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Early signs of a new era?

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Abstract

What are the features of Chinese finance for Brazilian agribusiness and infrastructure? And does it illustrate a transformation of the global geography of finance away from the hegemony of the US dollar and corporations from the Global North? Since China became Brazil's primary trade partner in 2009, there has certainly been a palpable expansion of Chinese investments in Brazil. Simultaneously, major Chinese commercial banks established subsidiaries in Brazil, partially to finance operations of Chinese companies investing across petroleum, mining, infrastructure, agribusiness, and myriad industrial and commercial sectors. While capital flows and investment announcements are tentatively tracked by think tanks and academics examining Brazil-China relations, there is still a dearth of information about their dynamics and mechanisms, and significant debate about their macroeconomic and geopolitical implications. In this paper, I present the first authoritative account of Chinese finance for Brazilian agribusiness and infrastructure, and advance three interlinked arguments. First, the apparent boom of Chinese policy-bank-managed loans to Brazil has only minimal expression for agribusiness and related infrastructure so far, and high estimates (whether as hopes or fears) of Chinese private equity fund participation in new corporate vehicles for farmland acquisition turned out to be highly overblown. Second, and largely overlooked by academics and think tanks so far, major Chinese commercial banks have established subsidiaries in Brazil, and while their operations are still relatively limited in terms of assets and loans, agribusiness features prominently in their loan portfolios, and they are clearly setting up strategic positions for long-term transformation of Brazil-China economic relations and the global restructuring of agribusiness, financial, and currency markets. Third, and most significantly, I demonstrate how the financialization of agribusiness trading companies, and the role of financial firms in providing not only credit lines and other financial products but also producing strategic information, generates a new agribusiness-finance nexus in which Chinese trading companies and financiers with interlocking strategic information may increasingly outmaneuver competitors from the Global North and Brazil alike, particularly in the acquisition and construction of strategic infrastructures. However, these dynamics also reveal various forms of commercial-financial integration, transnational on-lending, and global-level mergers and acquisitions (M&As) of multinational companies that complicate standard characterization of both finance as a sector, and the supposedly national character of particular institutions and capital flows. These are certainly early signs of a new global geography of finance, agribusiness, and related infrastructure. But at the same time, Chinese finance for Brazilian agribusiness and infrastructure is evidently not taking place through new forms of South-South cooperation. Rather, it effectively operating as a mechanism through which Chinese financial firms become incorporated into a global capitalist regime still dominated by the Global North. Nonetheless, their incorporation provides conditions for a state-driven effort to internationalize the renminbi in the long term, and challenge the Global North's hegemony in finance, agribusiness, and strategic infrastructure.

Keywords

Brazil, China, finance, agribusiness, infrastructure

Acronyms

ABC	Agricultural Bank of China
AIIB	Asian Infrastructure Investment Bank
BNDES	Brazilian National Bank for Economic and Social Development
BOC	Bank of China
BoCom	China Bank of Communications
CCB	China Construction Bank
CDB	China Development Bank
CIC	China Investment Corporation
COFCO	China National Cereals, Oils and Foodstuffs Corporation
ICBC	Industrial and Commercial Bank of China
IFC	International Finance Corporation (World Bank)
SASAC	China's State-owned Assets Supervision and Administration Commission

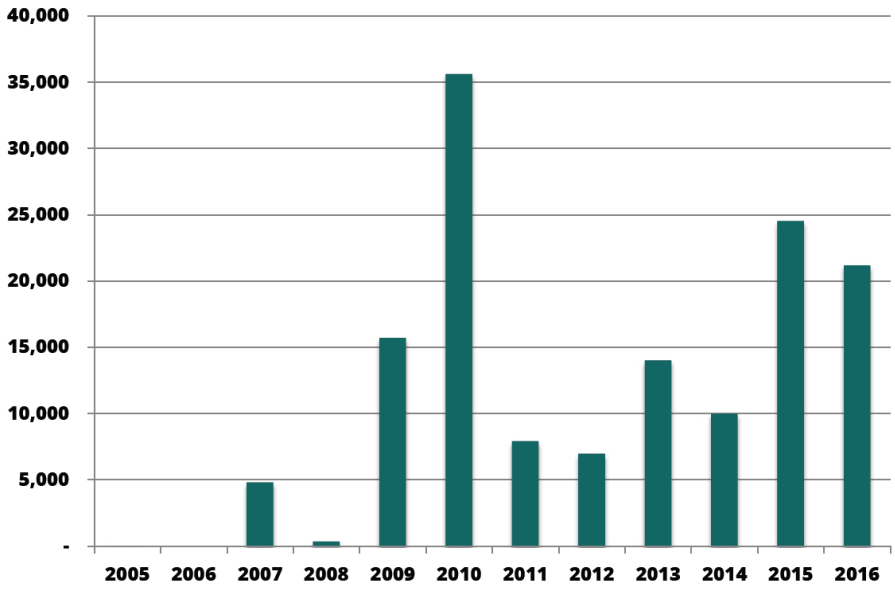
1. Introduction

Since the 2000s, we witness remarkable restructuring of global trade, investments, and finance. China, Brazil, and other emerging economies have taken increasingly larger shares of international trade and investments, particularly in commodity and capital flows between themselves. Illustratively, China surpassed the US to become Brazil's primary trade partner since 2009, as Chinese manufactured exports are balanced by mounting imports of Brazilian petroleum, mineral, and agroindustrial commodities. Simultaneously, there has been a palpable expansion of Chinese investments in Brazil, with large and high-profile loans from Chinese policy banks, particularly for Brazil's oil and energy sectors. While these high-profile investments and loans by policy banks are tracked by think tanks and academics examining China-Latin America relations, they do not encompass the full phenomenon of Chinese finance in Brazil. After all, five major Chinese commercial banks and other important financial firms have recently set up subsidiaries in Brazil as well, yet their operations remain almost entirely unexamined in academic literature. Consequently, there is still insufficient information about the drivers and dynamics of this process, and significant debate about their macroeconomic and geopolitical implications.

My article contributes to the interdisciplinary theoretical debate about the relationship between trade, finance, and foreign investments, and also elucidates original empirical material on some of the newest, most important and understudied aspects of global economic restructuring. Chinese banks began internationalizing their operations only since the 2000s, yet they have already become major global actors providing loans for multiple transnational investment projects and international trade operations, opening subsidiaries abroad to operate in multiple financial markets. Chinese policy banks in particular, such as the China Development Bank, have come into the spotlight for providing massive multi-billion dollar loans to developing countries, mostly associated with petroleum, mining, infrastructure, and heavy industry (Brautigam 2010; Friends of the Earth 2012; Gallagher and Myers 2016), and now form the foundation of China's flagship international development cooperation Belt and Road Initiative (Yu 2017).

Latin America has been the latest continent into which Chinese banks arrived with large-scale loans and their own subsidiaries for local operations, but this has been changing rapidly (Figure 1). The entrance of Chinese finance in Latin America has been closely articulated with the conjunction of a long cycle of high commodity prices, and facilitated by various administrations in Latin America with center-left policies and desire to diversify commercial and financial partners from the Global North. Moreover, given the extensive agroindustrial trade between China and Latin America—and Brazil above all—it could be expected that Chinese finance might become a major player in the financialization of rural geographies in Brazil (and other parts of Latin America, such as Argentina). However, I argue that is not yet the case, although some of these early developments could signal far broader transformations in the medium- to long-term.

Figure 1. Chinese policy-bank finance to Latin America by year, 2005 – 2016 (million USD)



Source: Gallagher and Myers 2016

First, I show that (1) the largest Chinese loans in Brazil (primarily by the policy banks) have *not* focused in agriculture and its related industries and infrastructures, even if they have participated in a few agroindustrial projects. I also find that (2) new investment vehicles for agribusiness, such as private equity funds, have also been far smaller players than may have been expected (and even feared) by some. On the other hand, I argue that there are interesting new developments among the leading commercial banks, most of which established new subsidiaries in Brazil or acquired medium-scale Brazilian banks in the last few years: (3a) agribusiness lending, particularly for export-import operations between Brazil and China, has been clearly important for their operations in Brazil, even while they remain relatively small players in the segment at the moment. Nevertheless, (3b) their operations can provide strategic information for Chinese agribusinesses seeking investments in Brazil, and could signal the beginning of a long-term process of currency swap agreements for Brazilian agribusiness exports and finance (as explicitly sought by these Chinese banks). Thus, I also argue that so far Chinese finance has been most important not so much in providing capital itself, but strategic information for global-level agribusiness M&As that represent the most powerful entrance (albeit indirectly) of Chinese agribusiness capital and operations in the Brazilian countryside. This is illustrated in (4a) the manner that the Chinese sovereign wealth fund brokered COFCO's acquisition of Noble's agribusiness arm, with fast-growing operations in Brazil and important synergies with another transnational agribusiness trading company (Nidera) also incorporated by COFCO; and (4b) this extends also to the financial operations of these trading companies themselves, and others like ChemChina.

I conclude that Chinese finance in the Brazilian countryside has not yet produced significant materializations in the Brazilian landscape, but this could change in the next few years with large-scale infrastructure construction projects (particularly railroads), the expansion of operations by commercial banks, and the growth and financialization of agroindustrial input and commodity trading companies. Although the complex nature of global finance into which these banks and trading companies are inserted calls for critical reevaluation of the contours of the financial sector itself and the supposedly national character of capital, the long-term prospects that rising Brazil-China agroindustrial trade and currency swap agreements might propel the internationalization of the RMB, and possibly even shifts in commodity boards of trade.

These are certainly early signs of a new global geography of finance, agribusiness, and related infrastructure. But at the same time, Chinese finance for Brazilian agribusiness and infrastructure is evidently not taking place through new forms of South-South cooperation. Rather, it effectively operating as a mechanism through which Chinese financial firms become incorporated into a global capitalist regime still dominated by the Global North. Nonetheless, their incorporation provides conditions for a state-driven effort to internationalize the renminbi in the long term, and challenge the Global North's hegemony in finance, agribusiness, and strategic infrastructure.

2. Policy bank loans: Oil, mining, telecom, steel… but very little agribusiness

Policy banks are state-owned or multi-lateral government-controlled financial firms that operate primarily to execute government policies in domestic economic development, international trade, and international development cooperation. Unlike commercial banks, which primarily provide loans and other financial services for individuals and companies with the purpose of generating financial profits, development banks, export-import banks, and other policy banks usually provide letters of credit for international trade, subsidized credit for government agencies and social goods like public housing, and most prominently, large-scale and long-term loans for projects considered to be of public interest. The US Export-Import Bank, World Bank, Inter-American Development Bank, and the Asian Development Bank are prominent examples of development banks based in the Global North, which largely dominated international lending by policy banks until recently, which the Brazilian National Bank for Economic and Social Development (BNDES), the China Development Bank (CDB), the Asian Infrastructure Investment Bank (AIIB), and other policy banks rooted in the Global South began to play increasingly more prominent roles in global finance.

Since 2005, China's policy banks – the China Development Bank, the Export-Import Bank of China, and (far less prominently) the Agricultural Development Bank of China – began providing large-scale loans to various countries and state-owned firms in Latin America and the Caribbean. Their total loan commitments undertaken between 2005 and 2016 reached a total of 141 billion USD[1], surpassing the World Bank and the Inter-American Development Bank's lending to the region. The bulk of these loans are concentrated in only four countries—Venezuela (62.2 billion), Brazil (36.8 billion), Ecuador (17.4 billion), and Argentina (15.3 billion)—and even more concentrated in the energy sector (accounting for 100 billion), followed at a

[1] In the remainder of this paper, I refer to US dollars unless otherwise noted.

distance by infrastructure (24.3 billion) and mining (2.1 billion). Although such loans for petroleum extraction and refinery, mining, and infrastructure can have significant influence in rural geographies, in Brazil those are almost entirely concentrated in Petrobras's *off-shore* petroleum deposits and its associated operations and infrastructures (Gallagher and Myers 2016), and so I will not discuss them in this paper. There have also been a few large-scale loans for iron ore-related navigation (1.23 billion), telecommunications (300 million), and the steel industry (201 million) (Gallagher et al. 2012), which I also set aside for the current moment. In 2014 and 2015, China announced the creation of a handful of multilateral investment funds for Latin America and the Caribbean with a total of 35 billion (China-CELAC Forum 2015; Xinhua 2015; Gallagher 2016).[2] Although some of these platforms mention agriculture, agroindustries, and related infrastructure sectors as eligible for this financial support, it does not seem any agribusiness projects in Brazil have tapped into these resources so far. In fact, there is no evidence these funds will be applied towards agribusiness investments in Brazil at all, except perhaps in long-term projects for agribusiness-related infrastructure, particularly railroad construction (Romero 2015).

The were announcements that the China Development Bank (CDB) would be supporting multi-billion-dollar agribusiness investments in Brazil in 2010 and 2011, especially in the state of Bahia with the Chongqing Grain Group, but those negotiations ultimately fell through, as I explain in greater detail elsewhere (Oliveira 2015, forthcoming; cf. Powell 2017). There was also an announcement in 2015 of a 1.2 billion loan for the Chinese citric acid giant BBCA Group, which is building a maize processing and citric acid production facility in Mato Grosso do Sul state in Brazil. However, only about 300 million (not all of which provided by the CDB) are associated with the the agroindustrial project that is already under construction, while the remaining 900 million pertain to merely anticipated infrastructure projects that may (or may not) follow upon the establishment of the BBCA Group's operations in Brazil (Oliveira 2017, In Press). In my dissertation, I only identified one additional Chinese agribusiness project in Brazil that drew upon funds from China's policy banks, the palm oil project of the Shandong Guanfeng High-Tech Seed Co. in the state of Pará (ibid.). Although the 50 million project was intended to cover 50,000 ha and include a biodiesel refinery, the company was unable to acquire more than about 6,000 ha, and became embroiled in labor disputes that paralyzed its operations in 2015, and it is unclear if the refinery project will even be resumed.[3] The policy banks, ultimately, are minimally involved in Brazilian agribusiness.

Thus, the apparent tsunami of Chinese policy-bank-managed loans to Latin America has not so far produced many significant materializations on the Brazilian countryside (meaning its agribusiness and related infrastructure). This fact may be surprising to many, given how important Brazilian agribusiness exports are for bilateral trade with China, and how central they have been to China's economic and political interests in the country and the region. Nevertheless, this finding does conform with less sanguine analyses of the role of the "China boom" in reshaping the dynamics of global capitalism,

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[2] The Sino-Latin American Production Capacity Cooperation Investment Fund, the China-Latin America Infrastructure Fund, and the China-Latin America Cooperation Fund, all co-managed by the CDB and the Ex-Im Bank of China; as well as a private-equity fund administered by the Export-Import Bank of China, and the China Co-Financing Fund for Latin America and Caribbean Region administered by the Inter-American Development Bank. It is worth noting that "there is often a large gap between what is reported in headlines and what is actually disbursed" (Hochstetler 2014: 344).

[3] Information from multiple interviews with Chinese and Brazilian agribusiness and government officials, field site inspections, and several government documents related to the company, its project in Brazil, and the labor disputes brought against it – discussed in greater detail in Oliveira (2017).

particularly as agriculture and agribusiness related investments and loans have been far less prioritized than other natural resource, and even industrial manufacturing, telecommunications, infrastructure construction, and several other sectors not only in Brazil but also in China's engagement with the reset of the world as well (Hofman and Ho 2012; Ho and Hofman 2014; Starrs 2014; Brautigam 2015; Hung 2016; Guo and Myers 2017; Oliveira 2017).

3. Private Equity Funds: Strong interest but no success financing agribusiness

New corporate vehicles for agribusiness investments have been created in the past decade, capitalizing primarily on the rising interest among private equity and other financial firms to participate in the sector—particularly as it became characterized after the 2007–8 food price and financial crisis as a strategic sector with very high short-term profits and virtually guaranteed long-term demand (Fairbairn 2015). These considerations effectively motivated Chinese private equity funds to seek agribusiness investments in Brazil (Oliveira 2017). However, I found no private equity funds from mainland China and only two cases of Hong Kong-based funds participating in such large-scale agribusiness ventures in Brazil, and both have largely stalled since 2010. The first was CalyxAgro, an agricultural production company organized by the French-based agribusiness commodity trading giant Louis Dreyfus, which had the US insurance giant AIG as its principal minority investor. It acquired about 27 thousand hectares in Brazil in 2007, and hoped to expand to 100 thousand hectares by the end of the following year. With the onset of the financial crisis, however, AIG's share was purchased by the Pacific Century Group, a private-equity investment fund owned by one of Hong Kong's wealthiest families. The company was seeking an additional 34 thousand hectares in Brazil when restrictions were imposed on the acquisition of farmland by foreigners in 2010, halting its operations in Brazil. At first, the company shifted focus to other South American countries, but without much success. Thus, Louis Dreyfus began to dissolve or divest from the company in 2013, and without its agribusiness-sector leadership, it is unlikely that the Hong Kong financiers were disabled from carrying on the project on their own. The second case identified has a similar trajectory. Agrifirma was created in 2007 by UK-based hedge fund and commodity investors, who secured two co-investors among Hong Kong's well endowed private equity funds partnerships for expansion and an IPO in the Hong Kong stock exchange. In the aftermath of the restrictions against acquisition of farmland by foreigners in 2010, however, the Hong Kong-based financiers backed off the project, which was restructured with Brazilian financiers and held off from public offering for the time being (Oliveira 2017).

These cases illustrate how the emerging constellation of private equities, hedge funds, and new agribusiness investment companies had high hopes for using Hong Kong as a gateway through which Chinese capital could be channeled into large-scale agribusiness production and other related projects in Brazil from 2007 to 2010. In turn, this prospect even raised alarm among academics who (over)estimated that such financial mechanisms were enabling Chinese capital to acquire thousands or even millions of hectares in Brazil (Acioly et al. 2010; Faleiros et al. 2014). It is possible that Chinese capital has flown through complex series of private equity and holding companies that might have participation in minority shares of some of these new agribusiness production and farmland management companies, such as the Chinese subsidiary of the Deutsche Bank (cf. Oliveira and Hecht 2016). Yet those remain unverified and certainly do not support the most alarmist

accounts that have circulated in journalistic and academic discourse (for the production of sinophobic discourses that exaggerate the "threat of Chinese land grabbing" see Ho and Hofman 2014, Brautigam 2015; and Oliveira 2018a, 2018b).

4. Commercial banks: Burgeoning links to agricultural trade

Although multi-billion dollar loans by policy banks capture most headlines, as the CDB and the BNDES surpassed the World Bank to become the world's largest development banks, it is primarily through commercial banks that Chinese financial loans are extended for Brazilian agribusiness. The leading Chinese commercial banks—the Bank of China (BoC), Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Agricultural Bank of China (ABC), and Bank of Communications (BoCom)—are now among the largest in the world in terms of assets and market capitalization, and with the sole exception of the ABC, all have established operations in Brazil since 2009.[4] Brazil's banking is also highly concentrated with a handful of state-owned and private commercial banks dominating the landscape, but its financial sector it is still relatively broad with about one hundred small- to medium-scale firms conducting regional and/or specialized operations.[5] Moreover, it is noteworthy that several financial firms from the Global North that entered Brazilian markets with full-force during the period of neoliberal reforms (1994–2002) reversed gear thereafter. Indeed, the period from 2003 to 2008 was marked by the "de-internationalization" of the sector as foreign firms exited and/or were acquired by the largest Brazilian commercial banks (Fachada 2008). So the entrance of Chinese commercial banks in the aftermath of the global financial crisis signifies an important shift in the Brazilian and global geography of finance. The Brazilian operations of Chinese commercial banks are still relatively limited in terms of assets and loans, but agribusiness features prominently in their loan portfolios. Evidently, therefore, Chinese commercial banks are setting up strategic positions through which they can play an important role in the long-term transformation of Brazil-China economic relations and the global restructuring of agribusiness, financial, and currency markets.

The BoC is China's erstwhile monopoly financial institution, and the most internationalized among its commercial banks (all the ones discussed here remain state-owned, even though they undertake on-lending from non-Chinese financial institutions, and include the latter as minority shareholders in several of their central and subsidiary operations). It opened a representative office in Brazil in 2000, but only sought to establish its own operations there in 2007. The Banco da China (Brasil) S.A. subsidiary was founded in 2009 and began operations in 2010. A central aspect of the BoC's strategy is promoting the internationalization of the renminbi by enabling the implementation of currency swap agreements (established between China and Brazil in 2013; Leahy 2013), invoicing-clearing-and-settlement of international trade in renminbi, and even using renminbi for international investments, all of which reduce or even eliminate hedging costs on currency

[4] The ABC only held an event there in 2014 as part of its cross-border RMB business promotion campaign (ABC 2014).
[5] The top five banks, which I call the first tier, control about 1 trillion BRL in assets each. These include the state-owned Banco do Brasil, Caixa Economica Federal, and BNDES, as well as the private Itaú and Bradesco. These five banks alone control about 70% of all financial assets in Brazil. The next five largest banks hold from 100 to 600 billion BRL in assets, and include the main international banks operating in Brazil (such as Santander and HSBC). This second tier collectively controls another 15% of all financial assets in the country, such that the top ten banks control about 85% of the sector. What I call the third tier are the 11th through 20th largest banks, holding assets between 25 and 60 billion BRL, including private, state-owned, and international banks operating multiple financial markets (Central Bank of Brazil 2015).

fluctuation for exporters, importers, and investors conducting China-related activities. With these aims explicit in its public statements, the BoC Brazil conducted the first cross-border RMB settlement with Brazil in 2009, and included quotations denominated in Brazilian currency (real) among its services in 2010 when its operations focused on large-scale corporate clients in petroleum, mining, and steel sectors; then it added exchange rate hedging between the RMB and BRL in 2012, and two-way currency exchanges for personal accounts between Brazil and China in 2014 (BoC 2010, 2011, 2013, 2015a).

According to the CEO of the BoC subsidiary in Brazil, their "objective… is to facilitate trade between companies from the two nations, focusing only on the Brazil-China market, and our customers are Chinese doing business with Brazilian counterparts, and vice-versa" (Zhang Jianhua, in Frischtak and Soares 2012: 7). The BoC Brazil "is basically involved with commodities, because they represent nearly 85% of China's total imports from Brazil," and operates almost exclusively with short-term working capital loans and project financing for trade operations in corporate accounts (ibid.). In recent years, the bank's operations shifted sharply from petroleum, mining, and steel towards agribusiness above all, followed at a distance by manufacturing and the transportation sector (Table 1). In 2015, seven of the ten largest clients of the BoC Brazil were agribusinesses, but interestingly none of them are Chinese companies, and some don't even operate with the major commodities traded between Brazil and China, such as Moinhos Cruzeiro do Sul and Atlantica (Table 2).

Table 1. Bank of China (Brazil) lending by sector, 2015 (thousand BRL)

Sector	Amount	Percentage
Agribusiness[6]	**188,009**	**55.06**
Clothing and Other Manufacturing	58,524	17.14
Transportation and Automotive Parts	33,755	9.89
Construction and Engineering	19,876	5,82
Iron and Steel	15,743	4.61
Telecommunications	12,773	3.74
Oil and Gas	547	0.16
Personal Accounts	234	0.07
Others[7]	12,042	3.53
Total	341,503	100

Source: Elaborated by the author from BoC 2015b

Table 2. Bank of China (Brazil) largest clients, their nationality and sectors, 2015 (thousand BRL)

Client	Nationality	Main sector	Loan	Percent
Granol	Brazilian	**Soy/biodiesel** processing, trade	36,258	10.62
Nufarm	Australian	**Agrochemical** production, trade	27,270	7.99
VRG	Brazilian	Airline	25,659	7.51

[6] Including agricultural chemicals (7.99%), food and beverage (4.4%).
[7] Includes rental services (2.59%), utilities (0.68%), and retail (0.26%).

Moinhos Cruzeiro do Sul	Brazilian	**Wheat and flour** processing, trade	20,879	6.11
Aeris Energia	Brazilian	Wind energy equipment	20,002	5.86
Engevix-Ecovix	Brazilian	Naval construction	19,649	5.75
Jalles Machado	Brazilian	**Sugar/ethanol** processing, trade	19,362	5.67
Atlantica Exp. Imp.	Brazilian	**Coffee** trade	18,763	5.49
Bom Jesus Agro.	Brazilian	**Soy/cotton/corn** production, trade	18,677	5.47
Ceagro Agrícola	Brazilian	**Soy/corn** trade	18,569	5.44
Others			116,415	34.09

Source: Elaborated by the author from BoC 2015b and company websites

The importance of agribusiness to BoC's operations in Brazil has become unquestionable, but even though it appears to be specializing in providing services for Brazilian agribusinesses exporting to China (a major international trade flow), the BoC remains a relatively small player in the field. This also appears to be the case with the ICBC, which followed in the footsteps of the BoC to establish its own subsidiary in Brazil in 2013, focusing on services for corporate accounts, especially trade finance and currency markets – but unfortunately the Brazilian subsidiary does not publish information about the main sectors and clients that receive its loans (ICBC n.d.). With 695 million BRL in assets, the BoC subsidiary ranks 92nd among Brazil's financial institutions, while the ICBC subsidiary with 798 million BRL comes in the 89th place (Central Bank of Brazil 2015). This places the BoC and the ICBC near the top of what I call the 6th tier of the Brazilian banking sector, characterized as firms holding between 100 million and 1 billion BRL in assets, and composing the range from the 87th to the 126th largest financial institutions in the country. These are mainly small Brazilian banks and credit unions with local or regional operation, and some boutique financiers associated with specific companies, such as the Japanese motorcycle dealership Yamaha.
Two other large-scale Chinese commercial banks entered Brazil through a different mechanism – the acquisition of mid-sized Brazilian banks that already operate across multiple financial markets. This enabled both to already arrive in much stronger positions, and although they have diversified portfolios, agribusiness lending is a very important part of their operations as well. The first was the CCB acquisition of 72% of the Banco de Comércio e Indústria (BicBanco) in August, 2014, for 1.62 billion BRL (about 680 million USD). BicBanco provides services for personal accounts and specialized in short-term working capital loans and trade finance for medium-sized Brazilian companies, which represented 88% of its clients in 2014 (BicBanco 2015). With about 15.6 billion BRL in assets, BicBanco is the 27th largest financial firm in Brazil (Central Bank of Brazil 2015), sitting towards the top of what I call the 4th tier of Brazilian finance, characterized by firms with 10 to 25 billion BRL in assets. These range from the 21st to the 58th largest financial institutions, and include some major international banks specialized in agribusiness finance such as the Dutch Rabobank (in the 26th position with 16.9 billion BRL in assets), and other international financial institutions with very strong agribusiness-related operations in Brazil such as the Bank of Tokyo-Mitsubishi (in the 33rd place with 13 billion BRL) (ibid.). In December, 2015, CCB increased its ownership to 99% of the bank, changed its name to CCB Brasil, and shifted focus to trade finance for imports and exports between Brazil and China, and RMB-denominated services (CCB Brasil 2016).

In this first year under Chinese ownership, CCB Brasil reduced its disbursements significantly from 9.8 billion to 6.2 billion BRL, but maintained personal account services and a substantial share for agribusiness related operations (Table 3). Its

shift in focus towards trade finance is evident in the reduction of working capital loans from 4.6 billion to 2.3 billion BRL, and increased import finance from 643 million to 985 million BRL (CCB Brasil 2016). Its greater emphasis on commodity sectors associated with Brazilian exports to China is also evident in the fact that the bank only *increased* its disbursements (despite overall reduction) in two sectors: most prominently timber and mineral extraction (Table 3), which are unfortunately not disaggregated in the firm's annual report; and also tobacco, which increased from from about 25 million BRL (0.26%) in 2014 to almost 66 million BRL (1.06%) (ibid.). While this increase for the tobacco sector is not so large in absolute terms, it is likely associated with the new operations of a Chinese joint-venture in the Brazilian tobacco sector[8], demonstrating thereby the strategic role that Chinese commercial banks are beginning to play for Chinese agribusiness investors in Brazil. Thus, although it is clearly not as focused in agribusiness finance as the BoC, CCB Brasil already lends 5.7 times as much to Brazilian agribusinesses due to the larger size of its subsidiary. Moreover, having incorporated a functioning Brazilian bank with agribusiness-related operations, it also acquired on-lending contracts to service Brazilian government loans for coffee producers at the tone of 78 million BRL in 2015, alongside 23 other banks (foreign and domestic) and cooperatives (Ministry of Agriculture 2016).

Table 3. China Construction Bank (Brazil) lending by sector, 2014 and 2015 (thousand BRL)

Sector	2014 loans	%	2015 loans	%
Personal Accounts	1,249,202	11.67	1,281,816	20.60
Agribusiness[9]	**1,573,456**	**16.10**	**1,073,970**	**17.27**
Manufacturing[10]	1,566,635	16.03	973,441	15.64
Retail, Wholesale, Vehicle Dealerships	1,395,866	14.29	738,839	11.88
Services[11]	1,047,897	10.73	602,667	9.70
Construction and Construction Materials	870,772	8.91	494,625	7.95
Timber and Mineral Extraction	**47,044**	**0.48**	**364,917**	**5.86**
Holding Companies	503,761	5.15	97,719	1.57
Public Sector	175,544	1.80	92,864	1.49
Chemical and Petrochemical	204,321	2.09	77,956	1.25

[8] The China-Brasil Tabacos Exportadora S.A. was established in 2013, more information see Oliveira (2017).
[9] Includes agricultural production, sugarcane/ethanol processing, beverages and food processing, meat processing, industrial tree plantations and pulp/paper, and tobacco, but excludes agrochemicals, which are not discerned from the broader chemical and petrochemical sector.
[10] Includes steel, iron, machinery, shoes and leather products, automobile and parts, industrial assembly, and others, which may also include unspecified agroindustrial processing.
[11] Includes passenger and cargo transport, rentals, medical and other professional services, and financial intermediaries.

Others	1,140,419	11.67	424,868	6.83
Total	9,774,917	100	6,223,682	100

Source: Elaborated by the author from CCB Brasil 2016

The second Chinese commercial bank that entered Brazil by acquiring a local mid-sized bank is the Bank of Communications (BoCom). In its first overseas acquisition, BoCom announced the purchase of 80% of Banco BBM for 173 million in May, 2015, and the operation was completed in November, 2016, when the BoCom also received permission from the Brazilian government to expand ownership to 100% (BoCom 2016; Valor 2016). Founded in 1852 as Banco da Bahia and specialized in agribusiness lending, BBM is the oldest private Brazilian bank still in operation (BBM 2016), but with 3.1 billion BRL in assets, it only ranks in the 66th place among the largest financial institutions of the country. Thus, BBM is more than twice the size of the BoC and ICBC subsidiaries in Brazil combined, but only a fifth the size of CCB Brasil, and sits in the middle of what I call the 5th tier of the Brazilian financial sector. These are firms holding between 1 and 7.5 billion BRL in assets, ranging from the 41st to the 86th largest financiers, which include most of the international financial firms specialized in agribusiness lending in Brazil. Prominent examples are the financial branch of the US agribusiness trading giant Cargill (in 68th place with 2.6 billion BRL), the Sumitomo Mitsui conglomerate from Japan (in 62nd place with 3.7 billion), which has diversified operations but is still very strong in agribusiness, the financial branch of the US agricultural machinery giant John Deere (in 50th place with 5.6 billion BRL), and the French-based Credit Agricole (in 42nd place with 7.3 billion BRL) (Central Bank of Brazil 2015).

The BBM has diversified from agribusiness since its origins, but the sector remains by far the most significant among its operations (Table 4). Since its acquisition by BoCom was only completed at the end of 2016, it is not yet possible to evaluate changes in the operations and priorities of the firm under new Chinese administration, who stated they intend to provide services particularly for investment and trading activities between China and Brazil (BoCom and BBM 2015; BoCom 2016). Nevertheless, BBM announced in 2015 it was expanding its instruments for large-scale corporate clients (categorized as firms with more than 3 billion BRL in revenue per year), which might be an indication of the priorities of the new Chinese managers (BBM 2016). The bank barely provides personal account services, but focuses on working capital, export credit notes, and trade finance for corporate accounts, including foreign exchange services that are likely to increase under new Chinese ownership. It is noteworthy that on-lending transnational capital has been an important aspect of BBM's agribusiness operations, particularly with the International Finance Corporation (IFC, the World Bank's investment arm), which has provided four loans to the BBM for this specific purpose. The latest of these on-lending operations was in September, 2014, when the IFC provided 125 million USD in conjunction with the European subsidiary of the giant Brazilian commercial bank Bradesco and the US subsidiary of one of Israel's largest financial institutions (Israel Discount Bank of New York). This entire operation was earmarked for long-term loans for mid-sized agribusiness companies in southern, southeastern, and central Brazil (IFC and BBM 2014), and represents half of the BBM's total agribusiness related loans in 2015 (when converted to Brazilian currency according to the average exchange rate at the moment the operation was announced in late September 2014).

Table 4. Banco BBM lending by sector, 2015 and 2016 (thousand BRL)

Sector	2015 loans	%	2016 loans	%

Agribusiness[12]	**611,414**	**39.64**	**788,094**	**41.18**
Retail	164,149	10.64	188,016	9.82
Services[13]	94,835	6.15	133,779	6.99
Electricity	67,207	4.36	132,068	6.90
Chemical and Petrochemical	160,143	10.38	104,707	5.47
Real Estate	137,398	8.91	91,921	4.80
Pharmaceutical	34,599	2.24	83,339	4.35
Capital Goods	35,097	2.28	80,237	4.19
Oil and Gas	65,988	4.28	54,233	2.83
Foreign Trade	32,614	2.11	33,844	1.77
Personal Accounts	3,900	0.25	4,383	0.23
Others[14]	135,085	8.76	219,536	11.47
Total	1,542,075	100	1,914,008	100

Source: Elaborated by the author from BBM 2017

Chinese commercial banks are clearly making agribusiness a major focus of their new operations in Brazil, and they certainly have the potential to increase their participation in the sector, particularly as Chinese companies make parallel investments in Brazilian agribusiness and seek more direct commercial and financial relations with China. All Chinese commercial banks discussed above have made public statements they intend to use their Brazilian operations to leverage the internationalization of the renminbi, which in the long term could constitute the most significant transformation in the global geography of agribusiness and finance. In the meantime, however, these new Chinese commercial banks in Brazil are relatively small players among a very broad and competitive field, still dominated by giant state-owned and private Brazilian banks and other leading financial and agribusiness firms from the Global North.

The relatively minor position of the new Chinese financiers at the moment is evident, for example, in the distribution of creditors revealed in the debt restructuring negotiations of Camera Agroalimentos, an important mid-sized agribusiness trading company in Rio Grande do Sul state in Brazil. Camera began operations in the 1970s and expanded rapidly during the 2000s, operating dozens of warehouses for the origination of soybeans and other grains, and even a soybean processing facility and biodiesel refinery (D'Angelo 2016). In 2014, however, the company became insolvent and began to negotiate the restructuring of its 918 million BRL debt.[15] This amount is distributed among more than a hundred institutional creditors ranging from small companies and service providers to the largest banks and agribusinesses in Brazil and the

[12] Includes agricultural production, sugarcane/ethanol processing, meat processing, industrial tree plantations and pulp/paper, beverages, and food processing, but excludes textiles/leather and agrochemicals, which are not discerned from the broader chemical and petrochemical sector.
[13] Includes financial and other specialized services.
[14] Includes textile and leather, aviation, transport concessions, logistics, metallurgy, vehicles and parts, water and sewage concessions, construction and construction material, computing and technology, and other industries.
[15] Judicial recuperation process number 028/1.14.0006821-1, executed at the 3rd Civil Court of Santa Rosa, RS, Brazil. Such processes are valuable sources of information on agribusiness finance, since they reveal very detailed information about the multiple creditors, financial instruments, and operations involved in relation to the sector and one another.

world. There are 39 institutions with over 1 million BRL in outstanding loans, which includes BicBanco with 30.4 million BRL in two loans (which were excluded from the restructuring) and the BBM with a 11.7 million BRL loan, all provided before the firms were acquired by the CCB and BoCom respectively. When combined, these loans represent about 4.6% of Camera's total outstanding debt, which is not a very substantial amount. Some of Camera's largest creditors, for example, include the giant private Brazilian banks Bradesco (51.6 million BRL), Itaú (66.9 million BRL), and Votorantim (90.6 million BRL), the state-owned Banco do Estado do Rio Grande do Sul (69.8 million BRL) and Banco do Brasil (72 million BRL), and the Dutch agribusiness finance giant Rabobank (45.1 million BRL), which combined amount to over 43% of Camera's total outstanding debt. Nevertheless, as Camera has begun selling about a third of its grain warehouses and other assets to repay its debts, the two creditors newly incorporated by Chinese commercial banks could provide valuable strategic information for other Chinese agribusiness clients looking to acquire agribusiness assets in Brazil through Camera's relatively distressed sale. This role of financial firms in providing not only credit lines and other financial products but also producing strategic information, particularly in relation to the growing agribusiness trading-finance nexus, is one of the most important aspects of the growing financialization of agribusiness.

5. Strategic information and the trading-finance nexus

Still using Camera's debt restructuring information as example, it is notable that among its 39 largest creditors we find not only banks, but also agribusinesses that supply inputs like seeds, agrochemicals, and fertilizers—such as Monsanto, Basf, and Du Pont—and also trading companies specialized in exporting agroindustrial commodities—such as Bunge, CHS, Noble, and Nidera. These last two were acquired in 2014 by China's leading agribusiness trading company, the China National Cereals, Oils and Foodstuffs Corporation (COFCO). Although their combined 8.5 million BRL loans to Camera demonstrate a meaningful scale of financial operations undertaken by these trading companies, their importance becomes diluted among several other companies involved, among which the largest ones from the Global North remain dominant. The three agribusiness input companies listed above, for example, collectively lent 45.3 million BRL to Camera, while Bunge lent 5.4 million BRL and CHS (the US agribusiness cooperative giant) lent 46.7 million BRL. Thus, even though global-level M&As undertaken by Chinese agribusinesses in recent years do signal the strongest entrance of Chinese capital in the Brazilian countryside (including not only COFCO's acquisitions of Noble and Nidera, but also ChemChina's acquisition of Syngenta, both discussed at greater length in Oliveira 2017), they have not yet surpassed capital from the Global North in the trade-finance nexus. Consider, for example, the unparalleled role of Cargill as a financial actor, not only in extending credit for its customers to acquire inputs, and hedging/speculating in the Chicago Board of Trade, but also using its privileged information to produce and sell financial derivatives from commodity-based financial products to third parties, and undertake its own private equity investments in suppliers that ensure not only its access to physical commodities, but also generate the strategic information it requires to sustain and expand its multiplying financial operations (Salerno 2017).

It is in such production of strategic information that Chinese finance may play an increasingly more important role in Brazilian and global agribusiness, especially given the interlocking interests of its state-owned agribusinesses and financial

institutions. This was already exemplified in the very process through which COFCO acquired Noble's agribusiness trading arm from 2014 to 2015. The Noble Group was founded in 1987 in Hong Kong by British commodity traders, and originally focused on petroleum, natural gas, and mineral ores. It expanded into agribusiness commodities, and especially the Brazilian market, during the 2000s. In 2009, the Chinese sovereign wealth fund acquired 14.9% of Noble (CIC 2009), making it the second largest shareholder after its founder (who held 21% of the company), and thus obtained a seat on its board of executives, taken by the chairman of the State-owned Assets Supervision and Administration Commission (SASAC). With privileged information about Noble channeled through SASAC to China's leading state-owned agribusinesses, it is very likely that COFCO became aware that Noble had become significantly overleveraged in its mining assets and operations in Australia by early 2014, and began hiding this fact through "aggressive accounting". When COFCO announced the acquisition of 51% of Noble's agribusiness trading arm for 1.5 billion in April that year (Thukral and Flaherty 2014), it likely already knew that the overvalued mining assets of the Noble Group would force the company into further restructuring very shortly. The fact strategic information to orient COFCO's take-over of Noble's agribusiness arm was central to the Chinese sovereign wealth fund's operations became evident when it replaced the chairman of SASAC for the president of COFCO itself for its seat on Noble's board of executives, and reduced its stake to 9.4% of the Noble Group as a whole (Shen 2015). And indeed, once Noble's financial manipulations and accounting frauds were exposed in early 2015, the scandal caused the company's stocks to collapse (Daga and Thomas 2015), and it had no choice but to acquiesce to the distressed sale of the remaining 49% of its agribusiness operations to COFCO, but this time for merely 750 million, or about half the value originally negotiated in the previous year (Kent 2015).

Agribusiness trading has become one of the world's most oligopolistic sectors, characterized by massive multinational operations of vertically integrated conglomerates such as ADM, Bunge, Cargill, and Louis Dreyfus (Murphy et al. 2012). Consequently, their trading operations are marked by increasingly thin profit margins on large volumes of agroindustrial inputs and products, and so their profits become derived more and more from their financial operations in advancing capital and inputs to farmers, and making speculative gains on commodity markets (Ghosh et al. 2012; Isakson 2014; Clapp 2015; Salerno 2017). As I have also shown in the example of COFCO's acquisition of Noble's agribusiness arm, the interlocking of Chinese agribusinesses and financiers may position them to play increasingly more important roles in this agribusiness trading-finance nexus, which would strengthen their positions and operations in major agricultural markets. This is particularly the case in Brazil, where agribusinesses from the Global North have been dominant but significant expansion is still taking place, and so Chinese investors, traders, and financiers with interlocking strategic information may increasingly outmaneuver competitors from the Global North and Brazil alike.

This is most powerfully illustrated with the fact that COFCO's acquisition of Noble Agri occurred simultaneously with its incorporation of the Dutch-based Nidera agirubsiness trading corporation, while both Noble and Nidera were the key players channeling soybean exports to China through newly constructed fluvial ports and waterway navigation routes on the Tapajós-Amazon basin in northern Brazil (Oliveira 2017). This example illustrates that Chinese financial operations are intertwined with agribusiness trading operations, and its most powerful expressions may derive not merely from the focus of Chinese commercial banks in agribusiness lending in Brazil, but also in the production of strategic information through a new agribusiness-finance nexus that enables Chinese firms to gain an upper hand in strategic infrastructure investemsnts. This fact does not simply confirm that (at least some) foreign investments by financial firms follow international trade

patterns, but it also provides evidence that a more complex relation between agribusiness trading and finance are unfolding, and this requires deeper analysis of finance as a sector and of the multifaceted relations between global capital and the national characterization of firms and capital flows.

6. Conclusion

I have demonstrated that China's high-profile multi-billion dollar loans from policy banks have not produced significant materializations in the Brazilian countryside, although this could change in the future if large-scale infrastructure construction projects associated with agribusiness (primarily railroads) actually get off the ground with Chinese finance and construction companies. I also argued that Chinese agribusinesses and private equity funds, which were imagined (and even feared) to be making large-scale investments in farmland, have also not established any significant operations in Brazil. The main mechanisms through which Chinese finance has entered the Brazilian agribusiness sector, therefore, has been the establishment of commercial banks that lend to Brazilian agribusinesses, and the commercial-financial integration of transnational agribusiness trading companies incorporated by Chinese leading state-owned enterprises through global-level M&As (particularly COFCO's acquisitions of Noble and Nidera, ChemChina's acquisition of Syngenta, and the China Tobacco International's joint-venture in Brazil).

Agribusiness lending is clearly important for the Chinese commercial banks recently established in Brazil, but their operations are still relatively small within the sector as a whole. Nevertheless, these firms are well positioned to increase their operations in Brazil, and over the medium- to long-term they may become dominant in financing direct commercial operations and investments across the Brazil-China agroindustrial assemblage. If it becomes possible for them to internationalize renminbi denominated operations and/or operationalize currency swap agreements, these firms could radically transform the financial landscape of Brazilian and even global agribusiness. It will be especially challenging for them to overcome the dominance of the Chicago Board of Trade as the privileged forum of the agribusiness trading-finance nexus, which sustains the US dollar as the international reserve currency for agribusiness trading and the power of companies from the Global North. But this possibility cannot be discarded in the long-term, as agroindustrial commodity flows from Brazil to China become consolidated alongside newer South-South channels in which strategic information provided by state-owned agribusinesses and financiers could enable Chinese traders to outmaneuver established state and corporate interests from the Global North.

As the complex interrelation between the commercial and financial operations of agribusiness trading companies require us to rethink the very character of agribusiness and finance as sectors—so too does the transnational character of the companies being integrated by China's global-level M&As force us to question the supposedly national character of agribusiness capital and finance. Consider in this regard as well the significant role of on-lending demonstrated in the operations of the Brazilian banks acquired by their Chinese counterparts, including both on-lending from the Brazilian government (in the case of coffee financing for BicBanco/CCB Brasil) and from transnational financiers (in the case of the IFC/Bradesco/Israel Discount Bank's loan to BBM/BoCom). Thus, it becomes difficult to narrowly circumscribe "Chinese

finance" for Brazilian agribusiness as simply following upon Brazil-China agricultural trade. Yet the associations between the operations of these firms with the Chinese state and its international trade relations certainly calls attention to China's growing preponderance in commercial relations with Brazil and beyond. This evokes sinophobic fears about the threat of Chinese land grabbing, the strategic role played by China's sovereign wealth fund, as shown in its effective role in coordinating the acquisition of Noble by COFCO.

Ultimately, even though global finance becomes increasingly embroiled in supplying services to growing international markets regardless of the national character of the firms involved, Chinese state interests are still advanced by leveraging trade relations to place its leading commercial banks in a good position to transform the renminbi into an international reserve currency, promoting currency swap agreements and RMB-denominated operations for its major commercial operations, such as Brazilian agribusiness exports and its related infrastructure investments. But at the same time, Chinese finance for Brazilian agribusiness and infrastructure is evidently not taking place through new forms of South-South cooperation. Rather, it effectively operating as a mechanism through which Chinese financial firms become incorporated into a global capitalist regime still dominated by the Global North. Nonetheless, their incorporation provides conditions for a state-driven effort to internationalize the renminbi in the long term, and challenge the Global North's hegemony in finance, agribusiness, and strategic infrastructure.

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