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The political economy of South-South relations: a comparative analysis of China's investments in Brazil and South Africa

Authors: Ana Garcia, Lisa
Thompson, Cleiton Brito and
Maria Elena Rodriguez

“The political economy of South-South relations: a comparative analysis of China's investments in Brazil and South Africa”

- Partners: BRICS Policy Center, PUC-Rio and School of Government, University of the Western Cape
- Specific research aims:
 - What are the main characteristics of Chinese investments in Brazil and South Africa;
 - What are the specific government public policies and state institutions that sustain and facilitate FDI;
 - What socioenvironmental and labour dynamics were generated in territories where Chinese projects have been or are being implemented > field work
- Guiding questions: to what extent can South-South investments generate new potential for regional and national development based on fairer and more sustainable social and environmental grounds? Or, on the contrary, to what extent do South-South investments reproduce the traditional international division of labour and practices of natural resource and labour exploitation, while generating new asymmetries?

Chinese direct investments, loans and trade in Brazil and South Africa

China	Brazil	South Africa
Chinese foreign direct investment	China is one of the biggest investors, alternating with the United States	China is the main investor
Investment sectors	Oil, mining, hydroelectric dams, banking and services	Mining industry, transport infrastructure and special economic zones
The largest investment	Energy (hydropower plants and renewable energy sources, such as solar and wind power).	Musina Makhado Special Economic Zone
Chinese loans	Not indebted	Indebted
Type of loan	Commercial basis	International development assistance (IDA), also known as international development cooperation
Financed projects	Oil, gas and electricity sectors (gas pipelines and coal-fired thermal power) – 2000; Energy and electric mobility, tied to the promotion of Chinese technologies (hydroelectric plants and electric vehicle plant) - 2010	Electricity (Eskom) and road and rail (Transnet), including the Gupta-led China South Rail railway infrastructure project, where millions of dollars were misappropriated by both Transnet officials and Gupta-fronted companies.
The largest loans	Brazilian state-owned company Petrobras (“loans for oil”)	South African SOEs, Eskom (electricity provider) and Transnet (road and rail). Last loans were granted in 2018; it is speculated that China Development Bank has become Eskom’s lender of last resort due to its shaky financial status.
Trade	China is the main trading partner	China is the main trading partner
Commercial relations	Brazil exports iron ore, soybeans and crude oil to China and imports Chinese manufactured goods. Trends of asymmetric economic interdependence leading to deindustrialization in Brazil.	Special economic zones have become preferential trade areas.

Bilateral political and diplomatic relations between China and Brazil and China and South Africa

China	Brazil	South Africa
Important regional cooperation forums	China-CELAC Forum (2014): has not played a decisive role in Brazil-China relations.	China-Africa Cooperation Forum – FOCAC (2000): has played a major role in diplomatic and economic relations between China and South Africa.
Political-diplomatic relations	<p>More pragmatic relationship, after the parliamentary coup that led to the impeachment of Dilma Rousseff in 2016. Significant bilateral relationships, concomitant business interests, agreements in the railway and electrical sectors and expansion of credit for exporters and importers. Several public policies, programs and legislation on foreign investment in Brazil facilitated the entry of Chinese investments: oil industry and automotive sector. The privatization of airports and the gradual opening of airlines to foreign capital.</p>	<p>Realignment of the Global South, with China playing an important leadership role in the world economy. Strong bilateral relations. Priority on joint development initiatives in international and regional platforms. Strong influence on the content of South African foreign policy, which focuses on a Global South agenda. Omissions in bilateral treaties on labour rights and commitments and obligations related to climate change.</p>

The Muzina-Makhado Special Economic Zone (South Africa) and manufacturing plants in the Manaus

Industrial Park (Brazil)

China	Brazil (Manaus Industrial Park)	South Africa (Muzina-Makhado Special Economic Zone)
Profile	A hub for the proliferation of factories from various industrial sectors, which offers tax and non-tax incentives to companies establishing projects in this SEZ.	A SEZ investment tax haven that offers incentives, including minimal corporate taxes, customs duty and VAT exemptions, one-stop shops to assist with setting up businesses rapidly, greatly reduced water and electricity tariffs, and often no attention to labour rights, regulations and minimum wage.
Investment sectors	Electronics, mechanical, thermoplastic and two-wheeler	Industrial and manufacturing metallurgy
Disadvantages/conflicts	Labour issues: worse working conditions, lower wages, less benefits and incentives; excessive control and supervision in the factory and lack of spaces for workers' participation and opinions; lack of education courses, housing and health policies and professional/technical qualification programs.	Environmental problems: failure to comply with environmental legislation; drastic impact on the diversity of fauna and flora; limited community participation; lack of information from the government on the SEZ's livelihood and socioeconomic impacts on the communities.

Conclusions/recommendations

- South-South investments **do not** provide a positive alternative for workers, communities and the environment on the ground.
- Role of academics, labour groups and social movements in pressuring public officials and state institutions to negotiate **better terms** with Chinese foreign investors to ensure **better conditions to both workers and communities**.
- **Manaus free trade zone**: how do we turn an industrial policy into a public policy that generates more benefits for workers? > Need of public programs to expand citizens' rights and improve their social conditions on the ground
- **Musina Makhado SEZ**: workers' socioeconomic rights to employment in the Limpopo Province vs. degradation of Vhembe biosphere, climate change effects of the coal plant and the metallurgical industrial, water scarcity

Conclusions/recommendations

- Governments of **Brazil and South Africa** need to negotiate with China to get the best results out of their relations.
- South-South technology transfer and effective cooperation in health, environment, agriculture and energy are fundamental for achieving better social and labour conditions. For example, Brazil-China satellite CEBRS.
- **Brazil-South African relations** should be improved through exchanges and the elaboration of common strategies.
- Brazil and South Africa should not align themselves solely with China or the US and Europe, but rather create the basis for real South-South cooperation in order to **act together and take advantage** of the international tensions between these powers. For example, IBSA.
- A more balanced and mutually beneficial South-South agenda needs to be **a more Southern** and less led by the Chinese agenda.
- Risk of repeating the history of subordination of the 'developing' South... **South-South agenda** needs to keep its transformative role and create an identity and unity among developing countries.

Publicações



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