloc's history. Both countries behave as *norm-taker*, more so than *norm-maker*. In the case of South Africa, it has worked along the lines of Chinese interests, and has achieved its aim of being represented as Africa's spokesperson in international forums, thereby placing

Africa as a point of concern in the group's statements - see, for example, the establishment of the first NDB regional office in South Africa.

Brazil, in turn, continues to lag behind. Since the *coup d'état* in 2016, it is losing its international prestige and leadership. The BRICS' tack shows this, and despite some Brazilian initiatives concerning the bloc - in Xiamen, for example, Brazil proposed a Memorandum of Understanding on regional aviation and the establishment of a BRICS Intelligence Forum (BRICS, 2017: §22, §36), - Brazil is following in the others' footsteps. In the case of the UN Security Council, there is a mismatch between the Brazilian position and the current direction of the BRICS; if, on the one hand, the issue of UN Security Council reform returns with great importance because of the interests of India and South Africa, on the other, Brazil will remain outside of the Council at least until 2033 - since it has not submitted an application in recent years for one of the rotating vacancies (Mello 2017).

In this process, it is noteworthy that both the prominence of international security issues and the outreach process in relation to other countries are directly influenced by the country hosting the summit, generating some dependence on the trajectory for the arrangement as well as creating conditions of possibility for host countries - with consequences for institutional densification, as seen in the previous section (and summarized in Figure 1). Still, throughout the history of the BRICS, institutional densification has largely occurred in issues associated with international political economy, and in particular the question of international development - a kind of "path of least resistance" (Abdenur & Folly, 2015:106). Despite this, the progress made in recent summits in international security matters should not be overlooked. That is, looking at the advances of the arrangement in such areas is a pertinent way of identifying and relating the underlying causal mechanisms to the constitutive processes of the BRICS.

Nevertheless, it is interesting to note that, from Ekaterinburg to Xiamen, institutional progress has occurred in consistent dialogue with (and not against) existing international institutions. This is evident in different issue-areas, such as: the constant demand to implement reform regarding international financial institutions, especially the IMF; the emphasis on innovation for medium and long-term growth and sustainable development, thus reaffirming the G20 agenda expressed at its 2016 summit, and thereby, the importance of the G20 as a forum for macroeconomic cooperation; the discussion on renewable energy, energy security, and climate change associated with the Paris Agreements on Climate Change (BRICS, 2016: §54, §70 and §92) - in addition to the statements made to the FATF and to the WTO, for example. In political terms, the BRICS agenda is not one of confrontation, but rather of claiming

"a place at the table" with the Western powers, to gain a bigger voice and greater participation within existing institutions (Garcia & Bond, 2015). That said, the BRICS has tried to show that there is a contradiction between their economic potential and their political role.

These questions refer to the relationship between BRICS and the world order. While on the one hand there is a reformist agenda in the BRICS, a critique of the current world order and the adjustments made since the end of the Second Cold War, on the other hand it is fundamental to realize that these countries are integrated into the world order and their "emerging" process is closely linked to the neoliberal processes of globalization in the last twenty years (Oehler-Şincai, 2011). This issue is important because it helps in understanding, in less simplistic ways, the direction of international conjuncture especially (but not only) in relation to the two great examples of institutional strengthening of the BRICS: the NDB and the CRA. Although new multilateral arrangements are closely linked to a broader Chinese infrastructure finance strategy (Ramos & Vadell, 2016), as well as to a current critique of the structure of the Bretton Woods institutions (the IMF and the World Bank), they themselves do not openly present themselves as a counter-hegemonic alternative (BRICS, 2015: §66). The CRA is particularly interesting on this point. In Article 5 of the *Treaty on the Establishment of the Contingent Reserves Arrangement of the BRICS*, which deals with the access of the parties to the resources of the CRA, it is stated that access to 70% of the maximum available for each part depends necessarily on "the existence of an ongoing agreement between the IMF and the Requesting Party that involves the IMF's commitment to provide funding to the Requesting Party on a conditional basis and compliance by the Requesting Party with the terms and conditions agreement" (BRICS, 2014b: Article 5, d, ii: 5). That is, the legitimacy of the IMF has been reaffirmed since the very creation of the CRA; in fact, at Xiamen summit there was an agreement "to promote closer cooperation between the IMF and the CRA" (BRICS, 2017: §30).<sup>10</sup>

It is therefore increasingly meaningful to understand the BRICS not as a collective challenge to the world order, but rather as a *conservative globalizer* arrangement (Kahler 2013, 2016 - see also Garcia & Bond, 2015), which in this sense demands a reform of the world order, either in the UN system (Security Council, for example) or in the Bretton Woods System. That is, it ultimately helps to understand the BRICS' limitations as an alternative emergent case.

Thus, after a decade, the great question that arises concerns the direction of this arrangement. The nefarious effects of neoliberal globalization pushed the world into a major economic crisis in the early twenty-first century, causing political consequences that have

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<sup>10</sup> For a more detailed analysis of the NDB and the CRA, see Carvalho, Freitas, Godoy & Gomes, 2015.

become acute today. As new parties and far-right movements grow, and tragicomic characters like Donald Trump come into political power, the BRICS experiences its own changes leading to new directions in politics and economics, as with the *coup d'état* consummated in Brazil in August 2016. Curiously, Trump's rise in the US and its shift to relative economic protectionism places China (usually understood as a differentiated model that has driven its economy outside of the standards set by the "Washington Consensus") in a new position: today it is a proponent of the open market and globalization (Anderlini, Feng & Mitchell, 2017) and is the main driver of BRICS economic agenda with its institutional developments.

In this sense, current international conjuncture will also have significant causal impacts on the BRICS' trajectory. It should be borne in mind, therefore, (i) the extent to which the BRICS would have actual centripetal ability - notably led mainly by Chinese economic interests and Russian security interests - to generate a pole of opposition to the US under the chairmanship of Donald Trump and, at the same time, ii) the impacts generated by the political changes themselves within the BRICS countries - as in the case of Brazil, for example. Certainly, the direction of the processes of institutional densification (especially but not exclusively, in the areas of political economy - international development - and international security) tend to suffer impacts from these and other issues. That is, the future unfolding and interweaving of these causal processes may present harsh tests for future BRICS advances. Nevertheless, these are some of the questions that, in light of the past 10 years, can illuminate future research on the BRICS and its role in the world order, going forward.

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

Diego Trindade d'Ávila Magalhães<sup>1</sup>

**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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<sup>1</sup>Diego Trindade d'Ávila Magalhães is Professor at the Faculty of Social Sciences, Federal University of Goiás, Brazil. Visiting Scholar at Humboldt University of Berlin (August 2017-July 2018). E-mail: diegotdm@gmail.com. The Federal University of Goiás funded this researcher, and the Humboldt University of Berlin supported him with infrastructure and academic supervision.

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,<sup>2</sup> when the UK prevailed; from 1970 to 2000,<sup>3</sup> 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

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

<sup>3</sup> 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.<sup>4</sup> 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.

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<sup>4</sup> 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)<sup>5</sup> is the largest exporter and the second largest importer in the world, accounting respectively for 13% of global exports and 10% of

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<sup>5</sup> 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 25<sup>th</sup> and 30<sup>th</sup> 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,<sup>6</sup> 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).

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<sup>6</sup> 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 13<sup>th</sup> 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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## **New Institutions on the Block: The BRICS Financial Institutions and the Roles of Brazil and China**

*Fernanda de Castro Brandão Martins*<sup>1</sup>

**Abstract:** The rise of emerging markets and the creation of the BRICS group point to changes in international governance. This paper takes into account the initiatives that have emerged within the BRICS grouping regarding global financial governance, and considers the possible impact of these institutions. Brazil and China are very different countries, even though both are part of the BRICS and share common interests regarding the promotion of development and greater influence for developing countries over decision-making processes. In this sense, this paper differentiates China's and Brazil's positions in relation to the new financial institutions, in order to assess how each might influence them and benefit from them. We argue that China will most likely benefit the most from these new institutions and have increasing influence over them, while Brazil will most likely have a more marginal role due to recent domestic developments that have shifted the country's perception of priorities. Also, while China has a clear plan of engagement in international financial governance ranging from new sources of credit for development to the internationalization of its national currency to the detriment of the dollar, Brazil seems to not have such a clear agenda for its interests in international financial governance besides increasing developing countries' influences over decision-making processes. The new BRICS institutions present an important opportunity for the BRICS countries to change the rules of international financial governance. How much each member country will influence this process will depend on their engagement with these recently inaugurated institutions.

**Keywords:** China, Brazil, BRICS, Finance, NDB, CRA

### **Introduction**

The influence the BRICS countries (Brazil, Russia, India, China, and South Africa) as a group have over international politics has increased since the creation of the BRICS, leading its members to seek greater engagement in international governance. Since then, the BRICS have become more than a mere forum of coordination among emerging markets on the sidelines of international organizations. The group now has annual summits where further cooperation

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<sup>1</sup> Fernanda Brandão Martins has Master in International Relations, Universidade Federal da Bahia, Salvador, Brazil. Email: fecbrandao@gmail.com

initiatives and policy coordination are promoted. Nowadays, the group is engaged in the active promotion of changes and reforms in the international system, including the creation of complimentary yet alternative institutions when deemed necessary. This has been the case, especially in the financial and monetary systems.

The 2008 financial crisis marks an important change in the perception of emerging countries' roles and their engagement in international financial governance. After the crisis, emerging markets, especially the BRICS, came to be regarded as important actors that should take part in international financial governance so that economic stability could effectively be achieved. Since the crisis, the financial G20 became institutionalized and its meetings acquired more importance, the BRICS have pressed for the reform of the traditional organizations the International Monetary Fund (IMF) and the World Bank, and the BRICS have also proposed complementary financial institutions and instruments that are also alternatives to the existing ones.

Nevertheless, inside the BRICS, the influence that each country exercises in determining the agenda to be pursued is asymmetrical. This paper focuses on the difference between Brazilian and Chinese influence over the BRICS initiatives towards international financial governance. We focus on the demands made by the group regarding greater voice and the end of conditionalities in the traditional organizations, and the proposal of their own financial organizations, especially the New Development Bank (NDB) and the Contingent Reserve Agreement (CRA), seeking to determine Brazilian and Chinese roles.

The purpose of this paper is to observe how Brazil and China have influenced the BRICS' financial initiatives. Observing how these initiatives reflect the interests of China and Brazil will help us determine which country has the potential to benefit most from them. The BRICS' initiatives have the potential of providing benefits for both countries, but it will depend on how each country will be able to exert influence over the agenda's definition inside the BRICS and the institutions itself. The BRICS is also an important means of power projection in the international system for its member countries. The country that has more influence inside the group will be able to project it in international financial governance through the complimentary yet alternative institutions like the NDB and the CRA.

We argue that, despite the BRICS' rhetoric that no member state has more influence inside the group, there still are asymmetric relations that determine whether a country has more influence over the agenda-setting, leading to greater potential future advantages. After the crisis, both countries were in a relatively comfortable situation, having suffered mild impacts on their economies as a consequence of the crisis. China consolidated its position as a key

economic actor, providing liquidity and sustaining economic growth, avoiding a bigger downturn in the world economy. Brazil managed to sustain economic growth at first but, unlike China, was negatively affected by the downturn in commodity prices that followed the financial crisis. The country was then overcome by an economic downturn simultaneous to domestic instabilities stemming from a large-scale graft investigation in different levels of Brazilian politics. These events diminished Brazil's stance in the BRICS, giving China more room to lead the group and have more influence over agenda-setting.

In order to meet the purpose of this paper, we first make a short review of how the BRICS went from investment destination to the voice of the developing world. In another section, we observe the BRICS' role in the post-crisis moment and the group's relationship with the traditional institutions. Then we discuss the BRICS' financial initiatives and which countries have had greater influence over this agenda. Later, we make a short comment on how China and Brazil - although in the same group - have very different priorities, interests, and policy strategies regarding international financial governance.

### **The BRICS: from investment destination to discontents with the international order**

The term BRIC was first used by Goldman Sachs' economist Jim O'Neil (2001) to refer to a group of emerging countries considered good enough as investment destinations. Later, the governments of these countries decided to get together on the margins of the United Nation's General Assembly to better cooperate and coordinate their positions. After the financial crisis, in 2009, the group institutionalized its meetings, establishing annual summits to promote further cooperation and coordination. At this stage, South Africa was included so that Africa would be represented in the group which became the main voice of developing countries in the international arena.

The traditional power asymmetries consolidated in the international order are, notwithstanding, an important issue that brings the BRICS together in an effort to cooperate and coordinate their policies, in order to promote an international order where these countries have influence according to their capabilities and significance for the international economy. The BRICS want more influence over decision-making processes in international governance which corresponds to their newly acquired power capabilities. These are the result of their recent process of economic growth and development. China and Brazil share the same belief: that the international order needs to be revised so as to better attend to the peace and development agenda of emerging countries (Becard et al., 2015). In this sense, the countries

seek changes in the existing international governance institutions that are embedded in a power structure that no longer corresponds to the international reality.

The existing international order was built under American hegemony and prioritizes the interests of the hegemonic power and its closest allies. Sometimes, international institutions are used to serve the narrow ends of the hegemonic power, disregarding the needs of other countries (Acharya, 2014). This is the BRICS countries' perception about the traditional financial institutions. The 2000s witnessed the rise of formerly underdeveloped countries to the status of emerging markets through impressive growth rates sustained over a significant period of time. It is assumed that a country will try to have greater influence over the international order if its power increases (Gilpin, 1981). This is because states seek to increase their power capabilities so that they can exert greater influence over international governance and keep themselves safer (Gilpin, 1981). For developing countries like Brazil and China, more influence over international governance also implies a more favorable environment for the maintenance of the economic growth and development these countries have recently had.

Since the international order is based on power distribution, it is expected that emerging countries will demand changes in the international order so that it reflects their newly acquired power capabilities (Gilpin, 1981). This is what the BRICS is about, seeking a louder voice and more room for the BRICS to influence the future of the international order. China, specifically, has received a lot of pressure to act like a "responsible stakeholder", in Robert Zoellick's words. The BRICS have become an important tool through which China has been working on a bigger role in global governance and being a responsible stakeholder, using the proposition of new rules and institutions. Of course, Zoellick's words were not meant to be an encouragement to Chinese leadership over the international system, but that China should refrain from disturbing the existing international order.

The dissatisfaction and interest in taking a more active role in governance can be observed in the financial and monetary international systems. International financial and monetary governance is mostly led by institutions created under American hegemony, such as the IMF, the World Bank, and the Bank for International Settlements. Also, the United States' Treasury has the sole dominance of the dollar, the international reserve currency. We focus on the first two institutions, since the BRICS' initiatives in this field are directed at complementing and becoming an alternative to both the World Bank and the IMF. The BRICS' (and other developing countries') main issue with both institutions is the imposition of conditionalities, restricting access to credit in exchange for the suitability of domestic economic policies to their

liberal spelling book resumed in the Washington Consensus. Another important point of discontentment is the lack of proper representation in these institutions.

Both China and Brazil have had different experiences with the IMF and the World Bank's conditionalities and policy recommendations. On the one hand, China listened to the World Bank's recommendations, but applied only what it deemed to be useful and in accordance with the country's interests (Arrighi, 2008). China's development path is guided much more in accordance with the Chinese Communist Party's guidelines than international pressure. On the other hand, Brazil borrowed a great sum of money from these institutions and followed the recommendations of the Washington Consensus, despite some adaptations like the strengthening of the state in the promotion of development and the maintenance of protectionist trade policies (Ban & Blyth, 2013). Each country's choice had a major impact on the development road that each followed. In China, privatization and the deregulation of markets came at a slow pace, with the focus being the development of the national economy without creating domestic instability as a result of these economic changes (Arrighi, 2008). In Brazil, privatization and deregulation were adopted according to the neoliberal recipe while seeking to maintain the government's control over the development process. China has also maintained strong control over foreign direct investment in the country (Arrighi, 2008). China's capital account is still very closed in relation to the neoliberal standards. This means that capital flows in the country are still under the strong control of the government, despite continuous pressure from the traditional institutions and the developed countries for the deregulation of capital flows in China. Currency control is another issue in which China does not follow the traditional international guidelines. Even though the Chinese government recently took steps in the direction of further liberalizing the renminbi's exchange rate, it backtracked in face of possible instabilities. Nevertheless, both Brazil and China position themselves against the imposition of conditionalities.

Another common demand between Brazil and China, and the other BRICS as well, is for better representation for emerging countries in the IMF and the World Bank. Brazil, for once, has linked the increase in developing countries' participation to achieving more effective international governance (Bosco & Stuenkel, 2015). The influence of a country over the decision-making process of the traditional institutions is given by the voting quota that is calculated by taking into account the contribution of a country to the organization and economic indices that measure the importance of a country in the international economy, its GDP for example, at the moment of their accession to the organization. This means that many developing countries have voting quotas that no longer correspond to the size of their contribution to the

organization and economic significance. According to Martin Jacques (2009), a global economic regime where the BRICS countries have greater influence would be more democratic than the existing one.

The United States has veto power in both institutions and the European countries - if coordinated - could also veto decisions in these organizations. In the World Bank, for example, the developed countries make the rules, while developing countries are the ones to actually use the Bank for loans (Strand & Retzl, 2016). In 2010, there was a revision of the quotas that increased mostly the quotas of developing countries. Nonetheless, the US and European states continue to have veto power, while the BRICS - even if combined - do not. This reform was only ratified by the US Congress in 2015.

Today, China plays an important role not only as a recipient of World Bank credit, but as a significant contributor. China has an extensive program of aid for development using its own domestic institutions and contributing to traditional ones. China has become an important contributor to the World Bank, and is becoming an important alternative source of international aid for development (Reich & Lebow, 2014). Also, during the crisis, China made important capital transfers, especially to the IMF, in order to help provide enough resources to reign in the consequences of the economic instability that followed suit. In relation to the IMF, Brazil is progressively leaving the position of a mostly borrower to become a creditor nation. In 2010, the country increased its contribution buying US\$10 billion worth of IMF-backed notes (Bosco & Stuenkel, 2015). Brazil is also among the top borrowers of the World Bank. Unlike China, Brazil has not become a major contributor to the World Bank's initiatives for investment in development (Bosco & Stuenkel, 2015).

The countries that make up the BRICS are different among themselves in terms of economics, culture, and political systems, but all these countries share a discontentment with the existing international order and their insufficient influence over international decision-making processes, despite their status as emerging economies. These differences entail that the influence each country exerts over the group is asymmetrical, and that the BRICS will not always share the same interests among themselves. Even though all the member states are emerging economies, some are in a farther stage of development than others. For instance, there is a clear economic gap between China and the rest of the BRICS. This fact becomes important when we take into account the BRICS' cooperation in economic issues. While China is still a developing country, it is already the second largest economy in the world. Brazil's economic performance on the last two decades - though stable - has been modest, resulting in more modest influence and prestige (Porzecanski, 2015).

Also, China has had more success in the process of the internationalization of its economy than Brazil, which aggravates this asymmetric relation between both countries (Becard et al., 2015). In this sense, China seems to have greater influence, at least over economic issues, inside the group. Nevertheless, the discourse of the group is that no country solely leads the grouping, but that each member state makes important contributions. These differences, though, played a significant role in how each BRICS country contributed in the aftermath of the crisis.

### **The 2008 crisis and international financial governance**

The 2008 financial crisis has had a major impact on the international economy, bringing important lessons to the fore and changes in emerging countries' roles in international financial and monetary governance. The first major lesson from the crisis was that the developed markets were not immune to crises. This revealed the intrinsic vulnerabilities of countries such as the BRICS whose economies depend on those of the developed markets. For example, Brazil depends on foreign markets' demands for its commodities, while China depends on their demands for Chinese manufactured products.

The second major lesson was that the United States' ability to maintain a stable international economy was under dispute, since the crisis originated in that country itself. The predominance of the dollar was also perceived to be under threat in the face of the American inability to underwrite the existing international economic system (Jacques, 2009). The US, once regarded as the source of stability for the world economy, came to be seen as a source of economic instability, and the country is the largest debtor in the world (Reich & Lebow, 2014). This does not mean that the United States did not act to help control the effects of the crisis, but that it could not do so without the participation of emerging countries. The United States' action in the post-crisis moment was crucial to its management (Nye, 2015).

It is expected that a hegemonic power will provide order and stability in the international system during the period of its dominance (Gilpin, 1981). When the hegemonic power is no longer able to keep up its duties or is regarded as a source of instability, discussions arise about the possible decline of the hegemonic power. This, in turn, leads to the perception that there is room for emerging powers to increase their influence over the order and governance of the system. Observing the international economic regimes and governance structures, it is possible to observe such a dynamic nowadays.

After the crisis, it was expected that the G8 would be called in a meeting to address to possible effects of the crisis that exploded in the United States. Instead, the G20, a little-known

institution which incorporated emerging markets, including Brazil and China, was called by then-President George W. Bush to address the issue at hand. At the time, the group declared itself the most important forum for economic cooperation (Bosco & Stuenkel, 2015). This represented the end of developed countries' capability to solve a major international economic crisis without active help from large emerging economies (Jacques, 2009). Overall, the crisis revealed that developing countries from then on were required to take part in efforts for the stabilization of the international economy - countries that previously were considered unqualified to take part in this kind of responsibility (Brzezinski, 2012). It also pointed to American inability to maintain its leadership over the world economy in the long haul (Brzezinski 2012).

China had a major role in sustaining global economic activity and reducing the strength and endurance of the crisis' consequences by acting as an important source of international liquidity in the post-crisis scenario. The Chinese government's commitment to the maintenance of international economic stability led to the country assuming the role of liquidity provider and becoming a major promoter of economic growth. China's major post-crisis stimulus package to its domestic economy, along with the US' stimulus package, was important to assure that the global recession would not last long (Cohen, 2017). Later, China was an important actor, purchasing European bonds that helped control the Eurozone crisis. As stated by Simon Reich and Ned Lebow:

“(…), heavy Chinese support for the dollar and the euro, unprecedented aid and investment in the Global South, timely intervention through capital infusions to support American banks, record investments overseas, the stabilization of currency exchange, and the incremental convertibility of the RMB have all been essential to preserving global economic stability since 2007”. (Reich & Lebow, 2014: 128)

In 2011, China became the world's greatest lender when the country's holding of US Treasury bills reached US\$1.16 trillion (Reich & Lebow, 2014). China is beginning to occupy a place that usually belongs to the hegemonic power in the system: the lender of last resort, the provider of liquidity. The control over international liquidity is deemed import, since through it a country can obtain military superiority, especially because military technologies are increasingly more capital intensive (Arrighi, 2008).

China's economy was affected by the 2008 crisis in the sense that it reduced consumption from developed countries, the main destination for its exports. This, in its turn, reduced China's demand for commodities, negatively affecting commodity-exporting developing economies like Brazil which also faced the reduction of demand from developed countries due to the crisis. Nevertheless, Brazil had a positive posture in the post-crisis,

exemplified by the then-Brazilian President, Luis Inácio Lula da Silva's claims that Brazil would be hit only by a small wave of the crisis, the country therefore having nothing to fear. Later, though, the country was fully hit by economic downturn when the commodities prices fell in the international market due to the decline in international demand.

The crisis ignited a domestic debate and efforts in China to promote a shift in the country's economic model, to lessen its dependence on foreign markets and increase its domestic consumption base (Christensen, 2015). Brazil did not engage in such an effort, remaining strongly dependent on commodity exports, even though the crisis burst the bubble in commodities prices and revealed the economic susceptibility due to dependency on primary products. These different economic choices made by China and Brazil will likely keep playing an important role in determining each country's role and influence over international economic governance. Nonetheless, the BRICS as a group took important steps to increase the group's influence over financial international governance, including the creation of new institutions.

### **The BRICS and financial governance in the post-crisis**

The crisis and the evident inability of developed economies, especially the United States, to solve the economic issues at hand created an opportunity for the developing countries to enhance their influences, promote their demands for better representation in the traditional institutions, and propose new governance solutions of their own. In the post-crisis, the BRICS reinforced the pressure for demands regarding reform of the voting quotas in the IMF and the World Bank, and reinforce these countries' uneasiness towards the conditionalities imposed by both institutions to credit access. An agreement was made in 2010 that revised the voting quotas in the IMF. In this agreement, most BRICS countries had their voting quotas increased, while the US and the European states had theirs decreased. The United States' Congress failed to ratify the agreement, "even though it would cost the United States almost nothing" (Nye, 2015). The agreement was only ratified by the Congress in 2015.

The reforms brought by the 2010 agreement were not enough, since they did not remove the American veto power in the organization, and neither did any developing country or the sum of the BRICS countries come near to having a veto power in the organization. There is still an important gap between the US' and the BRICS' voting power in the traditional multilateral institutions. Voting power is important, as it is the measure of a country's influence over the decision-making process of an institution (Strand & Retzl, 2016). Nevertheless, these countries reinforced their commitment to the traditional institutions through the increase of their contributions and ad hoc contributions to help provide liquidity during the crisis, primarily

China. The BRICS helped boost IMF emergency funds in face of the European crisis (Christensen, 2015).

Despite the BRICS' commitment to the traditional institutions in which their influence is limited by the power structure inaugurated after World War II, they have worked towards their own complementary and alternative institutions. China and Brazil believe that the BRICS can be an important instrument to show that developing countries can assume the lead in the resolution of its own members' development issues (Becard et al., 2015). In the BRICS Summit in 2009, it was decided that the viability of a development bank and a fund of their own would be studied by the BRICS' member states. The proposition for such institutions came from India, and was discussed in the BRICS Summit held there in 2012 (Batista Jr., 2016). In Fortaleza, Brazil, 2014, the BRICS' bank, named the New Development Bank, and the Contingency Reserve Agreement were created. Both institutions began to function in 2015.

#### *The Contingency Reserve Agreement*

The BRICS' Fifth Summit Declaration and Action Plan claim that the purpose of the CRA is to protect BRICS countries from international monetary instabilities (BRICS, 2014). The CRA's function is to complement the role of the IMF, issuing loans to help the BRICS countries correct any imbalances derived from international financial crises or capital speculation that might result in a loss of currency. The CRA could become an important instrument for the BRICS to reign in hard currency fluctuations as a result of speculation of their national currencies (Lima & da Silva, 2016).

Each BRICS country contributes to the fund according to its economic capabilities. The total amount subscribed to the institution is US\$100 billion. From the total, China has promised around US\$41 billion, while Brazil has committed to US\$18 billion (Rooney, 2014). This shows the gap between both countries' contributions, which could later result in different levels of influence over the institution. It is important to point out that China holds the largest reserves in the world.

#### *The New Development Bank*

The NDB is the direct result of the BRICS' dissatisfaction with the existing multilateral institutions in international financial governance (Batista Jr., 2016). The NDB's purpose is to complement the role of the World Bank, issuing loans to promote investment for the sustenance of economic development in the BRICS and other developing countries. The NDB is focused on investments in infrastructure and green technologies. The focus on infrastructure is related

to the understanding that developing a good infrastructure web is important for a country's development. Infrastructure is essential to a country's economic efficiency, dynamism, and economic growth (Brzezinski, 2012). Also, estimates point out that the World Bank, the major provider of credit for development, does not have such a focus and does not have enough resources to attend to all the demand from the developing countries. There is a projection of a shortage of resources to fund infrastructure and sustainable development in the long run (Griffith-Jones, 2014). Also, the NDB promises to act in a faster and more efficient fashion without sacrificing quality, differently from the traditional organizations where access to loans can be a long and bureaucratic process (Batista Jr., 2016).

The NDB's authorized capital is US\$100 billion; the subscribed capital is US\$50 billion. It is expected that in 2022 the NDB's paid-in capital will reach US\$10 billion and could easily be able to reach US\$13 billion if new members are admitted (Batista Jr., 2017). In comparison, the World Bank has a paid-in capital of US\$16 billion and has few expectations of increasing this amount, since its greatest contributors, the US and European countries, do not seem inclined to increase their contributions (Batista Jr., 2017). Since the inauguration of the Trump government, the US has announced a series of cutbacks in its contributions to international organizations, including the IMF and the World Bank. These cuts will make it even more difficult for the World Bank to be capable of attending to development demands from around the globe in the long run.

There is the potential for further expansion of the Bank's reach, meaning that other developing countries might be able to be granted access to the NDB's loans. In this sense, the NDB is an institution with globally reaching ambitions (Batista Jr., 2017). The Bank's purpose is to include members from all continents, but developed countries, though they could be granted membership, will not be able to get loans from the NDB (Batista Jr., 2016). The expansion of the Bank's reach may become a controversial issue, since some of the BRICS countries would prefer the investment to be focused on the organization's member states. Today, the expansion of the NDB to include new members faces opposition mainly from Russia, which is concerned about the financial restrictions the country faces in the international markets due to imposed sanctions, and which sees in the NDB an important source of financing in such a scenario (Batista Jr., 2017). New members of the Bank could include those responsible for the imposition of such sanctions. Another possible future issue of contention could be the balance among the BRICS' different interests regarding the areas that should be targeted by the Bank. It might become an issue to get investments for areas in which China is not interested in investing (Becard et al., 2015).

The capital contribution to the Bank is equally divided among the members, meaning that each country is responsible for providing 20% of the total amount, which entails in an equal voting share for each country (Batista Jr., 2016). Unlike the IMF and the World Bank, no country has a veto power in the NDB, and decisions are made by a simple majority. So far, China has the Bank's headquarters in Shanghai and Brazil holds the first Board of Directors' presidency. Because of the political and economic instabilities surrounding Brazil, the country has not fully exercised its influence over the institution in the last couple of years. According to Paulo Nogueira Batista Jr (2017), a Brazilian former vice-president of the NDB, the country never represented itself in the governors' meeting of the NDB. Despite the discourse that China will not dominate the BRICS institutions, the reality is that the country's superior contributions, economic size, and robustness might eventually result in its greater influence over the Bank's dynamics. When Brazil does not represent itself in the NDB's meetings, it opens space for China's dominance over the institution.

#### *The new institutions' impact on financial governance*

Even though the focus of this paper is not to assess the impacts of such institutions in global governance, it seems important to leave a note on its probable repercussions, since Brazil and China will be affected by it. Unlike the IMF and the World Bank, both institutions claim to impose no conditionalities in the sense of policy recommendations in exchange for credit access. This is an important difference in relation to the traditional institutions. For developing countries, in general, this represents an improvement and considerably reduces the costs of obtaining credit. This lack of standards for credit access is criticized by the developed countries that claim that it could become a means for non-democratic governments to obtain credit without fearing sanctions.

Both the NDB and the CRA are new institutions, and their impact cannot be fully measured yet. Nevertheless, they seem to represent much more a supplement to than an undercutting of the existing international order at the moment (Christensen, 2015). Both institutions seem to follow the model of traditional institutions, but without the application of conditionalities. In this sense, they can impact the way credit is made available for development, changing long-established practices. It is important to note that Brazil is against the complete lack of social and environmental standards as a prerequisite for credit access, and believes that the total absence of such standards in the BRICS institutions would be a regression in relation to the traditional institutions (Becard et al., 2015).

Another possible consequence of such institutions is that they allow a further internationalization of the BRICS' national currencies. In this sense, Brazil and China have very different goals and interests. The successful internationalization of the RMB or the real could lead to a decrease in the dollar's predominance in the international economy. So far, this still is a distant possibility. Overall, if the NDB and the CRA prove to be solid institutions, they may become important alternatives rivaling the traditional institutions for the promotion of development, crisis management, and could play an important role in bringing an end to the hegemony of the dollar.

#### *Other financial initiatives*

To present day, the NDB and the CRA are the only innovations brought by the BRICS to international financial governance that are completed and fully working. Nevertheless, there is a range of other financial institutions and mechanisms being evaluated in the sense of determining their viability. For example, there have been talks about a possible BRICS rating agency to rival Standard & Poor's and Moody's, but no formal step has been taken for the concretization of such an initiative so far.

In the last summit in Xiamen, in September 2017, it was agreed that the BRICS would establish their own local currency bond fund, and there were also proposals for a transnational multilateral payments system (Gupta, 2017). China, for example, is already working on its own version of a payment system - China Union Pay - to rival Visa and MasterCard, and the Cross-Border Interbank Payment System to rival the predominant SWIFT. This points to a crucial difference between China and Brazil in their engagement in the international financial and monetary system. While China is committed to the creation and innovation of institutions of global financial governance, Brazil though engaged with the BRICS initiatives, does not have a plan as clear as China's about the position it desires to occupy in international financial governance. This reflects the difference in economic capabilities between both countries. Brazil does not have economic capabilities enough to create and promote its own financial instruments that might have a significant impact on the global economy. Also, it is not among the Brazilian agenda's priorities that such a profound rupture with the existing institutions and instruments should occur, even though the country could benefit from these alternatives.

#### **China and Brazil: same bed, different dreams**

As a new decade of cooperation within the BRICS dawns, there are many roads the group could take. For Sourabh Gupta (2017), the BRICS should become an important forum for the

discussion and proposition of an alternative to the current international monetary system, adapted to today's international capital flows. The BRICS, as the main voice of the developing world, could become increasingly indispensable for global governance. It is necessary, though, for the group to be able to keep an important level of cooperation among themselves and not let it be disturbed by eventual conflicts between its members and cleavages with the developed countries.

Despite being the voice of the developing world, the BRICS is characterized by power asymmetry among its members. The continuance of Chinese ascension and Brazil's muddling through economic and political instability could push the influence gap between both countries even larger. Brazil already is least committed to innovations in global financial governance in comparison to China, and these domestic issues may drive the country even farther from the leadership of initiatives of this type. In this sense, it is important for Brazil that it is not left behind in the reconfiguration of the BRICS institutions in international financial governance. China has declared itself a leader and champion of the developing world (Christensen, 2015), while Brazil struggles to keep the same level of influence as it had between the end of the 2000s and the beginning of the 2010s. China is moving forward, aiming for global leadership, while Brazil has had to put any such plans on hold for the time being, so it can reorganize its domestic politics.

The BRICS and its initiatives were the focus of Brazilian foreign policy during President Lula's terms (Bosco & Stuenkel, 2015), but the same cannot be said of his successor, President Rousseff. During Rousseff's second term, Brazil distanced itself from the BRICS, focusing on the domestic political issues that arose as the result of investigations that culminated in the impeachment of President Rouseff due to crimes of responsibility, and a major graft investigation that has reached most Brazilian political parties, and institutions, and some major companies. Another reason for Brazil's lack of energy in innovations in the area of international financial governance is that the Brazilian economy is a lot less integrated into the world economy than the Chinese's. Today, Brazil is mostly marginalized from global production chains (Porzecanski, 2015), while China is the focal point of production chains in Southeast Asia and globally.

The difference in economic stances shapes the interests and commitment of both Brazil and China in relation to the reconfiguration of international financial governance. China is committed to the creation of a parallel order that will complement and be an alternative to the existing institutions. For that purpose, China is engaged in increasing the use of its national currency in the international system, which might lead to the further erosion of the dollar's

position as the main reserve currency (Reich & Lebow, 2014). Brazil does not have the same dreams about the real. The Brazilian real is not among the most-traded currencies internationally, being less used than the RMB and the Indian rupee (Porzecanski, 2015). China seeks to use the international markets of capital and goods as a means of increasing national power and has pursued this with discipline and pragmatism (Arrighi, 2008). On the other hand, Brazil seems to struggle with how to efficiently use the international market in its favor. This suggests that China has very clear ideas about what it expects in terms of changes in international monetary and financial governance, meanwhile such goals may not be as clear to Brazil. Despite being co-members of the BRICS, China and Brazil might not always have the same interests in respect to financial governance; both countries' interests will not always coincide. In sum, while China has a successful strategy of the integration of its economy globally, Brazil struggles with a lack of planning and uncoordinated institutional practices (Becard et al., 2015).

It is important to note that Brazil is an important ally to China as it expands its investments and economic interests in Latin America. Nevertheless, such a close relationship can become negative, since Brazil lacks leverage in negotiating with China. The BRICS can be an important place where China and Brazil can come to terms with China's growing presence in South America.

In the last BRICS Summit, while China occupied the spotlight as a host with propositions for cooperation in different areas, and about the possibility of new members for the group, Brazil left the summit without any decisive proposition to strengthen the country's role in the BRICS group (Exame, 2017). This recent trend in Brazilian foreign policy could be changed after presidential elections in 2018, if the newly elected president decides to strengthen Brazilian engagement with the BRICS and its institutions.

## **Conclusion**

The BRICS has become the main voice of developing countries in international financial governance. Nevertheless, the group is characterized by asymmetries in economic capabilities among its member states, which gives them different levels of effective influence and interests in such issues. Brazil and China are very different countries in this sense.

In the financial and monetary framework of governance, the group has developed its own new institutions that aim to complement and be an alternative to the traditional institutions based on the American hegemony of the system. While China is not only committed to the provision of institutions in the BRICS scope, it is also committed to creating its own alternatives

in the framework of financial governance. Brazil is mostly engaged in initiatives inside the BRICS' scope, and even this engagement has been victim of increased disinterest and loss of priority in face of domestic economic and political instabilities.

The BRICS has great potential to change the framework of international financial governance to become more favorable to emerging and developing countries' needs and interests. Undoubtedly China will play a major role in this process, while Brazil will likely keep following Chinese leadership, playing a more marginal and discreet role.

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## **Brazil-China Energy Cooperation: Did BRICS Change Anything?**

*Philippe Pedro Santos Xavier<sup>1</sup>, Elia Elisa Cia Alves<sup>2</sup>, Andrea Quirino Steiner<sup>3</sup>, and Fabíola Faro Eloy Dunda<sup>4</sup>*

**Abstract:** Is it possible to infer that the BRICS has boosted energy cooperation between Brazil and China? If yes, how did it happen? Here, we attempt to answer these questions by analyzing all of the statements from the eight summits promoted under the BRICS (2009-2016), as well as thirty-four energy related bilateral international acts promoted among BRICS countries between 1994 and 2015. Among the main results, we found that, while bilateral energy relations between Brazil and Russia, and India and South Africa, respectively, have undergone subtle changes during this period, Brazil-China energy relations underwent an enlargement concerning their scope and complexity. Thus, it is possible to suggest that the BRICS provided an especially cooperative environment for these two countries in the energy sector, although we cannot infer causality. In addition, we found that the direction of the negotiations seems to have shifted towards a more favorable position for China.

**Keywords:** niche diplomacy; South-South cooperation; bilateral agreements; content analysis

### **1. Introduction**

When Jim O'Neill<sup>5</sup> formulated the term BRIC in 2001 to characterize a group of countries with economic potential to debunk the great global powers, nobody was sure if this group would be restricted to the global financial market or whether it would adopt a broader approach. Before the financial crisis of 2008, Brazil, Russia, India and China were expected to raise their gross domestic products (GDP) within a period of 50 years and lead the planet's ranking. When the effects of the economic crisis spread, the BRIC's potential to move beyond the economic dimension became even more important.

By understanding their own potential, BRIC countries have strengthened relations and sought to deepen political and diplomatic cooperation. In 2011, the group was reinforced by

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<sup>1</sup> Philippe Xavier is a graduate student in Political Science with an emphasis International Relations, Pernambuco Federal University, Brazil. Email: philipe\_pedro@hotmail.com

<sup>2</sup> Elia Elisa Cia Alves is a postdoctoral researcher at Nucleus of Comparative Politics and International Relations (NEPI) in the Political Science Department, Federal University of Pernambuco (UFPE), Brazil. Email: eliacia@gmail.com

<sup>3</sup> Andrea Q. Steiner is Professor and Head of the Department of Political Science at the Federal University of Pernambuco, Brazil. E-mail: ecodea@gmail.com.

<sup>4</sup> Fabíola Faro Eloy Dunda holds a PhD of Political Science from the Federal University of Pernambuco (UFPE). Email: fabioladunda@gmail.com

<sup>5</sup> Jim O'Neill was the chief economist at Goldman Sachs from 1995 until 2013.

South Africa, and became the BRICS (Ribeiro & Moraes, 2015). As it gained relevance, the BRICS began to align some of its objectives for cooperation in international meetings and organizations and to construct a multisector cooperation agenda among its members (BRICS, 2012).

The group gradually expanded its cooperation goals from economic and political governance issues to more than thirty areas, such as agriculture, health, science and technology, renewable energy, and sustainable development (BRICS, 2015a). This study focuses precisely on these last three, all of which are linked to energy policy. In fact, all of the five BRICS countries have publicly demonstrated concerns over high dependence on non-renewable energies, the unpredictability of fossil fuel prices, and climate change issues. In addition, both Brazil and China have sought to expand their relevance in the international system through energy related leadership, whether through biofuel diplomacy, in the case of the first, or by meeting growing demands, in the case of China (Ziegler, 2006; Tan, 2013; Wilson, 2015; Afionis et al., 2016).

Thus, the BRICS is a multilateral forum with a potential to leverage energy cooperation among its members, which leads to two important questions. First, is it possible to consider the energy dimension as a niche diplomacy topic, from the point of view of Sino-Brazilian bilateral relations? Secondly, has the BRICS served as a platform for negotiation and political-diplomatic articulation in the sense that it influenced the expansion of the number of initiatives and agreements between those countries in relation to energy issues?

There are three main reasons to study this topic, each linked to energy security, the environment and technology, respectively. Concerning the first, the issue is relevant in International Relations (IR) due to the increasing demand for energy, both domestically and internationally. In fact, the possibility of future fuel shortages and related animosities are related to the desire for self-sufficiency in energy production (Hage, 2008).

Regarding the environment, in 2008 (the year of the first meeting of the BRIC foreign ministers), BRIC members were among the fifteen largest carbon dioxide emitters (CO<sub>2</sub>) in the world in absolute terms. China, Russia, and India were among the four largest issuers (World Bank, 2017), and their emissions added up to 35% of the world's total CO<sub>2</sub> emissions in 2008 (Chamon, 2012) – an amount comparable to the Organization for Economic Cooperation and Development (OECD) countries' emissions (Shelton-Zumpano, 2014).

Concerning the technological dimension, the BRICS have great capacity to generate energy from renewable sources, either due to their natural potential or through technology. China, for example, although it is the largest emitter in the world in absolute terms, is also the

largest investor in renewable energy technologies (REN21, 2016). Considering that scenario, the BRICS can play a global role in changing the international energy matrix; and analysts say that the position of these countries concerning energy will influence the future of the economy and overall global order (Chamon, 2012).

In order to answer the questions proposed, we investigated the frequency and content of international agreements between Brazil and China related to energy, before and after the BRIC(S), and carried out a content analysis on the BRICS' Summit statements. The empirical analysis is split into two steps: first, we show the results of the document analysis, with material from the eight BRICS Summit Declarations (2009-2016) concerning energy policy and cooperation. The second part of the document analysis encompassed all energy related international agreements that Brazil signed with Russia, India, China, and South Africa between 1990 and 2015, which were classified by year and energy source. Here we used the International Acts Division database (DAI) from the Brazilian Ministry of Foreign Affairs (MRE).

The paper is organized as follows. In Section 2 we use the theoretical framework of niche diplomacy to contextualize the BRICS' articulation from a multisector approach. In Section 3, we present a brief historical institutional analysis on the BRICS' formation process, in which we highlight the emergence of energy security interests within the group. In Section 4, we tackle Brazilian energy relations among BRICS countries from a qualitative standpoint, and evaluate whether BRICS' articulation concerning this topic changed. In a final section, we present some reflections on the energy dimension as a niche of the diplomatic relationship between Brazil and China, as well as historical qualitative changes in this area.

## **2. The niche diplomacy and international insertion strategy of intermediate countries: a literature review**

How can energy cooperation be explained? As the rigid hierarchy of the Cold War waned, changes in the international system influenced theoretical IR perspectives. On the one hand, such cooperation could be analyzed through the lens of new security studies from the 1980s and 1990s. For Thomas (1987) and Mathews (1989), for example, in addition to military matters, security could also encompass issues like food, climate change, domestic politics, and trade, etc.

On the other hand, energy issues also fit within the idea of niche diplomacy, a literature that grew in importance after the Cold War. Since then, the potential ability of middle powers to open segmented niches seeking to boost participation in the international system increased. The idea of niche diplomacy was born with the study of the role of the traditional intermediary

countries, as Cooper *et al.* (1993) did when analyzing the foreign policy of Canada and Australia.

The study of intermediate countries – which are neither great powers, nor small countries in the international scenario – began during the second part of twentieth century, when several authors started to analyze this country category from different perspectives. Thus, the study of intermediate countries was analyzed considering the size (land area), material and influence capacity, desire and ability to accept responsibility, and the degree of stability in the international system (Glazebrook, 1947).

Another standard used is the role these countries played in the context of the world wars. The general claim supported was that their participation in the war effort, as well as their strategic locations, gave them the power to maintain international peace and security along with the great powers (Holbraad, 1984).

In the context of the Cold War, other roles of intermediate countries started to be studied. Keohane (1969) developed a framework evaluating the impact of those countries in the international system. According to this author, states could be categorized into four different typologies: system-determining states; system-influencing states; system-affecting states, and system-ineffectual states. While the first group played a critical role in shaping the system, the following two needed multilateral forums or alliances to influence the international agenda. Meanwhile, system-ineffectual states could do little to influence the system-wide force that affected them, and their foreign policy is an adjustment to reality. Holbraad (1984) labeled intermediate countries as mediators between capitalist countries and the socialist block.

After the end of the Cold War and the emergence of a multipolar system with a great dominant power: the United States, new approaches to intermediate countries emerged. Literature started addressing new criteria to characterize this group of countries, such as geography and normative behavior (Cooper *et al.*, 1993; Cooper, 1997). These countries sought to mediate conflicts, promote multipolarity, and strengthen the role of international norms and institutions. With the growing relevance of other countries to the international system, such as China (Gilley & O'Neil, 2014), this kind of study became even more relevant.

Cooper (1997) uses the term niche diplomacy to explain the *modus operandi* of Canada and Australia, countries traditionally considered intermediate in the international system. The concept suggests that countries would rather concentrate resources in specific areas than try to cover the field (Evans; Grant, 1991). On this topic, Nossal & Stubbs (1997) describe four relevant characteristics of niche diplomacy: scope, style, focus, and form and forum. With regard to scope, the actions undertaken by intermediate countries tend to push the boundaries

of the region where they are located geographically. The style adopted by intermediate countries, in turn, is more activist in form. This style is achieved through international initiatives that develop action plans in countries' areas of expertise, which also involves seeking support for their ideas/actions from other states. Regarding focus, this refers, in principle, to countries' performance during international conflicts. The country's share of the idea in this context is to reduce conflict in war zones and to decrease tension. With regard to form and forum, multilateralism stands over bilateralism.

While initially attributed to traditional intermediaries countries like Canada and Australia, the idea of niche diplomacy can be used as a conceptual tool for analyzing non-traditional intermediate countries like Brazil (Spanakos; Marques, 2014) and China (Gilley; O'Neil, 2014) and their relationship within the BRICS.

### **3. The articulation between BRICS and energy as a niche of diplomacy**

After the end of the Cold War, even with multilateral international institutions such as the United Nations (UN), the United States emerged as global leader. Nevertheless, as Fonseca Jr. (2012) points out, in the face of difficulties such as those in Afghanistan and Iraq, even the US itself realized that multilateralism was still necessary.

In the early twenty-first century, the world's power structure changed with the growing economic and political relevance of developing countries like Brazil, China, India, and South Africa (Reis, 2012). Consequently, criticism about the lack of representativeness and legitimacy of international institutions increased, and developing countries started to seek space for their ideas and new instances of articulation and coordination.

It was precisely to reformulate global governance that the BRICs emerged. It began informally in 2006, when Russia coordinated a working lunch on the sidelines of the UN General Assembly (Reis, 2012). The same happened in 2007 but, this time, it was under Brazilian coordination. Brazil, Russia, India, and China realized the importance of institutionalizing their relations, and agreed to hold a meeting of foreign ministers in 2009 in Yekaterinburg, Russia. From this moment on, the BRICs became a political-diplomatic entity (Reis, 2012). In the Joint Statement presented at the occasion, the following declaration stands out: "recognition of the importance of international cooperation in coping with the effects of climate change and the strengthening of multilateralism, with the UN and G-20 playing a central role" (BRIC, 2009).

On April 14, 2011, the Third Summit took place in Sanya, China. South Africa was then included in the BRICs, which was renamed the BRICS. With this new membership, the

political-diplomatic forum was comprised of representatives from four continents to consolidate two bases: “coordination in multilateral fora on issues of common interest and the establishment intra-BRICS cooperation” (Reis, 2012: 40). Therefore, the BRICS began to advocate increased cooperation between members in various fields, as mentioned above.

The BRICS’ interest in a cleaner and more self-sufficient energy matrix was derived from two main drivers: the increasing demand for energy and the limited supply of fossil fuels, as clearly stated in the BRICS’ Summit Declaration from 2012 (BRICS, 2012). Not to mention the environmental concerns, linked to energy issues. Regarding the energy quest, Brazilian diplomat Alberto Pfeifer (2012: 84) stated, “departing from a concrete vital subject to the five countries it is possible that they might come up with a partial solution through (...) cooperation.”

Several factors make energy security relevant to the world in general and to the BRICS in particular, but it is worth mentioning one that is historic: the oil crisis in the 1970s. This episode spread worldwide concern on oil dependence for energy generation. Second, most of the energy supply in the world is still derived from fossil fuels, which are not compatible with the current global concern for sustainable development.

In contrast to the previously mentioned levels of the BRICS’ CO<sub>2</sub> emissions, the five countries boast abundant natural resources to be explored in energy generation and are among the leaders of investments in clean energy. China, despite being a major polluter, has a robust technological apparatus (mainly in solar and hydraulic energy) and is the world’s largest global exporter of photovoltaic panels (Hochstetler & Kostka, 2015). It also has the highest hydroelectric potential (Chamon, 2012). Russia has the second largest hydroelectric potential, although its matrix is still dominated by fossil sources. India has a significant percentage of biofuels in its energy matrix, which is also the case in South Africa, although both countries are still strongly dependent on coal and oil. Brazil has the largest share of renewable energy sources in its energy matrix (MME, 2015) and the country was the largest biofuel exporter in 2011 (Gomez et al., 2012).

In 2015, the BRICS surpassed most of the developed nations in terms of renewable energy investments (see Table 1). The costs of renewable sources declined and the amount invested is two times higher than that of non-renewable energy capitals (REN21, 2016). According to the report, the total amount invested globally reached US\$286 billion, in 2015, and China’s investments accounted for one third of this amount.

**Table 1 – The BRICS among the top ten of the countries that invested in renewable energy in 2015, considering solar, wind, and hydroelectricity**

	<b>Amount</b>	<b>Position</b>
<b>China</b>	US \$ 102.9 billion	1 <sup>st</sup>
<b>India</b>	US \$ 10.2 billion	5 <sup>th</sup>
<b>Brazil</b>	US \$ 7.1 billion	7 <sup>th</sup>
<b>South Africa</b>	US \$ 4.5 billion	8 <sup>th</sup>

**Source:** Based on REN21 (2016).

This indicates an increase in actions taken by countries individually to promote the sector (Hochstetler & Kostka, 2015). In fact, Wilson (2015) explores the BRICS' emerging status as resource powers, examining how natural resources have contributed to their rising influence in international affairs. He argues that, through the use of nationalistic and state-led policies, the BRICS governments have leveraged natural resources for both domestic-economic and international-diplomatic objectives, thus executing “resource diplomacy” – which means that resource wealth is making a positive, though limited, contribution to the growing international influence of the group.

Cooperation in technical and managerial skills are examples of instruments by which countries can improve energy security. Hulbert & Brüttsch (2012) suggest that energy cooperation is a part of the BRICS' foundation. Overall, all of these facts indicate that the quest for energy among the BRICS is part of a diplomatic strategy in order to strengthen cooperation. Nevertheless, is it possible to identify this pattern among the BRICS' declarations and bilateral initiatives among members? This question will be answered in the next section.

#### **4. Brazil and China in energy in the BRICS: a qualitative analysis of niche cooperation**

How is energy treated among the BRICS? Have changes occurred since the group's creation? This section is divided into two parts. The first analyzes several documents which originated from BRICS negotiations, such as Summit Declarations and Action Plans, as well as documents published by the group concerning energy related issues. The second part presents a systematic

analysis on the international agreements<sup>6</sup> between Brazil and China from 1990 to 2015. The year 1990 was chosen because it marked Brazil's re-democratization process<sup>7</sup>, and 2015 was chosen as it was the last year for which full data was available before this study was concluded. Within this time frame, it was possible to analyze cooperation before and after the BRICS. All agreements were taken from the DAI<sup>8</sup> linked to the MRE.

#### 4.1. Declarations from BRICS Summits

Up to 2016, eight annual meetings had been promoted to discuss common interests among the five BRICS nations, including issues related to energy. Every meeting resulted in Joint Statements or Declarations and, for the last six occasions, also Action Plans. Table 2 displays the dates and places of each of the seven meetings.

**Table 2 - Year and place of BRICS Summit's Statements**

<b>BRICS Summit Statement</b>	<b>Date</b>	<b>Local</b>
First Summit	June 16, 2009	Yekaterinburg, Russia
Second Summit	April 15, 2010	Brasilia, Brazil
Third Summit	April 14, 2011	Sanya, China
Fourth Summit	March 29, 2012	New Delhi, India
Fifth Summit	March 27, 2013	Durban, South Africa
Sixth Summit	July 16, 2014	Fortaleza, Brazil
Seventh Summit	July 9, 2015	Ufa, Russia
Eighth Summit	October 15 and 16, 2016	Goa, India

**Source:** Foreign Ministry website: [http://brics.itamaraty.gov.br/pt\\_br/](http://brics.itamaraty.gov.br/pt_br/)

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<sup>6</sup> We analyze all available bilateral acts that cover energy related issues as Treaties, Conventions, Agreements, Adjustments or Supplementary Agreements, Protocols, and Memoranda of Understanding. According to the Ministry of Foreign Affairs of Brazil (2008: 6-8): treaty – “generally designates an international agreement”; convention – “at a similar level of formality, the term convention is used to designate multilateral acts, coming from international conferences and which are a matter of general interest”. “Agreement is an expression of free use and of high incidence in international practice; adjustment or supplementary agreement it is the act that gives execution to another, previous”; protocol – “appears by designating less formal agreements than treaties, or complementary or interpretative agreements of previous treaties or conventions. It is also used to designate the final minutes of an international conference”; and Memorandum of Understanding – “common to acts drafted in a simplified form, intended to record general principles guiding relations between the parties (...) widely used to define lines of action and cooperation commitments”.

<sup>7</sup> In 1990, the first elected president took office in Brazil after the 1964 military coup.

<sup>8</sup> DAI was a directory which stored all international treaties, conventions, agreements, joint declarations, protocols, and amendments in which Brazil was involved.

Following the 2008 financial crisis, the BRICs heads of government came together at the First Summit Meeting of the group, in 2009, to find ways to address the severe imbalances in the global economy and to occupy a leading role in the international system. The First Summit Declaration highlights the world economy. However, in Conclusions 8 and 9, the BRICs commit to energy security:

8. We stand for strengthening coordination and cooperation among states in the energy field, (...) in an effort to decreasing uncertainty and ensuring stability and sustainability. We support diversification of energy resources and supply, including renewable energy, security of energy transit routes and creation of new energy investments and infrastructure. 9. We support international cooperation in the field of energy efficiency. We stand ready for a constructive dialogue on how to deal with climate change based on the principle of common but differentiated responsibility, given the need to combine measures to protect the climate with steps to fulfill our socio-economic development tasks (BRIC, 2009).

In 2010, the main issues discussed were economic and political. However, energy was also a topic for Conclusions 19, 20, and 21, in which countries pledged to:

19. (...) develop cleaner, more affordable and sustainable energy systems, to promote access to energy and energy efficient technologies and practices in all sectors. We will aim to diversify our energy mix by increasing, where appropriate, the contribution of renewable energy sources, and will encourage the cleaner, more efficient use of fossil fuels and other fuels. In this regard, we reiterate our support to the international cooperation in the field of energy efficiency. 20. We recognize the potential of new, emerging, and environmentally friendly technologies for diversifying energy mix and the creation of jobs. In this regard, we will encourage, as appropriate, the sustainable development, production and use of biofuels. In accordance with national priorities, we will work together to facilitate the use of renewable energy, through international cooperation and the sharing of experiences on renewable energy, including biofuels technologies and policies. 21. We believe that BRIC member countries can cooperate in training, R&D, Consultancy services and technology transfer, in the energy sector (BRICS, 2010).

Regarding the 2011 Summit Declaration, there was little change. Energy continued to receive the group's attention, and Conclusions 18 and 19 highlighted nuclear energy for peaceful purposes (BRICS, 2011). The Delhi Declaration and Action Plan (Fourth Summit), from 2012, puts a greater emphasis on energy, when considering the number of paragraphs dedicated to the issue (paragraphs 17, 28, 38, 39, and 45):

39. Energy based on fossil fuels will continue to dominate the energy mix for the foreseeable future. We will expand sourcing of clean and renewable energy, and use of energy efficient and alternative technologies, to meet the increasing demand of our economies and our people, and respond to climate concerns as well. In this context, we emphasize that international cooperation in the development of safe nuclear energy for peaceful purposes should proceed under conditions of strict observance of relevant safety

standards and requirements concerning design, construction and operation of nuclear power plants (BRICS, 2012).

In 2013, the eThekweni Declaration and Action Plan does not bring anything new on energy. The subject is mentioned only briefly in Conclusion 18 (areas of cooperation) and 28, where the importance of nuclear energy for peaceful purposes is reinforced (BRICS, 2013a). The Fortaleza Declaration, from 2014, reaffirms the importance of investing in renewable and clean energy for members' sustainable development and economic growth. Conclusion 53 recognizes that fuels are dominant, and it is also reiterated that:

53. The belief that renewable and clean energy, research and development of new technologies and energy efficiency, can constitute an important driver to promote sustainable development, create new economic growth, reduce energy costs and increase the efficiency in the use of natural resources. Considering the dynamic link between renewable and clean energy and sustainable development, we reaffirm the importance of continuing international efforts aimed at promoting the deployment of renewable and clean energy and energy efficiency technologies, taking into account national policies, priorities and resources. We stand for strengthening international cooperation to promote renewable and clean energy and to universalize energy access, which is of great importance to improving the standard of living of our peoples (BRICS, 2014a).

The Ufa Declaration revives the energy quest in several parts of the document. BRICS members advocate renewable energy sources in Conclusion 52 as a “strategic objective for sustainable growth” (BRICS, 2015b). The concern for energy security appears in Conclusion 69 (the largest reference to energy, with three paragraphs), which states concerns about economic and social development consistent with environmental conservation.

69. Recognizing the importance of monitoring global trends in the energy sector, including making forecasts regarding energy consumption, providing recommendations for the development of energy markets in order to ensure energy security and economic development we call on our relevant agencies to consider the possibilities of energy cooperation within BRICS (BRICS, 2015b).

In 2016, the Goa Declaration brings about three main aspects regarding energy issues. Firstly, it highlights the approval of the first set of loans by the New Development Bank, particularly in renewable energy projects in BRICS countries, which issued the first set of green bonds in renminbi. Secondly, it reinforces the importance of nuclear power to some members and the need for expansion in order to meet the 2015 Paris Climate Change Agreement commitments. Thirdly, energy efficiency initiatives are supported and the countries also signal the significance of clean energy in achieving the UN Sustainable Development Goals in terms of sustainable development, energy access, and energy security, all of which are critical to the shared prosperity and future of the planet.

In addition to the Summit's declarations, other documents were produced in parallel and on different occasions. In 2014, for example, countries drew up a "Cooperation Agreement on Innovation", whose aim was to establish innovation goals, with an emphasis on renewable energy through multilateral and bilateral agreements. Government agencies responsible for implementing the agreement would be the national development banks of the respective BRICS countries (BRICS, 2013b).

In 2015, another document, titled "The Strategy for BRICS Economic Partnership", set out the terms of negotiations with international forums and organizations and marks energy cooperation initiatives as priority areas for cooperation. In addition, renewable energy, as well as energy efficiency, were officially established as areas of cooperation among the countries. This document also addresses clean energy sources, and is intended to implement methods that reduce environmental impacts. Regarding energy, it aims to cooperate on:

(...) increasing energy efficiency, including joint development and sharing of energy efficient and cleaner energy technologies; introducing environmentally friendly technologies of energy production, storage and consumption; promoting the use of renewable sources of energy; improving the utilization of clean energy sources such as natural gas (...). To achieve these goals BRICS countries should: (...) establish regular energy dialogue between the BRICS countries in order to discuss long-term and medium-term strategies and energy security issues (BRICS, 2015a: 12).

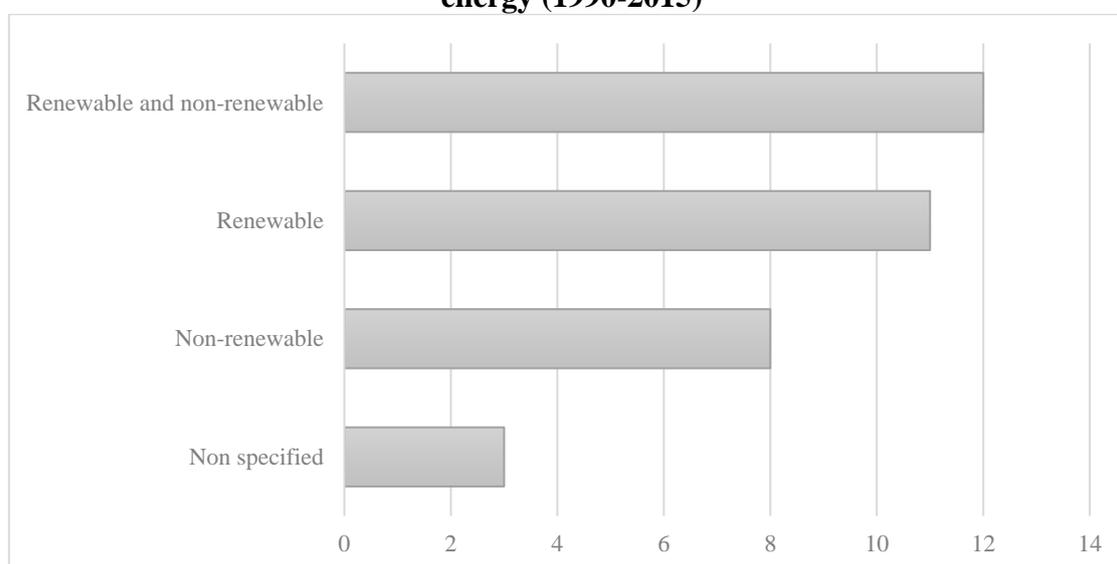
In accordance with the guidelines of previous Summits, ministers and representatives of the ministries of science and technology of the five countries met on three occasions to discuss measures solely related to that area. The meetings held in South Africa, Brazil, and Russia produced the declarations of Cape Town (BRICS, 2014b), Brasilia (BRICS, 2015c) and Moscow (BRICS, 2015d), respectively, and outlined directives for institutional cooperation. In Russia, the group committed to creating a dataset on energy efficiency technologies, an innovation compared to other documents described above, and considered promoting cooperation through joint scientific and technological research, as well as through capacity building and technology transfer (BRICS, 2015d).

Overall, documental analysis made it possible to track the growing importance of the quest for energy. Yet it is also worth mentioning the relevance of non-renewable energy sources in most declarations, as is the case with fossil and nuclear technologies. In the following section, we analyze energy as a topic of IR among BRICS countries, focusing on the historic evolution of the bilateral relations of Brazil and China. With this, we seek to answer whether the BRICS changed Sino-Brazilian energy bilateral cooperation in terms of the number of initiatives and the sources prioritized.

#### 4.2. International agreements on energy

This section describes the results obtained from the analysis of documents related to energy extracted from the DAI/MRE, with a focus on energy cooperation between Brazil and China. The database was prepared by the authors, and comprises thirty-four international agreements signed by Brazil with one or some of the BRICS countries between 1990 and 2015. We classified the agreements according to the type of energy promoted: renewable, non-renewable, both, and non-specified. Figure 1 illustrates cooperation on the energy issue.

**Figure 1 – Number of international agreements between Brazil and China, by type of energy (1990-2015)**



Source: Based on DAI (2016).

As shown in Table 3, among the thirty-four agreements analyzed, ten were promoted from 2009 onwards, and fifteen with China.

**Table 3 - Number of international acts with Brazil by country and type of energy, before and after the formation of the BRICS**

Country	Unspecified		Non-renewable		Renewable		Renewable and non-renewable		
	Pre-BRICS	Post-BRICS	Pre-BRICS	Post-BRICS	Pre-BRICS	Post-BRICS	Pre-BRICS	Post-BRICS	Total
<b>South Africa</b>	2								2
<b>China</b>			2	1	4		2	6	15
<b>India</b>			1		3				4
<b>Russia</b>	1		4		1		2	2	10
<b>IBSA<sup>9</sup></b>					2	1			3
<b>Total</b>	3	0	7	1	10	1	4	8	34

Source: Based on DAI (MRE).

The first international agreement that covers renewable energy between Brazil and China is dated from May 1993. The *Complementary Adjustment to an Economic and Technological Cooperation*, established between Brazil and China, promoted technology cooperation in the hydroelectric sector. In 1994, these same countries signed a *Memorandum of Understanding on Economic Cooperation, Science and Technology*, which once again aimed at cooperation on electricity. One of the results of this cooperation was the creation of a committee for the construction of the Three Gorges Dam, in China. In 1996, Brazil and China signed the *Joint Declaration on the Common Agenda for Sustainable Development*, which aimed at environmental preservation and strengthened the promotion of alternative energy sources.

Regarding non-renewable energy sources, the first instrument was the *Memorandum of Understanding on Technical Cooperation in Mineral Coal Combustion*, signed by Brazil and China in 1994. In 2004, Brazil and China established the *Memorandum of Understanding on Cooperation in Trade and Investment*, which arranged for cooperation in natural gas exploration. In 2009, the two countries signed a *Memorandum of Understanding on Oil, Equipment and Financing* that aimed, through Brazilian and Chinese companies, to promote and expand bilateral cooperation in development and marketing activities in oil exploration-related activities; it also prescribed important roles for SINOPEC (a Chinese oil company) and the Development Bank of China.

<sup>9</sup> IBSA stands for another political group articulated in 2006, congregating India, Brazil, and South Africa.

Among international agreements promoting both renewable energy and non-renewable energy sources, there is an *Agreement on Strengthening Cooperation in Building Infrastructure* from 2006, to deepen bilateral cooperation on energy infrastructure related to hydroelectricity, oil, and natural gas. Also from 2006, a *Memorandum of Understanding on the Establishment of the Subcommittee on Energy and Mineral Resources Committee of Sino-Brazilian High-Level Coordination and Cooperation* reinstates the referred subcommittee which was established in 2004 with the goal of promoting partnerships on oil, gas, renewable energy, and biofuels. In 2009, Brazil and China signed two more acts: the *Protocol on Cooperation in Energy and Mining* and a *Joint Statement on Strategic Partnership*, which reinforced previously negotiated terms and reaffirmed state and business partnerships within energy which comes from fossil and renewable sources.

Still on agreements promoting both types of energy, four were signed with China. In April 2010, the *Joint Action Plan 2010-2014*, one of the major documents including the energy sector that has been signed between the two countries, established the strengthening of cooperation in oil, gas, and alternative energy sources. It contains twenty-five pages of descriptive cooperative initiatives, including activities promoted by collaborating agencies and institutions such as ministries and universities.

In April 2011, a *Joint Communication* expressed the countries' commitment to expanding and diversifying mutual investments in the energy sector for electricity generation from biofuel and nuclear sources. In June 2012, the *Decennial Cooperation Plan* can be considered the most emphatic regarding energy security, and establishes key areas and mechanisms for the development of science, technology, and innovation in both countries. The document also emphasizes a broadening of the target activities of cooperation (reaching electricity generation and transition), as well as related sources (nuclear, bioenergy, hydropower, wind, solar, biogas, liquid biofuels, biomass, oil, and gas). In 2015, another act was established between the two countries. The *Joint Action Plan 2015-2021* is an update of the *Joint Action Plan 2010-2014*, and expands the thematic scope beyond the sectors that were already defined in the preceding document, including biofuels, biomass, and innovation on energy distribution such as smart grids.

**Table 4 – Number of agreements in terms of sources prioritized**

Energy	South Africa	China	India	Russia	IBSA	Total
<b>Unspecified</b>	2			1		<b>3</b>
<b>Non-renewable</b>						
Nuclear				3		<b>3</b>
Fossils		3	1			<b>4</b>
Oil, natural gas and nuclear				1		<b>1</b>
<b>Renewable</b>						
Biofuels			1	1	1	<b>3</b>
Wind					1	<b>1</b>
Hydro		3				<b>3</b>
Unspecified		1	2		1	<b>4</b>
<b>Renewable and non-renewable</b>		<b>8</b>		<b>4</b>		<b>12</b>
<b>Total</b>	<b>2</b>	<b>15</b>	<b>4</b>	<b>10</b>	<b>3</b>	<b>34</b>

Source: Based on DAI (MRE).

Analyzing all of the thirty-four international agreements signed by Brazil with one of the other four members of the BRICS, as shown in Tables 3 and 4, some important aspects can be revealed. First, within the period after the BRICS negotiations, renewable energy sources were mainly prioritized parallel to non-renewables between China and Brazil. Second, while the negotiations with Russia, India, and South Africa do not seem to have so many changes from the point of view of frequency and thematic scope, Sino-Brazilian relations are marked by a strong expansion in scope and depth on energy cooperation, although we are not suggesting a causal effect, only a tendency.

A closer look at the content of the agreements between Brazil and Russia reveals a predominance of fossil and nuclear sources, through a few significant changes over time. In fact, this is not surprising. Although boasting the fifth largest potential in hydropower (REN21, 2016), over 80% of Russia's energy matrix is comprised of non-renewable energy sources – mainly coming from fossil fuels (Gómez *et al*, 2012). In addition, both oil and gas are crucial to Russian external accounts. Focusing on Brazil and India agreements, there is a ubiquity for biofuels and the natural gas industry. Lastly, the few agreements promoted between South Africa and Brazil focus on biofuels and on the wind sector, within the scope of IBSA negotiations.

On the other hand, the scenario changes regarding energy diplomacy between Brazil and China. It can be inferred that the relations between the two countries have undergone significant changes since the first agreements were signed. Since then, there has been a

considerable expansion of thematic scope, which began with negotiations on the sharing of Brazilian expertise in the hydropower sector. Nowadays, the cooperation covers the whole Brazilian energy matrix, from the extractive sector to fossil resources, from electricity generation to the transmission and distribution of energy (with the promotion of smart grids and energy efficiency initiatives that are mentioned in the most recent agreements). Notably, more than a change in qualitative terms, there was a shift in the power balance between both countries: while in the 1990s the idea was of a flux going from Brazil to China, nowadays this has been inverted.

Concerning the four relevant characteristics of niche diplomacy – scope, style, focus, and form and forum (Nossal & Stubbs, 1997) – all of these appear in Sino-Brazilian relations on energy. In respect to the scope, China's strategy of increasing cooperation with Brazil in energy distribution and transmission, for example, spills over to other Latin American countries and not only Brazil. Regarding style, one example is China taking an activist role promoting international agreements supporting the performance of the Chinese company SINOPEC, as well as the broadening of the topics related to its area of expertise, as mentioned above. Although focus cannot be analyzed in this context because war or acting as mediator or a third party in conflicts is not an issue, energy security is, indirectly, related to the decrease of conflict drivers in the international arena.

With regard to form and forum, the multilateral agreements within the BRICS work as a platform to strengthen bilateralism. In short, despite the fact that niche diplomacy characteristics cannot be completely used to explain the behavior of BRICS countries, niche diplomacy can be considered as one of the instruments that has increased the international participation of Brazil and China, and as a strategy for these two countries to become relevant players in energy field. It has also been a tool to strengthen the bilateral relationship between them.

While, in the 1990s, technical cooperation flowed from Brazil to China, by 2015 it seems that China is the one setting the tone of the negotiations, given the significant increase in Chinese presence in the different markets related to energy exploration (generation, distribution, and transmission). Overall, it is possible to say that energy is used as a niche diplomacy strategy by both countries, and that the BRICS was a differential platform for the expansion of the negotiations between the two.

## 5. Final considerations

Since its beginning, the BRICS has undergone major changes, as the scope of its diplomatic articulation went beyond the economic and trade dimensions. Energy is one example, as it became an issue of interest with the potential of being promoted through niche diplomacy. Considering this, this study sought to introduce the idea of joint energy cooperation as a niche diplomacy tool by the BRICS member countries. From the standpoint of Brazilian bilateral relations concerning energy cooperation, it was notable that the BRICS' articulation had little effect on relations with Russia, India, and South Africa in terms of sources prioritized and the frequency of negotiations. This is not the case for Sino-Brazilian relations, in which the content and scope of relations expanded in this area.

This initial effort was able to map and characterize energy cooperation between BRICS countries – especially Brazil and China – and not necessarily to claim causality. Future studies can assess variables that were not dealt with by this work, such as the discovery of pre-salt oil reserves in Brazil in 2007, and a shift of Brazilian international negotiations towards oil exploration after the discovery. Thus, this study opens a future research agenda in order to deepen the understanding of the underlying factors and possible outcomes of the negotiations between Brazil and China in the energy sector.

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*Philippe Pedro Santos Xavier, Elia Elisa Cia Alves,  
Andrea Quirino Steiner, & Fabíola Faro Eloy Dunda*

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## **Defense Economy and National Development: Exploring the Models and Synergies between China and Brazil**

*Sabrina Evangelista Medeiros<sup>1</sup>, Rita de Cassia Oliveira Feodrippe<sup>2</sup>, &  
Laura Martucci Benvenuto<sup>3</sup>*

**Abstract:** This paper aims at describing the manner through which both Brazil and China have invested in the defense economy as an instrument for national development. It assumes that investments in the industrial sectors can leverage the full productive chains of the civilian economy, based on the premise that the impact of defense economics is also responsible for spillovers and spin-offs that are not purely economic. In this sense, our hypothesis is that the Chinese and the Brazilian economic models have important synergies as a useful scope for bilateral initiatives engaged in the principle of expanding infrastructure, together with the international ties that make development possible. We have explored official government documents and reviewed the literature that works with the topics, besides mapping the main cooperation programs between both countries. Following the introduction, we analyze the Chinese model first, and the Brazilian model next. We then assess the programs and cooperation initiatives between the countries, which are followed by conclusion points.

**Keywords:** Brazil. China. Defense economy. National development.

### **Introduction**

The debate surrounding military expenditure has generally showed an antagonism towards other civilian investments, such as in education, public health, and retirement pensions. Why should a country choose to strengthen its defense platform, projecting public policies that might be not visible in attending to society's basic needs? That is a common question that public authorities have to deal with.

There are several ramifications to this discussion, one of which is the political arguments of how safety, security, and defense are interrelated as factors required for a nation's growth. States can cooperate, but have to be prepared in case of war or conflict. National sovereignty is seen as an asset that has to be protected in order for the entire

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<sup>1</sup> Sabrina Evangelista Medeiros is Associate Professor in International Relations at the Brazilian Naval War College, Rio de Janeiro, Brazil. Email: [sabrinamedeiros@yahoo.com](mailto:sabrinamedeiros@yahoo.com)

<sup>2</sup> Rita de Cassia Oliveira Feodrippe is an M.Sc. candidate in Maritime Studies at the Brazilian Naval War College, Rio de Janeiro, Brazil. Email: [ritafeodrippe@gmail.com](mailto:ritafeodrippe@gmail.com)

<sup>3</sup> Laura Martucci Benvenuto is an M.Sc. candidate in Maritime Studies at the Brazilian Naval War College, Rio de Janeiro, Brazil. Email: [laura.martucci.benvenuto@gmail.com](mailto:laura.martucci.benvenuto@gmail.com)

governmental structure to work. Even countries which see themselves as naturally defensive should not abdicate having strong armed forces.

On the other hand, there are academic works based on econometric parameters that propose links between the defense economy and the development of a country itself (Hartley, 2007; Joerding, 1986; Ram, 2007). In this context, two realities are considered: first, the one in which military expenditures increase other productive chains and this, as such the defense economy, is a trigger for economic growth. There is also the possibility that economic growth facilitates and actually demands better armies and defense technologies so as to guarantee that the nation is not hindered in its development.

A major issue concerning defense economics is whether the investments can be transferred to civilians as peace dividends, or if they have to be maintained in order to guarantee the status of the actor and act as a deterrent. Considering that the environment in which investors, states, and firms operate in defense is quite sensitive, and is dependent on state finances and subsidies, growth and development may create significant concern in terms of public good. This is a point of relevance, because the dedicated budget for the sector may suffer from significant pressure from public opinion. If, during the 1970s and 1980s, studies tried to figure out how to measure growth from defense spending, from the 1990s, scholars would be dedicated to understanding how the reduction in defense spending after the Cold War would generate space for growth in terms of changing investments.

At the same pace - even though controversial, depending on the economic model used - economists dedicated to the subject agreed on the point that defense investments (as well as civilian) induce growth (Hartley & Sandler, 2007; Joerding, 1986; Ram, 1995). So, even if the investments are guaranteed in terms of peace dividends or periods of defense budget growth, they may generate an impact in the economic performance of a country. Incrementalism is also part of the theoretical approach absorbed here because of its considered effect in small amounts and progressively in time, permitting spillovers to other sectors and technology developments (Mintz & Stevenson, 1995).

Our argument is that Brazil and China are partners in this debate considering, in recent years, defense spending and infrastructure investments as an asset for development. Both of them are seen as developing countries, dealing with basic challenges such as social inequality, technological impediments, and high international trade dependence. Both of them wish to become self-sufficient societies, with a good-level of employment and strong national industries. They are also dependent on natural

resources, whose security is unstable and compromising. Brazil's oil industry, its hydropower potential, and its biodiversity are elements which require the attention of the state. The same situation is true with China, a country highly dependent on imports of natural resources which demand an energy supply infrastructure. Growth and defense are, once more, together, connecting development investments and the overall defense planning.

In this paper, we try to outline how the Chinese and the Brazilian governments understand their national development (henceforth, their defense investments and status). We propose an analysis of the official documents and a review of the literature on the topic, observing the impacts of the development policies on the sector and the ties promoted among them. In the following sections, we describe both models in view of the cooperation between China and Brazil and in sectors that might be considered strategic to both perspectives on national development.

### **The Chinese model**

One of the main findings of this study is that the defense economy in China is a mechanism that integrates three main aspects to the country's national development: first, military-civilian relations in both the political realm and the industrial sector; then, a focus on scientific and technological research in the consolidation of an innovation system; and finally, the power projection by weapons development and exports to key strategic partners. Through a literature review and the assessment of official publications, the link between defense and development is revealed as promising and positive.

This section thus tries to establish and explain how the defense industry came to be one of the key determinants of growth in China. It labels the sector as a fundamental driver of both innovation and the formation of productivity around the country. The main argument is that military expenditures demand changes in interrelated civilian industries, such as telecommunications, energy, and infrastructure. As China becomes a great world power, it needs to ensure a continuous flow of raw materials and food. The military not only absorbs that, but in turn stimulates industrial production.

One of the most important authors that writes about the Chinese defense economy, its origins and impacts, is Professor Tai Ming Cheung of the University of California Institute on Global Conflict and Cooperation and School of Global Policy and Strategy. In his book *Fortifying China, The Struggle to Build a Modern Defense Economy* (2008) he explores themes such as the integration between the civilian and defense economies;

the national innovation systems framework; the defense industrial base; the relationship between the defense and national innovation systems; the dual-use economy; techno-nationalism; and development models.

An important concept studied by the author is the political economy of security, which focuses on the nexus between elements such as technological innovation, economic development, and defense modernization. This approach investigates the place occupied by the defense economy within a country's economic, military and technological transformation. One should note that the term "defense economy" used by Cheung is primarily related nowadays to the defense technology and industrial base – although it very much focused on the arms race and deterrence during the Cold War. Therefore, elements of technology and industry are connected in an analysis of how the defense economy contributes to China's national development.

In this sense, the Chinese strategy and model for economic development has long been adjusted to include the defense industry. Both the military and the science and technology sectors are underpinned by a well-planned regulatory system, which allows for an integration between the defense industry and the development of social economy (Xiaoge & Wenbo, 2014). Civil-military integration has been a top priority for Chinese officials since the late 1970s and the defense enterprises, owned by the state, show expansive commercial interests, domestically and abroad. An example of that is the closer relationships developed by civilian manufacturers with government research institutes and universities – the military supply network depends thus on important players such as civilian high-tech firms (Medeiros & Trebat, 2013).

Such a connection was formalized by the Four Modernizations Program, first elaborated by Zhou Enlai in 1963 and concluded by Deng Xiaoping in 1976. National defense has since become an essential part of the opening-up policies that led to market reforms. Furthermore, as Bildirici (2016) states, China's defense sector is an effect of its economic growth, changing dramatically since the late-1990s. Medeiros and Trebat (2013) highlight the significance of the "technological economy" in the reform era of China. According to them, focusing on economic development intensively transformed the military-industrial complex of the country: Chinese leaders have, from the beginning, prioritized national defense in the distribution of supplies and skilled labor.

Two elements are key to understanding the integration between the defense industry and Chinese economic development. The first one is the civilian-military interaction that allows for military technologies to be applied in regular market activities.

The second one relates to the innovation system created by China in the past 30 years, which evolved around scientific research for indigenous production. In recent years, China's efforts to promote technological upgrading is much related to military scientific research, which has assumed a central role in integrating licensed foreign technology with indigenous innovation – specifically focusing on microelectronics (Medeiros & Trebat, 2013).

Following the United States' experience, Beijing has pursued the integration of the development of the social economy and the construction of national defense, improving the regulations system which encouraged private companies to build an effective technology transfer process (Xiaoge & Wenbo, 2014). This has been accompanied by major results in the modernization of the People's Liberation Army, turning the country's military force a case of successful remodeling.

Cheung (1988) identifies that there is a close link between the military and economic development, so that the military is at the heart of China's economy. This is due to the great allocation of resources demanded by the sector, especially in terms of industrial and technological assets. The author shows an interest in the political economy of security and focuses on the nexus between economic development, technological innovation, and defense modernization in China, which concerns the place of the defense economy in the country's economic, technological, and military transformation. For him, the dual-use economy acts as a bridge between the defense economy and the broader civilian economy. The establishment of a civil-military dual-use economy has been the continuous effort of the government since the 1990s.

The integration of the defense economy scope into the broader civilian economy is a necessary premise to forming a dual-use technological and industrial base (Cheung, 2008). The author argues that the establishment of a vibrant dual-use economy provides a valuable opportunity for the defense economy to gain access to advanced technologies, knowledge, techniques, and practices. Today's leaders face the same conundrum of how to pursue prosperity while ensuring the country's military might. Forging a mutually beneficial relationship between the competing interests of wealth and power is crucial for ensuring sustainable long-term growth and security (Cheung, 2008).

Cheung (2008) tells us that indigenization has become a crucial component of Chinese thinking on the relationship between technology, national security, and economic prosperity, which is sometimes referred to as techno-nationalism. China's latest investments over the last three decades have resulted in a defense economy that, today, is

decidedly dual-use in nature (Cheung, 2008). At the heart of his book is the relationships among technology, innovation, national security, and the country's development trajectory. The author presents the concept of the national innovation system as a useful approach that views technological development and innovation as a constantly evolving process.

Therefore, in the last thirty years, the separation between military investments and civilian research and development (R&D) have become a useless approach. China has a clear idea of its need for national security in order to maintain economic growth and society's levels of improvement - as can be seen in Barbosa (2017). It became almost impossible to separate the achievements of high-technology groups (companies, universities, or R&D institutes) and the benefic effects anticipated by the armed forces.

In order to complement the ideas previously outlined, it is necessary to analyze what the official documents show. From the main Chinese White Papers published by the State Council, some general ideas may be highlighted as strategic directives that guide the Communist Party's political choices on how to drive the economy. The official document on the country's Peaceful Development (2011b) establishes that China sees the development of science and technology as an essential factor for guiding economic and social development. Industrialization must seek to build innovation centers all around Chinese territory. Based on the high-technology scope of the military sector, the defense economy pushes the country's modernization in important industries such as aviation, spacecraft, and telecommunications. In return, robust armed forces are necessary to uphold China's national security, making it feasible for the Chinese nation to pursue its peaceful development and rejuvenation.

China's White Paper on the country's Military Strategy (2015) states that the growth of national interests generates a vulnerability in its national security situation. A strong military is seen as key to making the country both safe and strong, allowing it to deal with old and new threats without jeopardizing fundamental Chinese assets. The "civil-military integration"<sup>4</sup> is treated as a concept under the principle of combining military efforts with civilian purposes. It goes beyond asserting that stronger policy support is required for China to establish uniform military and civilian standards for

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<sup>4</sup> This concept is treated as a combined expression by the Chinese government and incorporates a set of actions and interpretations that creates a unique environment for joint programs between civilian industries and the military sectors.

infrastructure, key technological areas, and other major industries, which shows the compatibility and complementary aspects of these elements.

This idea is enhanced by the National Defense White Paper of 2010 (2011a), which defines that economic development and national defense building are taken into consideration simultaneously by the state. It highlights the development achieved in information infrastructure as an example of successful civilian-military integration: a national defense optical fiber communications network was used as a primary element for the formation of a new generation information transmission network, assisting the communication sector performance. The document also stresses that Chinese defense has been integrated with social and economic development, in a way that priority has been given to major infrastructure projects required by national defense. Industries, technologies, and products have been optimized, which becomes clear in the seventh section called “Science, Technology and Industry for National Defense”.

The development model of defense-related industries has been transformed from one that used to focus on military demands and supply chains as a segregated activity, to one that understands economic efforts as complex, synergic, and interrelated. In this sense, enterprises and institutions are now well regulated and encourage the use of civilian industrial capabilities and social capital, in order to conduct research into the production of weaponry and equipment. The goal is to strengthen basic and applied research in defense-related science and technology, so that innovations can be facilitated and incorporated into the industrial complex. Fields such as aeronautics and space, electronic information, special and high technologies, and energy and nuclear power have strategic significance and receive financial stimulus from the government to develop key projects and capabilities. The principle of coordinating the development of national defense and the economy is in line with the decisions of China to appropriating defense expenditure in accordance with the country’s strategic needs.

The last government publication examined is the one which outlines the Diversified Employment of China's Armed Forces (2013), presenting the view that Chinese armed forces support key infrastructure projects, elevating advantages in hydroelectric, transportation, engineering, and cartographic units. This also applies to the support of national and local infrastructure construction, which relates to the national economy and people’s livelihood in areas such as transportation, water conservancy, energy, and communications.

It is, therefore, possible to understand that the government's initiatives have been traced as drivers for the modernization of the Chinese defense economy. Levesque and Stokes (2016) identified a trend in which advances in the defense sector support economic development through the means of civil-military integration. The residual benefits of integrating R&D in the military and civilian fields has been a strategy of every Chinese leader from Mao Zedong to Xi Jinping.

### **The Brazilian model**

Brazilian development policies are marked by what was called "*desenvolvimentismos*" – the old and new development waves, characterized by policies held mainly during the 1930s and 1950s/1960s. In this sense, national development has been the focus for a considerable period in which the challenge was to occupy the territory with a great level of autonomy and by proposing defense and security as a plan for national unity. Indeed, national development planning during the last 15 years in Brazil had the same approach of spreading development throughout the national territory and guaranteeing space for integration and cooperation.

In order to understand the recent Brazilian defense policy, it is necessary to observe two aspects that have relevance in this analysis: the defense industry sector, which was already ranked fifth internationality among exporters in the early 1980s; and the development debate as part of the actual Brazilian economic framework. According to a report published in 2015 by Senator Ricardo Ferraço from the Senate Committee on Foreign Relations and National Defense, the Defense National Policy (*Política de Defesa Nacional*) - originally from 1996, revised in 2005 - gave rise to the National Defense Strategy and the National Defense White Paper, the first documents to establish a general compromise in between defense and development. Despite the political and economic crisis that affected Brazil in 2017, the latest versions of the documents, the National Defense Policy (renamed the *Política Nacional de Defesa*), the National Defense Strategy (*Estratégia Nacional de Defesa*) and the White Paper on National Defense (*Livro Branco de Defesa Nacional*) gave ample room for the development of the defense sector through the expansion of its capacities, as well as to promote Brazilian productive and technological autonomy, in order to broaden Brazil's international insertion and ensure the greater involvement of Brazilian society in these matters.

The Brazilian National Defense White Paper introduced the *Plano de Articulação e Equipamento de Defesa*, the general plan for the integration of the armed forces in terms

of logistics, procurement, and interoperability. Even though it was developed before the Ministry of Defense was put into operation, the defense catalog for logistics turned out to be one of the most important demands of the objectives associated with making the defense sector more effective, efficient, and sustainable over the following decades. The insertion of Brazilian companies and products in the North Atlantic Treaty Organization (NATO) catalog system is one of the recent changes in the protocols that organize not only the Ministry's procurement processes, but the whole industry's contributions. This impacts the total value chain, standardizing the defense sector. The Brazilian Defense Catalog (*Catálogo de Empresas de Interesse da Defesa*) had close to 4000 national companies in the NATO catalog system, 420 economic activities which are directly considered of interest to the defense sector, and more than sixty-six thousand products were introduced in the same system.

Another main aspect of the Defense White Paper is the strategic plans associated with the main investments that are programmed to be of a huge number of investments. De Souza and Oliveira (2017) organized a scheme identified the following projects: the Navy nuclear program; the nuclear submarine construction; the Blue Amazon Monitoring System (*Sistema de Gerenciamento da Amazônia Azul*); the recovery of the operational capacity of the Army (*Programa de Recuperação da Capacidade Operacional da Força Terrestre*); cyber defense; the Territorial Border Monitoring System (*Sistema de Monitoramento de Fronteiras Terrestres*); the Integrated Protection System of the Strategic Structures (*Sistema Integrado de Proteção de Estruturas Estratégicas Terrestres*); the anti-air defense system; the missile and rockets systems (ASTROS 2020); the modernization of the AM-X and F-5; the operational capacitation of the Brazilian Air Force; and finally, airspace and defense robustness (cargo plane KC-390). For the authors, the “technological imperative” is the element that makes Brazilian projects around defense, opening space for a different perspective on the core structures which uphold the Brazilian development plan.

This is part of a general policy that benefits from a possible view of the future due to the continuity of the present conjecture or due to innovation processes that would lead Brazil to new positions in the international arena. In this sense, *Brasil 3 tempos* was a document that gathered propositions on Brazil's future from a long-term planning perspective, as part of the directive of a state policy to be consolidated beyond the current political arena in the subsequent years of 2007, 2015, and 2022. Assuming a pragmatic view of the needs for institutional governance enhancement in Brazil, in both private and

public institutions, the project brought together specialists from statistics and applied economics, and federal institutes as well as from universities, to face the problem of Brazilian development in an effort to achieve the simplification and acceleration of the planned processes.

The main understanding behind this view, as is shown in the document, is that there is what is called a “natural scenario” that has to be modified while suffering interference from actors. The interpretation of the conjecture as formed by the actors’ behavior is similar to that from the international relations theoretical framework from which Brazil has been acting in terms of foreign policy. The model used was based on the European Union prospective model, where there is a need for thinking and debating, but also modelling the future.

As some of the outputs, the Lula government’s productive development plan (*Política de Desenvolvimento Produtivo*, 2008) and Dilma’s “plan on a greater Brazil” (*Plano Brasil Maior*, 2011) were part of the consensus on the inclusion of defense matters into a broader view of state policies on growth (Pacheco & Pedone, 2017). It is worth noting that Brazil’s main understanding of the defense sector could reach companies from the defense industrial base, but also other industries associated with primary and secondary raw materials, as well as those from infrastructure.

In terms of the Brazilian international reputation, Rafael Villa (2017) calls for a “hybrid behavior” of the Brazilian foreign policy in defense and security matters. This may happen for two main reasons: first, Brazil can be viewed as a regional leader or it is absorbed by internationalization intentions; second, its military modernization process addresses intentions other than that of maintaining a peaceful regional status, much more “interpreted like a typical balance of power practice”. On the other hand, Burges (2013) argued that Brazil is a possible bridge between small powers or sub-regional actors from the South and those from the North, as it occupies the place of a non-contesting actor in the international system, trying to open windows of opportunity to a broader participation.

While Villa (2017) pointed out the dichotomy associated with this view on the defense burden and development versus integration through peaceful means, Burges (2013) provoked readers by indicating that the Brazilian discourse on solidarity is part of a project of being the bridge, instead of just acting inside the region. Malamud (2011) had before stated that the “mis-match between the global performance and regional performance” had put Brazil in a growing divergence dilemma. In the author’s view, although this foreign policy behavior had led to Brazil facing problems in terms of real

leadership in the region, at the same time, some of the regional and global motivations had proved to be the way to a progressive recognition in the international scene. In Malamud's perspective, also, Brazil's intentions on military and economic apparatuses were insufficient to foster those projects' hold in both regional and international scopes.

So, insufficiency seems to be measured by the difference between the levels of development required for the growing of the national economic status, and also the robustness of the national economy so as to promote integration, internationalization, and technical cooperation. So as to boost foreign policy programs, economic development requires the capacity of sharing and provoking change overseas. In spite of the volatile economic status of Brazil, which deals permanently with political and economic variations, there is the belief that natural resources and geographical potentialities would require more emphasis on planning, defending, and projecting Brazilian interests over and above those past achievements.

The key movements to overtaking this status were concentrated on technological improvements and innovative thinking between the government and the industries that took place, surprising as it may seem, under both liberalization and national incentives (Faé, Goulart & Zilio Abdala, 2016). Liberalization is marked by competitiveness under market rules and in terms of internationalization and the maintenance of the international labor division; the focus on national incentives is because of the social policies undertaken, but also, it is relevant for the fiscal and financial incentives towards national industry to work together with the government in such tight relations that maintained the unveiled unethical and corrupt relations between the private and public actors.

The movement around institutional reforming inside the Ministry of Defense was proposed by Dagnino (2009) to be neither a rational, nor an incremental, process. He observes that the management of the changes in course was in some way controlled by a technical framework, but also from incremental political change. Dagnino (2008b) maintains that the visibility that defense investments may have in terms of development is because of some important findings in the spin-off processes that induce civilian developments derived from defense investments, especially after war. Although his view on defense investments is based on the recognition of possible spin-offs, he reinforces the fact that the progress associated with those investments must be thought about from a perspective that correlates the needs and fragilities of a democratic state with those incentives.

Through ties of technological improvement and innovation, in recent years liberalization took place as part of a national economic development plan, at the same time as the whole economy was suffering from high debt and very low growth rates. As an example, the integration of energy security and defense planning was progressively rising and was in parallel with the opening investments around the recently discovered oil reserves in the deep seas pre-salt region in the Brazilian Economic Exclusive Zone's waters. The recent legislation (*Lei 4567/16*) that permits foreign investors to exploit the pre-salt oil reserves is under the same policy developments that opened space for foreign investors in the Brazilian defense industries and companies (debates about whether it should or not are not considered here). Recognizing the limits for Brazilian investors and the opportunities for the sector, with high levels of investments, leads Brazil to achieve other steps in the international system, although it reveals in some way the insufficiency of the national market and, as a consequence, the country's lost national autonomy.

Brazilian progress in the defense industry sector could not be made without this combination of international-liberalism and development economics, benefiting from both foreign investment and the national enhancement of local investors and entrepreneurs. This dichotomy was in some way surpassed with the practice of a formula that would gather incentives from enhancing the Brazilian presence and power to the scope of social development that was in place in at least the last 12 years. At this point, we should mark that the failure of the liberal policies, decades before, however, marked the presence of new industrial relations with a recovering class of national businessman (Diniz & Bresser-Pereira, 2013).

Subsequently, the economic crisis affecting the most developed states presented emerging markets as an alternative for new investments and the repositioning of the flow of investments. There comes a transition process in which development would be the output, but also the model from the investment's perspective (Diniz & Bresser-Pereira, 2013). A mechanism to achieve progress through provoking development and opening new sources of investments, as opposed to the pre-existing arrangements and frameworks, would be considered the way of dealing with less than ideal economic conditions.

If autonomy was not conquered without considering the macroeconomic factors that are straightforwardly imposed by international markets and the governing paradigms, new forms of states' relationship could arise from those findings – the BRICS (Brazil-Russia-India-China-South Africa) as an alternative will be addressed later. As opposed to the order in place, those new arrangements consolidated new forms and strategies to

survive – even under the established economic crisis. Therefore, arrangements were, as it was said before, overlapping, and they could not meet the needs due to economic limitations. One measure that could be cited as a domestic rearrangement that could be seen inside this transition would be the enhancement of inter-agencies' ties and projects. Next, the existence of para-diplomatic programs (including the federalists, but also those from sources other than the Ministry of Foreign Relations), had guaranteed the maintenance of thematic or residual projects on technical cooperation that would finally represent a scope of dealing with lower investments and take advantage of the structures already in place.

That is why and how the defense development model arose together with development. Not only through the trust in spin-offs and spill-over effects on the civilian side, but from the perspective that new sources of indirect foreign policy could share bigger values and have an expressive impact on the national economy. Noticing that established frameworks on specific matters could guarantee future developments on South-South cooperation, the state bureaucracy has contributed to this wave, supporting the various initiatives all around state's institutions.

### **The partnerships and joint projects**

In the 1980s, Latin America was marked by an economic crisis and, in this context, the Sino-Brazilian relationship became more dense. Although there was an imprecise context, Brazil and China observed this as a possibility to act jointly in overcoming these barriers. The convergence of interests regarding the multilateral sphere was a stimulus, but also raised the possibility of establishing a strategic agenda to face the traditional system. Through that agenda, it was possible to increase the relationship and intensify academic and political knowledge about each other. Between the years of 1980 and 1990, China passed through a political orientation called “pragmatic”, in which it was characterized by its non-alignment with the great powers and the beginning of a multilateral dialogue, which progressively gained importance in the country's politics, and this orientation would guide its interests in Latin America.

Under changes since the 2000s, the geopolitical and global financial system has changed, and the rise of China - as well the emergence of countries like Brazil, India, and Russia - shifted the global economy centered in the United States. These changes are important for the understanding of the flexible multiple faceted inter-state relations that have emerged. According to Cintra (2013), the Chinese interests in Latin America are

growing, especially in 2000s, based on four main motivations: the first one would be the search for primary products that are plentiful in the region; secondly, the region offers a market to export Chinese products; third, to isolate Taiwan from the recognition of its independence; and fourth, to ensure “strategic partners” to increase China’s influence in the region (Cintra, 2013: 30-31).

China’s interest in Brazil is related to the movement of the Chinese foreign policy that focused on new market opportunities, so as to increase the quality and quantity of its exports. On the other side, Brazil anticipated an opportunity to use this relationship as a mechanism for reducing its dependence on North-South relations. Brazil is also considered a good partner in terms of information sharing, producing, and acquiring advanced technologies (Becard, 2013). Taking Becard (2013) into consideration, Brazil is seen as an important player in South America and China is seen as the central pivot in Asia, which may provide an alternative to Brazil’s intentions of cooperation within the traditional world trade framework.

Brazil is privileged with agricultural areas, energy resources, and opportunities in an important range of economic sectors. Because of that, it is interesting for China to invest in infrastructure as a way to achieve more assertiveness in trade, as well as it is important for Brazil to guarantee its domestic development. Brazil is capable of attracting good commercial relations with other countries based on the diversification of its market - 80% of the region’s companies are Brazilian and they have an important role in development and the environment. In this regard, the Sino-Brazilian relationship has achieved an important position in the international arena, such as in cooperation in economic areas.

Considering the motives exemplified above, the table below contains some bilateral agreements that were promulgated between Brazil and China, focused on the defense and strategic sectors. These agreements can be seen as markers of the beginning of the Sino-Brazilian relationship.

**Table 1 – Agreements on defense sector**

Name	Date of promulgation
Protocol of Cooperation in the Area of Industrial Technology	March 9 1990
Agreement on Scientific and Technological Cooperation	August 24 1992
Agreement between the Government of the Federative Republic of Brazil and the Government of the People's Republic of China on technical security related to the joint development of Earth Resources Satellite	July 29 1998
Agreement on cooperation in peaceful applications of space science and technology between the Government of Brazil and the Government of the People's Republic of China	July 30 1998
Agreement for the Cooperation in the Peaceful Uses of Nuclear Energy	January 14 1998

Source: <http://www.cebc.org.br/pt-br/dados-e-estatisticas/acordos-bilaterais>.

According to Cunha (2016), Ambassador Roberto Abdenur increased steps to strengthen the Brazil-China bilateral relationship. Visits were gradually established and, in 1982, an agreement on the subject of science and technology was mutually signed. Then, President José Sarney negotiated other agreements in the areas of industrial technology, energy, and pharmaceuticals in 1988, but the most important result of the negotiations was the China-Brazil Earth Resources Satellite (CBERS) project in the area of satellites (Cunha, 2016: 73). The signing of the protocol that later embodied the project itself represented an important area that both countries were intending to develop, involving high value-added technology.

The success of this program meant that Brazil and China were seeking independence in relation to the “developed countries” in the matter of technology transfer, representing a new structure of South-South cooperation. The project CBERS established a novel model of cooperation that, on the Brazilian side, contributed to technological modernization, and for China, served as instrument to develop the country’s productive forces, such as defense, energy, and infrastructure.

The cooperation in the scientific and technological sectors is one of the field’s most developed at different levels between Brazil and China; it is extremely important for Brazil to improve its knowledge on the theme through China, as it continues to be a technological tool which impacts other areas like agriculture, human resources, and the

environment. The “China-Brazil Climate Change and Energy Innovative Technologies Center” was created as an academic and technological cooperation instrument between Tsinghua University in China and the Federal University of Rio de Janeiro in Brazil (*Universidade Federal do Rio de Janeiro*), to study climate change and energy sources and applicability.

There is also the “Binational Brazil-China Center of Nanotechnology”, a bilateral cooperation project between the Brazilian Ministry of Science, Technology and Innovation and the Chinese Sciences Academy (Becard, 2013). The Chinese Academy of Agricultural Sciences has an international department of cooperation and one of its partners is *Empresa Brasileira de Pesquisa Agropecuária*. The different levels of sector cooperation have been increasing over the last few decades, and areas such as biotechnology, data processing, the development of new materials, joint action to eradicate HIV/AIDS, and pharmaceutical remedies etc. are expanding (Oliveira, 2010).

In 1993, the “Strategic Partnership” between Brazil and China was formalized. In terms of foreign policy, this increase of degree was announced unilaterally by President Jiang Zemin, and it represented the political consolidation of the mutual strengthening. In 2012, this partnership was increased to a level of “Global Strategic Partnership” and new intergovernmental dialogues were established. The creation of the *COSBAN* (*Comissão Sino-Brasileira de Alto Nível de Concertação e Cooperação*) in 2010 was “aimed at promoting the highest strategic level, development policies at economic, commercial, financial, scientific and technological academic and cultural levels” (Pires, Paulino, Cunha, 2015: 151) and the Global Strategic Dialogue contributed to the advancing of these interests.

There is also the *Plano Decenal de Cooperação* (Ten-Year Cooperation Plan) 2012-2012 and the *Plano de Ação Conjunta* (Joint Action Plan) 2015-2021, that provides strategic goals to guide the bilateral relationship objectives. The Brazil-China Business Council promotes dialogue between the most important companies in both countries. The similarity of the foreign policy agendas between Brazil and China facilitates the development of joint policies and the establishment of this high-level dialogue indicates the advancing of cooperation that has expanded over forty years of relations.

The table below is the resume of plans and initiatives between Brazil and China that were exemplified in the article.

**Table 2 – Resume of Plans and Initiatives of Cooperation**

Plans and Initiatives	Year
China-Brazil Earth Resources Satellite	1988
China-Brazil Business Council	2004
China-Brazil Climate Change and Energy Innovative Technologies Center	2009
BRICS	2009
COSBAN	2012
Ten-Year Cooperation Plan	2012-2021
Binational Brazil-China Center of Nanotechnology	2014
Chinese Academy of Agricultural Sciences	-
Joint Action Plan	2015-2021

Source: compiled by the authors.

The dialogue between Brazil and China has also advanced in a multilateral dimension - that is in the cases of the BRICS and the G-20, in order to broaden their long-term joint plans to other countries. The democratization of the access to resources, before concentrated in the International Monetary Fund or World Bank, is now happening through the mechanism of the BRICS, and its influence on global economic development is already visible. In addition, there are plenty of opportunities for Brazil to increase its position in the international scenario and China will continue to have an important part in this achievement. “Fortunately, the economical asymmetry between Brazil and China, has been accompanied of [sic] mechanisms of bilateral and plurilateral dialogues” (Rosito, 2015: 62-63) which has allowed solutions to some of the principal challenges presented. The initiatives, agreements, and joint plans have the potential to transform not only the Sino-Brazilian relationship, but also with the BRICS’ group members, through a series of annual meetings.

The BRICS represent the emergent countries that went through a quick process of development, and which also have an important role in contributing to a multipolar international scenario. The BRICS forum is a cooperative arrangement that reflects the position of the decision makers, considering those to be the ones who define strategies for acting, priorities, interests, and threats. According to the data below, the Brazilian

commercial relationship with different countries in the last few years has been varied, and it is important to note the relevance of the commercial results with China:

**Table 3 – Commercial results between Brazil and the BRICS members (in millions of US\$)**

Year	China	India	Russia	South Africa
2005	6.300	-65	2.195	1.030
2010	5.190	-750	2.242	557
2011	11.526	-2.880	1.272	769
2013	8.773	-3.227	298	1.117
2014	3.722	-1.847	813	494

Source: Baumann, 2015.

For the administration of Luiz Inácio Lula da Silva (2003-2010), the trade relationship with China was one of its main policies goals and that was the country's foreign policy orientation over the last two decades. Brazilian exports to China increased in the last ten years, with positive results for the trade balance. The main critique in the Becard article is "the difficulty faced by Brazil to diversify its exports and added value to their transactions with China" (Becard, 2013: 233), so Brazil mainly exports raw materials and this does not develop domestic industry by changing the focus to manufactured or semi-manufactured goods.

Despite the critiques of the Brazilian difficulty in diversifying its international economic participation through its commercial position - not only in its bilateral relations with China or under the multilateral structure of partnership - it is relevant to note that Brazil gained more international prestige. Brazil's well-known diplomacy allowed the country to be in a prominent position in recent decades, and taking part in an international cooperative structure with global impacts only reaffirms its relevance. Besides Brazil and China having similar positions on the international agenda, the multilateral dialogue created an even better economic and political position for both.

As exposed by Arbache (2011), both countries have big internal challenges, such as poverty, inequality of distribution, regional disparities, and demographic problems. Brazil suffers with deficits in its current accounts; China has suffered from a shortage of resources, energy, and food, but their particularities boosted their willingness to cooperate

and achieve social progress. Arbache (2011) arguments can be reinforced by those from Becard (2013) about the assumption that Brazil should reformulate its strategic market position, in order to broaden its sectors and benefit itself through the partnership.

The Chinese presence in Latin America, and consequently in Brazil, has been growing over the years and all the initiatives for market diversification reflect the new challenges to be overcome by Brazilian decision makers. A large number of academic studies defend Brazil using its power of influence to guide the rules of the Sino-Brazilian relationship, in order to reaffirm its national interests and leaving behind its limited role as a raw products provider. Others affirm that trade should be more balanced, in a way that China could be more open to receiving other Brazilian products/services, including those associated with strategic companies in the defense sector. The investments should also be equal, so that Brazilian companies gain benefits and opportunities for growth as well (Arbache, 2011). In the opinion of Cunha (2017), the Sino-Brazilian relationship isn't just based on commercial and investment trades; these areas are just a complement to a bigger joint plan. The capacity for scientific and technological cooperation between China and consequently extended to Latin America should not be underestimated.

The Sino-Brazilian model of cooperation established a new pattern of relations in the 2000s (South-South Cooperation), and the main area of development achieved was scientific and technological. The deepening of cooperation has come on many levels, and this represents a heterogeneous and multifaceted relationship. Also, it is worth mentioning that Brazil and China regional priorities do not overlap and are a possible way of considering security proximities or non-interference (Christensen, 2016). Considering all these dynamic relationships, it is crucial to deepen mutual knowledge, in order to obtain a more targeted strategy. There is a mismatch of political architecture and the implementation of agreements. As noted in Table 1, only a few agreements were promulgated in the area of defense. This represents a distance between what is planned and what is really executed. According to Barbosa (2017), is necessary to study the commercial strategy between both countries, define each's national interest, and promote more high-level dialogue in order to achieve a profound mutual knowledge.

### **Final remarks**

Incentives that were part of a series of combined policies were the main reason for the establishment of renewed ways of dealing internationally in both the Chinese and Brazilian cases. In this sense, Brazilian incentives were markedly based on the inclusion

of the defense sector in a broader development policy, as well as on a cycle of investments which was put into force together with the amplification of the state's cooperation ties with China. Alongside the stimulus on new cooperation fronts, there are motivations for rebuilding old structures in renewed ways.

Observing the on-going plans on development, there is space for a coordination with win-win outputs, using gaps and the reallocation of resources to benefit both China and Brazil. The defiance in creating alternatives to the main players and provoking change in old and recent relations seems to be the new paradigm in place. Conversely, infrastructure plans were guided based on the defense sector's structure in China, whereas in Brazil it was a consequence of the whole development policies. Even though some of the most important Brazilian infrastructure companies were also willing to participate in the country defense's window of opportunity, in fact, there was not a trusting connection in the long-term and in between the sectors, in Brazil. Conversely, China had done a long-term plan as part of its development goals, that could, finally, permit new arrangements to the benefit of bilateral relations with Brazil. And that is why infrastructure is achievable and interfaces with Brazilian defense planning.

Notably in this bilateral relationship, various opportunities and synergies that are being aligned to benefit the already developed individual purposes can be seen. Even though geographical, cultural, and institutional proximity may provoke some barriers, Santoro (2012) points out that Brazilian foreign policy has maintained caution in respect to themes on the (non)democratic practices of its partners. It is, nonetheless, another avenue to explore and, inside the BRICS umbrella, it is far more likely to happen in terms of a bilateral approach using the financial mechanisms combined with those BRICS instruments to make it happen at a good pace. To be feasible, then, Brazil and China must deal with different managing capacities to enhance this formula, as imbalanced sources and investment strengths have to be considered.

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## **Brazil, China and Internet Governance: Mapping Divergence and Convergence<sup>1</sup>**

*Louise Marie Hurel<sup>2</sup> & Maurício Santoro Rocha<sup>3</sup>*

**Abstract:** The Internet has continuously been drawing the attention of states. Governance became a central aspect to negotiating tensions between state and non-state actors involved in the Internet ecosystem. This paper draws a comparative analysis between China and Brazil – with a particular emphasis on the latter – in the negotiations on global Internet governance. The primary objective of this work is to identify similarities and differences between both countries’ cyber-policies lying at the intersection of security, privacy, and surveillance. More specifically, it aims to determine if Brazil and China can cooperate on a common agenda in the BRICS and assess how the two states deal with the role of the United States in Internet governance. The last section focuses in mapping the challenges and opportunities that emerge from these dynamics, in particular their impact within the BRICS.

**Keywords:** Internet governance, China, Brazil, BRICS, cyber-policies

### **Introduction**

The main goal of this paper is to determine if Brazil and China can cooperate on a common agenda in the BRICS (Brazil, Russia, India, China, and South Africa) concerning Internet governance, in spite of big differences on this issue – in areas such as freedom of expression and privacy protection. Our conclusion is a qualified “yes”, based upon a shared interest in giving more influence to the United Nations in Internet governance, and a criticism of the role of the US in the Internet Corporation for Assigned Names and Numbers (ICANN).

Brazil and China became important global players in the debates about Internet governance, and have taken leadership roles among developing countries with an agenda critical of the current model. In this paper, we highlight two policies have oriented the

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<sup>2</sup> Louise Marie Hurel is an MSc Candidate in Media and Communications (Data and Society) at the London School of Economics and Political Science. Email: l.h.dias@lse.ac.uk

<sup>3</sup> Maurício Santoro Rocha holds a PhD in Political Science. He is Assistant Professor and head of the Department of International Relations, State University of Rio de Janeiro, Brazil. Email: mauricio.rocha@uerj.br

participation of Brazil and China in this field: (i) resistance to US dominance; and (ii) defence of the UN system as an ideal space for Internet governance debates.

However, there are many disagreements between Brasilia and Beijing, and most of them come from their different domestic political regimes, the way they structure their foreign policy towards Internet governance, and how they seek to promote change in current global Internet governance arrangements. Even though this does not prevent them from cooperating, it establishes some obstacles and limitations to the scope of their dialogue.

In this paper, we start with an analysis of Brazil's cyber-policies, and discuss the creation of the Internet Bill of Rights, the international context in which it was approved, and how it strengthened the country's position in responding to revelations on the National Security Agency's (NSA) mass surveillance. We argue that the approval of this bill results from a particular context of convergence between domestic and foreign policy.

In the second part, we outline the convergences and divergences of Brazil and China in global discussions about Internet governance, in particular on the "constitutional moments" that led to the creation of ICANN in 1998 and to the World Summit on the Information Society (2005).

The final section analyses how Brazil and China are dealing with these issues within the BRICS, and how the theme has been framed in the high level meetings. Also, we highlight the possibilities that the group created for a better internal cooperation, in spite of their many differences.

### **Brazil's Two-level Game Cyber-policy**

Brazil has gradually been building its role as a global player cyber-policy. This is mostly due to the development and implementation of comprehensive domestic legislation on the issue – also referred to as the Brazilian Internet Bill of Rights (*Marco Civil da Internet*) – and to the country's activities in multilateral organizations such as the General Assembly and the Human Rights Council of the United Nations. As we will see, these measures are part of a "two-level game" between domestic policy and diplomacy (Putnam, 1988).

Putnam's seminal concept describes a political dynamic where domestic and foreign policy goals are linked. In seeking to better understand the complexities of diplomacy, foreign policy, and domestic policy, Putnam suggests that both national and

international levels play equally important roles in analysing government behaviour and also a tool to understand diplomatic positions that otherwise would not make sense. In the Brazilian case, the unpacking of the relationship between domestic and foreign policy dimensions provides insights with regards to how the country achieved a prominent role in Internet governance – despite the lack of a strong presence in the global Information Technology industry.

Although Brazil is one of the world's ten largest economies and a rising power on many global issues, its leadership in Internet governance is surprising. Approximately 66% of Brazilian households do not have access to the Internet (TIC Domicílios, 2017), and the country does not have a strong IT industry. This contrasts with China that, on one hand, holds a 53% Internet penetration rate (ITU, 2017) but, on the other, encompasses a favourable domestic and international market with tech giants such as Huawei, Alibaba, Baidu, ZTE, Lenovo, and Tencent. Thus, what partly explains the important role that Brazil is playing internationally refers to a specific set of domestic institutions that link government officials, civil society representatives, and corporate executives (Santoro, 2015). This network with positive consequences began in the early 2000s, with the open source software movement (Borges, 2010) and the consolidation of the Brazilian Internet Steering Committee (CGI.br).

In 2003, Luiz Inácio Lula da Silva became the president of Brazil, commanding a complex centre-left coalition. His Minister of Culture was the singer and composer Gilberto Gil, a supporter of Creative Commons and similar initiatives. Together with sympathetic officials at the Ministries of Science and Planning, Gil engaged the government in the open source movement and opened the doors for many activists and scholars concerned with digital rights. They established a partnership with the state that, in time, went far beyond the original issues.

Gil was also a key supporter inside the government of the idea that Internet governance should be addressed by the UN. Together with the ministers of Science (Sérgio Rezende) and Strategic Affairs (Roberto Mangabeira Unger) he created a steering committee to develop policies for digital inclusion in Brazil that was announced at the opening of the Internet Governance Forum (IGF) 2007, in Rio de Janeiro<sup>4</sup>.

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<sup>4</sup> See, for example: <http://idgnow.com.br/internet/2007/11/12/idgnoticia.2007-11-12.7200759792/> and <http://www.intervozes.org.br/direitoacomunicacao/?p=19784>.

Even though CGI.br had been created in 1995, it was only in 2003 that the governance model was explicitly defined. The 2003 presidential decree was a milestone in the institutional development of the multistakeholder approach in Brazil (Glaser and Canabarro, 2015), as it defined that CGI.br's board would be composed of members from the government, civil society, and private sector, and contained one Internet expert and representatives from the technical community.

Both the elaboration of a domestic policy that upheld open software as part of the national plan for development and the consolidation of a multistakeholder body for national Internet governance laid significant grounds for what would later become the Brazilian Internet Bill of Rights. However, the rising importance of multistakeholder approaches as part of the national Internet governance also requires particular attention to the *process* through which the Bill was elaborated.

The growth of Internet use affected the legislative agenda, which began to focus on users' rights, duties or behaviour during the late 1990s, when many bills proposed rules about Internet user behaviour. Most of them [...] set criminal conduct - prohibiting the use of the World Wide Web for criminal purposes, fighting pedophilia and child pornography, filtering inappropriate content and anonymity [...]. (Rossini, Brito Cruz & Doneda, 2015: 3)

One of the challenging factors was that, while Internet access continued to grow in Brazil, the legal responses and the institutional mechanisms were unable to follow the changes provoked by social interaction online. Within this context, new legislative proposals emerged in response to the growing notoriety of cybercrimes. In 2006, Senator Eduardo Azeredo proposed a cybercrime bill that focused on the criminalization of online activity and prescribed serious limitations for freedom of expression (Article 19, 2012). Fearful of the repercussions that such a bill could cause to digital rights, civil society groups and academics pronounced themselves against it (Magrani, 2014; Rossini, Brito Cruz & Doneda, 2015).

In the years that followed, this coalition reacted to several conservative proposals of the Brazilian Congress about the regulation of the Internet with its own legislative initiative: the *Marco Civil*. The original draft was available on the Web and citizens could give their ideas and suggestions in an open manner through online consultations (O'Maley, 2016).

There are, of course, gaps and contradictions in the *Marco Civil*. For example, the law protects personal data, but does not define what it stands for – a task left mostly to

the Data Protection Bill, to be discussed in the future, in a difficult context when the rise of Big Data and metadata call into question traditional definitions. There are also many discussions on how to deal with cybercrime, a topic that is not the central point of the *Marco Civil*. Notwithstanding, some judges have interpreted the law in a controversial way, resulting in attempts to block message services such as WhatsApp due to conflicts in criminal investigations regarding cryptography and unanswered requests for information from the company (Arnaudo, 2017). This leaves the legislation at the crossroads of how to strike a balance between law-enforcement practices and protecting users' rights.

There was always strong opposition in Congress against the *Marco Civil*, especially from politicians backed by telecommunications companies that do not look favourably upon net neutrality – for them, it a loss of market opportunity. Parliament waited two years to vote on it – the law was approved right after Edward Snowden's revelations about the American NSA's surveillance on Brazil, which resulted in a strong reaction from Brazilian public opinion, urging the government to do something about the protection of rights online (Borges & Santoro, 2017).

President Dilma Rousseff went to the General Assembly of the United Nations and presented the *Marco Civil* as the base of a future international treaty for the multilateral regulation of the Internet:

Time is ripe to create the conditions to prevent cyberspace from being used as a weapon of war, through espionage, sabotage, and attacks against systems and infrastructure of other countries. *The United Nations must play a leading role in the effort to regulate the conduct of States with regard to these technologies.* For this reason, Brazil will present proposals for the establishment of *a civilian multilateral framework for the governance and use of the Internet* and to ensure the effective protection of data that travels through the web [emphasis added] (Rousseff, 2013).

During 2013 and 2014, Brazil worked together with other countries, especially Germany – also a major target of the NSA – and co-sponsored two resolutions at the UN General Assembly (69/166 and 68/167), both entitled “The right to privacy in the digital age”. Both resolutions call upon countries to protect the right to privacy, take measures to preserve it, and review its own actions. These were the first Brazilian attempts at the UN “to trigger a norms cascade” (Abdenur & Gama, 2015) on the issue. The General Assembly's resolutions are tools of soft law and are not binding, but they could be the first step to reaching a formal agreement.

In October 2013, leaders of organizations responsible for the coordination of the Internet's technical infrastructure released the ICANN's Montevideo Statement. It called for the "need to continually strengthen and evoke" the "unique mechanisms" developed for global multistakeholder Internet cooperation, which included the "the globalization of ICANN and IANA<sup>5</sup> functions, towards an environment in which all stakeholders, including all governments, participate on an equal footing" (ICANN, 2013). This was followed by Fadi Chehadé's announcement that he had met with President Rousseff and that the government had agreed to convene a global multistakeholder summit on Internet governance.

Civil society groups saw the summit as a potential way of assessing mass surveillance, privacy, human rights violations, and the transition of the IANA functions (Malcom, 2013). On the other hand, the uncertainty of what would be the main topic of discussion and what form this meeting would take generated unrest among the different stakeholder groups. At the early stages of negotiations, the Brazilian Minister of Communications, Paulo Bernardo, argued that Rousseff and Chehadé met to discuss a *multilateral project* that would include the private sector and all of the actors involved in Internet governance, and that the initiative would be linked to the United Nations. In spite of the preceding controversies and competing interests, Brazil was regarded as a trustworthy country to lead the international efforts for a more inclusive multistakeholder process (Malcom, 2013). This later on led to the official organization of the "Global Multistakeholder Meeting on the Future of the Internet" in 2014, also called NETmundial conference.

The signing of the *Marco Civil* and the release of the Multistakeholder Statement during the NETmundial conference portrays the encounter between the national and international dimension of Brazil's position in Internet governance. Prior to that, the country had already hosted ICANN 16 in 2003 and the IGF in 2007 and were followed not only by the 2014 NETmundial conference, but also the 2015 Internet Governance Forum (held in João Pessoa). This development – with an emphasis on the post-2013 Revelations – was particularly important for the consolidation of the country as a prominent player in global Internet governance. Also, it highlighted the international relevance of Brazil's statements at the UN alongside the implementation of the *Marco*

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<sup>5</sup> Internet Assigned Numbers Authority.

*Civil*. Both 2014 and 2015 conferences discussed issues dear to the Brazilian agenda, such as privacy, which endorsed the country's proposals.

The *Marco Civil* quickly became an international reference because of its innovative content. The collaborative and participative process of elaborating the Brazilian Internet Bill of Rights also had significant impacts on policy-development processes in other countries. Internationally, the *Marco Civil* and Brazilian Internet Steering Committee's decalogue of principles both served as international examples and the basis for the development of Italy's *Dichiarazione dei Diritti in Internet* (Italian Declaration of Rights on the Internet) (Canabarro, 2015).

Moreover, it translated into the digital realm the broad political and civil rights prescribed in the Brazilian democratic 1988 Constitution, such as freedom of expression and privacy; coupled with new principles, such as net neutrality and the protection of privacy in the face of government surveillance (officials can only access data with a judicial warrant) or even revenge porn (in these cases, sites have to take down the images and content).

Overall, Brazil's position and response to curbing mass surveillance are not to be viewed as detached from a wider socio-technical (Canabarro, 2014) process of consolidating national Internet governance. They link directly to a historical analysis of domestic policy-making processes – as we saw with the tension among a criminal-based and rights-based approach in the 1990s – and previous multistakeholder experience with the institutional development of the CGI.br.

Furthermore, the Brazilian case is far from being a monocausal process; rather, it should be understood as a combination of (i) existing political processes, (ii) the ongoing institutionalization of Internet governance-dedicated institutions – namely CGI.br, and (iii) multidimensional governance (Hurel, 2016): a specific moment of domestic and foreign policy alignment.

### **Crossroads: Tensions and Developments in Global Internet Governance**

The 2005 UN World Summit on the Information Society (WSIS) was an important “constitutional moment” (Mueller, 2002) in the history of the global Internet governance, and an important occasion to look at the convergences and divergences in how China and Brazil perceive their interests on the issue.

The WSIS expanded the understanding of Internet governance. Previous conceptualizations of the term often pinned it down to “technical aspects” (Drake, 2004;

Aguerre & Galperín, 2015; Hoffman, 2015) and mirrored the perspective of developed countries that had been involved in the Internet's early days. At that point in time, the now-called governance of the Internet mainly referred to bodies involved in the management of the infrastructure, mainly the Domain Names System (DNS), address space, and technical standards (Hoffman, 2015). In this setting, the WSIS "openly questioned the institutional legitimacy of these early governance arrangements [... and] emphasized the political implications of the decisions being made through ICANN and other technical forums" (Aguerre & Galperín, 2015: 6).

While developing countries often lagged behind in the technical management and coordination of Internet governance, some of them shared the view that the WSIS process was a window of opportunity for advocating for greater governmental representativeness. This was also the case for Brazil. During the preparatory meetings of the WSIS process, the country stressed the need for developing countries to have a say in decision-making bodies and processes related to the structure and function of cyberspace (Hoffman, 2015). However, in order to understand the positions taken by Brazil and China in the development of Internet governance, one might consider taking into account the processes and organizations that preceded the establishment of the WSIS.

The 1990s were a crucial decade to define the international regulation of an increasingly global Internet, but still under the hegemonic influence of the American government and IT companies. The tense result of these negotiations was the creation of the ICANN and its unique regime based in a civil society corporation that signed a contract with the US Department of Commerce and was part of a multistakeholder system which put together officials and representatives of private companies, activists, the technical community, engineers, and scholars.

Brazil and China did not look favourably at this scenario. Both countries rejected American primacy over Internet governance and supported a solution that posited the United Nations and the International Telecommunication Union (ITU) as possible alternatives to the direct association between Internet governance and ICANN. This position was popular among nations of the Global South and had a strong link to political mobilizations about a New World Information and Communication Order (NWICO) that started in the 1970s (Bhuiyan, 2014).

The NWICO was discussed in the MacBride report<sup>6</sup> and based on the criticism of the concentration of economic power in rich countries – most notably the US and the UK. Furthermore, Siochrú (2004: 208) argues that this was the first time that "a full range of information, telecommunication, media and related issues were argued in a truly global way". The NWICO emerged as a response to the consolidation of a western-centred neoliberal model of development and a calling for the redistribution of international communication resources (Chakravartty, 2007). The initiative also proposed changes in the regulation of media and telecommunications to benefit developing nations.

However, global politics went in another direction. Changes within NWICO, along with the conservative turn of the 1980s, resulted in a policy agenda of privatization and deregulation concerning the information industry. This approach is embedded in the framework of ICANN's multistakeholder model, with its openness to corporations in the decision-making process.

In the 2000s, Brazil and China were both among the key supporters for greater engagement of the United Nations in Internet governance, and celebrated the proposal of the WSIS. They shared an opposition to the American hegemony in the global Internet regime, but had disagreements on other issues. China did not support a multistakeholder approach that gave foreign companies and civil society a greater role. Together with countries such as Iran, Chinese authorities claimed that states should be in charge of the Internet. On one tense occasion, these discussions even led to the expulsion of the president of ICANN from a UN meeting, under the claim that he was not an official from any government (Bhuiyan, 2014).

Brazil had a different position. The development of the Brazilian Internet Steering Committee was a fundamental piece for the consolidation of the country's own domestic multistakeholder experience in Internet governance. Civil society, the technical community, and academic researchers were active players in building Internet infrastructure in the country in partnership with the government. Brazilian diplomats were willing to engage in ICANN's policy processes, even if they were not entirely comfortable with the regime (Lucero, 2011).

In addition, Brazil was a newly re-established democracy, which cherished civil and political freedoms and was experiencing rising mobilization concerning digital rights.

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<sup>6</sup> Known as the MacBride report, "Many Voices, One World" was a 1981 UNESCO publication by the International Commission for the Study of Communication Problems.

The process that would result in open source software policy and in the *Marco Civil* was already going on. During the opening of the IGF in 2007, Mangabeira Unger publicly defended a multistakeholder approach to Internet governance and called for a change in the ICANN-centralized administration of critical Internet resources (Intervezes, 2007). Brazilian leaders did not concur with the prospect of an international regime totally run by governments, including authoritarian states.

The debates at the UN were an attempt to compromise on the issues of the stakeholder model and the role of the United States. The Geneva Declaration of Principles, adopted in 2003, attempts to link the discussions on Internet governance with other United Nations priorities, such as the Millennium Development Goals, and acknowledges that greater focus should be given to developing countries. Point 48 highlights the conflicts:

The Internet has evolved into a global facility available to the public and its governance should constitute a core issue of the Information Society agenda. The international management of the Internet should be multilateral, transparent and democratic, with the full involvement of governments, the private sector, civil society and international organizations. It should ensure an equitable distribution of resources, facilitate access for all and ensure a stable and secure functioning of the Internet, taking into account multilingualism.

There were also many compliments to democracy and transparency. The same tension was present in the UN Working Group on Internet Governance (WGIG), whose 2005 report stated:

Internet governance is the development and application by Governments, the private sector and civil society, in their respective roles, of shared principles, norms, rules, decision-making procedures, and programmes that shape the evolution and use of the Internet.

The report was very critical of the American role in the system, reflecting the widespread consensus among other nations that it was a problem. However, at the World Summit, the US government was able to build a coalition around ICANN and the multistakeholder approach. It largely explored the fears of democratic countries – such as Brazil – that the model proposed by China would be an obstacle to the freedom of information on the Internet (Lucero, 2011).

Brazil supported the final statements and decisions of the World Summit, such as the creation of the IGF as a voice for civil society. But the meeting also stated that public policy about the Net is “a sovereign right of states”.

The tensions between some developing countries and the setting of this international regime nonetheless resurfaced on different occasions. In 2009, the Internet Governance Forum approached a decisive moment of reviewing its mandate and stakeholders took different views on what was yet to be the future of the IGF. During the Sharm el Sheikh meeting in November, China, Brazil and other developing countries envisioned changes to global Internet governance that would aid in shifting US predominance and promoting greater governmental representativeness (Kurbalija, 2017).

That same year, during the December meeting of the United Nations’ Second Committee, Brazil proactively called for the building of a multilateral, transparent, inclusive, and democratic regime for global Internet governance in the UN. In addition, the country expressed concerns over ICANN’s Affirmation of Commitments, which signalled the intention of the organization to becoming more independent. The Brazilian representative at the United Nations’ Second Committee highlighted that the document lacked the status to grant ICANN an international legal personality or to “change the unilateral and exclusive nature of controls over the root directory of DNS”<sup>7</sup>. Broadly speaking, issues of voice and the participation of governments and multilateral organizations in matters relating to the Internet governance regime remained unresolved.

In early 2010, the G77 and China proposal at the 65th General Assembly meeting also suggested that the forum be more anchored within the UN system and that it should delve more deeply into policy issues, in order to aid in shifting the unilateral control of critical Internet resources – in other words, ICANN’s umbilical relationship with the US. The group also endorsed the need to maximize developing countries’ participation in Internet governance decisions – principles previously highlighted in the WSIS 2005 Tunis Agenda – as well as the IGF as a venue capable of resolving public policy issues “such as the unilateral control of the critical Internet resources and measures in enhancing access to the Internet” (G77, 2010).

Resisting US predominance in Internet governance has been a common political thread for both China and Brazil foreign policy. The review of the International

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<sup>7</sup> United Nations Second Committee A/C.2/64/SR.23

Telecommunications Regulations (ITRs) during the World Conference on Telecommunications Meeting, in 2012, highlighted important divergences. Scholars portray this particular moment as a landmark in opposing views and rising tensions regarding Internet governance. The WCIT-12 meeting ended in a “diplomatic éclat” after it became clear that debates were divided into two main perspectives. Maurer and Morgus (2014) take the view that this division was drawn between a bottom-up stakeholder-inclusive approach and a top-down approach that placed governments at the epicentre of the ITU (2014). In this “either/or” moment in Internet governance, China and Russia were the main proponents for the empowerment of the ITU and the increased role of states, while Brazil was considered to be a “swing state” in-between dichotomies (Maurer & Morgus, 2014).

### **BRICS: Making Policies Converge?**

While we are able to identify important convergences and divergences between Brazil and China in the structuration of an international Internet governance regime, one should be able to visualize it as a complex composition of different governance models, experiences, visions, and arrangements (Hurel, 2016).

As the Internet ascended as a global policy concern, it also became an ever-more central topic to the cooperation and agenda setting processes between stakeholders. This section focuses on the role of Brazil and China vis à vis the shifts in Internet governance as a "mutual concern" among the BRICS countries.

The year of 2014 was of great importance to the consolidation of Internet-related issues in the common agenda. The almost non-existent reference to Information and Communications Technology (ICT) security in the 2013 eThekweni Declaration shifted from a marginal concern to a notorious piece of the group’s international response for circumventing international surveillance and espionage. Among the strategies was the re-emergence of the BRICS cable that had been first proposed in 2012 and finally gained traction in this context (Lee, 2016); the launch of China’s first World Internet Conference – an annual conference to discuss Internet policy; the support for the NETmundial conference co-organized by Brazil; and the emphatic reference to the “central role” of the UN in global Internet governance debates. However, attendees reaffirmed that such efforts would not lead to the consolidation of an effective revision of the security architecture by the BRICS in the years to come; rather, they were seen as an opportunity for creating agendas and identifying converging interests (Stuenkel, 2017).

Building on previous developments, the 2015 meeting was perhaps the moment when Internet governance gained greater attention. The Ufa Declaration and Plan of Action reinforced the need for states to participate on an equal footing, and adopted a somewhat similar definition of Internet governance as the one achieved by the WGIG. However, the declaration stressed that inclusion referred to the involvement of “relevant” stakeholders in their respective roles and responsibilities (BRICS, 2015b). Moreover, the establishment of the Working Group of Experts on security in the use of ICTs made it clear that, within Internet governance, security had become a topic of utmost interest. Emphasis on promoting cooperation, universal access, privacy, and ICT development also traces back to the adoption of multilateralism as the best choice for international cooperation for Internet governance:

Considering the necessity to ensure the secure, stable and continued operation and use of ICTs, including Internet, the Parties note the importance of the establishment of mechanism for the Internet governance based on the principles of multilateralism, democracy, transparency and mutual trust and involving relevant stakeholders in their respective roles and responsibilities (BRICS, 2015a).

While the BRICS attempted to establish common ground, members often took different views on certain subjects. This was the case of India in 2015, when IT minister Ravi Shankar Prasad presented an “Indian vision for the Internet” during ICANN 53 in Buenos Aires. Taking a turn in the political stand of the BRICS, the vision supported a multistakeholder approach and thus suggested the approximation between government, the private sector, and civil society in policy-making processes (Prasad, 2015; Sukumar, 2015).

Scepticism with regards to the effective capacity of the BRICS in promoting policy coordination was also followed by critiques related to the different views of Internet governance – Brazil, South Africa, and India, on one hand, and Russia and China on the other (Grigsby, 2015; Kleinwächter, 2017).

Developments within the BRICS are part of the multidimensional interplay *among* and *within* different networks (Hurel, 2016). Policy strategies laid out by the BRICS are not only a reflection of the tensions in the two-level games of each country, but also overlap with developments in other international forums such as the G20, G77, IBSA, and the Shanghai Cooperation Organization in the case of China and Russia (Kleinwächter, 2017) – and should be understood as part of a wider landscape of international negotiations shaping global Internet governance.

Previous to the formal introduction of Internet governance as part of the vocabulary in its agenda, the BRICS focused mainly on promoting cooperation for ICT development. However, under the narrative umbrella of developing countries, they found common ground within the principles outlined by both the Geneva and Tunis agendas. Resistance to US dominance remained a shared concern, as well as support for the role of the UN as a desirable venue for political articulation. Gradually, the group became yet another space for negotiating common ground and thus shaping foreign policy with regards to the future of the Internet – though the degree of endurance for political and contextual shifts are yet to tell, in the long run, if such attempts were successful.

### **Conclusion**

Brazil and China have been critical of the global governance of the Internet, mostly because of the role and influence of the United States in managing its critical Internet resources. While both countries have sought to take on a more prominent role in shaping global Internet governance, they have done so in different ways. They disagree about how civil society should be a part of the system and on the proper distribution of responsibilities between ICANN and the United Nations, for instance.

When we look at Brazil, there is a particular paradoxical relationship between domestic and foreign policy. While, the country adopted and developed national institutions and multistakeholder mechanisms for Internet governance, it nonetheless advocated for a greater UN anchoring internationally. Yet, foreign policy is blurrier, especially when we look at 2014 (e.g.: swing states, WCIT-12, NETmundial).

China, on the other hand, has firmly and clearly stood by these two policy orientations. Domestically, the country has also advanced in promoting legal mechanisms and policy orientations that further consolidate these standings – i.e., the International Strategy of Cooperation on Cyberspace (Hurel, 2017). Through the establishment of national forums such as the World Internet Conference, China has not only sought to consolidate their internal strategies in this arena, but also broadcast internationally their views on Internet governance.

As Putnam (1988:434) notes, “the politics of international negotiations can usefully be conceived as a two level game”. This notwithstanding, despite their different national experiences, both countries converged in moments where the processes in global Internet governance were either being reviewed or conceived. This was the case of the

Sharm al Sheikh IGF meeting, the revision of the ITRs at WCIT 2012, and throughout the WSIS process.

Brazil and China have also been cooperating concerning the Internet and IT, albeit in a limited manner. The BRICS, in particular, offers them a forum where both countries can search for convergence and common ground in issues that are important to them. It is different at the UN, with more political actors and a bigger agenda, which makes cooperation between Brasília and Beijing more difficult.

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