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The South-South Question:
Transforming Brazil-China Agroindustrial Partnerships

By

Gustavo de Lima Torres Oliveira

A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor of Philosophy

in

Geography

in the

Graduate Division

of the

University of California, Berkeley

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Summer 2017

Abstract

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Gustavo de Lima Torres Oliveira

Doctor of Philosophy in Geography

University of California, Berkeley

Professor Michael J. Watts, Chair

Brazil-China agricultural trade mushroomed since 2000 to become one of the world's largest flows of agroindustrial commodities and capital, reigniting and transforming agrarian questions in a new, multipolar world order. After the conjunction of food price and financial crises in 2007-2009, this burgeoning trade gave rise to a very palpable boom of Chinese investments in Brazilian agribusiness. My dissertation is the most in-depth and extensive study to date about this phenomenon, and its background in historical relations between Brazil and China. As this growth of Chinese investments abroad took place, a broader rush of investments in farmland and agroindustrial production, processing, trade, and infrastructure unfolded worldwide (often called the global land grab) – and China was identified as a major new investor, while Brazil was recognized as one of the foremost targets for transnational agroindustrial investments. State and corporate actors across both China and Brazil promoted this leveraging of investments as a new form of South-South cooperation, claiming it strengthens domestic agribusinesses and governments in these countries in relation to the hegemonic agribusiness and state interests from the Global North. On the other hand, some critics feared this new wave of investments establishes a neocolonial relation that deindustrializes Brazil, dragging it back to an extractivist and export-oriented agriculture that curtails employment and the standard of living of Brazilians, and locks the country economically into dependent international relations. In this dissertation, I set out to investigate where and how Chinese investments are taking place in Brazilian agribusiness (both direct and indirect, targeting everything from seeds, agrochemicals, and other inputs, farmland and agricultural production, agroindustrial processing, and the related logistics infrastructure such as warehouses and ports). My findings indicate that Chinese investments in Brazilian agribusiness did expand rapidly in recent years, but they are still far dwarfed by capital from the Global North – particularly in farmland and agricultural production. The prominent discourse that “China is a (or the) major land grabber” is debunked, and I argue it has actually been constructed through a complex conjuncture of social interests that range across rural social movements, commercial farmers, landed elites, and industrialists in Brazil, alongside agribusinesses and financiers from the Global North. This indicates also a form of sinophobia, which I argue must be understood in its 200-year history of shifting and sedimented Orientalist discourses about the Chinese in Brazilian (and other “Western”) imaginaries. Tracing a genealogy of this sinophobia, I also reconstruct the emergence of a transnational class of boosters, brokers, bureaucrats, and (agri)businessmen (mostly men), who I call collectively “agribusiness professionals.” I argue these agribusiness professionals have not only been at the forefront of constructing Brazil-China relations for over 200 years, but also it is examining their work of assembling Chinese capital with Brazilian land, labor, and expertise that we can comprehend the nature and denouement of Brazil-China

agroindustrial partnerships. Thus, I combine political economic and historical methods with a critical global ethnography of the transnational agribusiness professionals assembling Chinese capital with Brazilian agribusiness – rooted in in-depth interviews, life histories, and some participant observation undertaken from the fall of 2010 through the spring of 2017. This period included fieldwork in China during the summers of 2011 and 2013, and the spring of 2015. In Brazil, fieldwork was undertaken during the summer of 2012, and between January 2014 and August 2015. In total, I spent over 20 non-consecutive months undertaking fieldwork in Brazil and 7 non-consecutive months in China, working in about 14 Brazilian states and 8 Chinese provinces (and provincial-level cities). This research reveals that Chinese agroindustrial capital is not homogeneous, centralized, or directed “from Beijing”, and rather than treating it as a “global force” that has “local impacts” in Brazil, I reveal how Chinese and Brazilian agribusiness professionals co-produce the emerging Brazil-China agroindustrial assemblage in the pursuit of their own affluence and influence. On one end of the spectrum, there are companies and projects that I term “Paper Tigers.” These are companies that invested (or attempted to invest) primarily in farmland and agricultural production, and so were feared to be menacing land grabbers, but nevertheless turned out to be quite ineffective. Through a combination of insufficient financial and political resources, inadequate operational capacity among agribusiness professionals, and social resistance across various scales, these Paper Tigers either failed to operate profitably or even establish themselves in the first place. On the other end of the spectrum are companies I call (adapting a term from the Chinese government’s recent policies) “Dragon Heads.” These are companies that play leading roles in their sectors domestically, and launched foreign investments primarily through global-level mergers and acquisitions (M&As) of existing transnational or local (i.e. Brazilian) companies, focusing primarily on agroindustrial trade. While these indirect investments through M&As actually amount to the largest influx of Chinese agroindustrial capital into Brazil, and show clear signs and potential for converging with the agribusiness corporations from the Global North that had hegemony over much of Brazilian and transnational agroindustrial assemblages, this is still an underexplored phenomenon. A central contribution of my dissertation is discerning Chinese agribusiness investments in Brazil as Dragon Heads or Paper Tigers, showing this to be a much more useful lens for analysis than simple categorization across ownership structure as private companies or state-owned enterprises. My main argument is that, whether Brazil-China agroindustrial partnerships collapse as Paper Tigers or advance as Dragon Heads, these projects ultimately benefit the transnational agribusiness professionals who assemble them above all others. While transnational agribusiness professionals cultivate their own wealth and power through these projects, they also aggravate the exploitation of natural resources and workers, and the marginalization of peasants and agroecological alternatives. Therefore, what I call the “South-South question” – how Brazil-China agroindustrial partnerships constitute new linkages of agroindustrial capitalism within and between these previously-peripheral spaces that emerge now as new hubs of capital, and with what implications for the society and environment, particularly struggles for democracy and social justice – brings into the spotlight this group of agribusiness professionals as the key intellectuals (in the sense that Gramsci used in his examination of the “southern question”) who construct capitalist hegemony through transnational agribusiness development. In turn, the struggle for democracy, land redistribution, agroecology, agrarian reform, food sovereignty, and social justice must contest this intellectual and political terrain of transnational agribusiness professionals. Agroecological alternatives for Brazil-China agroindustrial partnerships exist, and are illustrated in the conclusion of this dissertation, but their pursuit is fundamentally a project of internationalist class struggle – uniting peasants, workers, and their allies in both China and Brazil against an increasingly transnational capitalist class.

Dedication

This work is dedicated to the international movement for food sovereignty – a global, internationalist, anti-capitalist, anti-colonial, feminist, and agroecological movement for the democratization of land, agrarian reform, and revolutionary social transformation. This is also a peasant-led social movement, even as it also encompasses indigenous peoples, traditional communities, rural and urban workers, and even the “middle classes” and those among the elites who rework their class and social privileges into solidarity and commitment to the common struggle.

As a Brazilian-born social critic, I have no qualms about engaging in polemics against Brazilian elites, agribusiness professionals, and the state. As an outsider to China, however, it bears highlighting that all my research and work has been undertaken with the goal of internationalist solidarity, genuine appreciation, and humility before the challenge of speaking across profound language and cultural barriers. I ask all my sisters and brothers from China then, including research subjects and whoever else might come upon this text, to receive my polemics against Chinese elites, agribusiness professionals, and the state as constructive criticism from a sincere comrade.

Corruption, bureaucratism, big-nation chauvinism and arrogance – these are all mistakes China may commit. Now we in China are modest and willing to learn from others. One of the reasons is that we have no capital. First, we did not originally have Marxism-Leninism, which we learned from others; second, we did not have the October revolution, and not until 1949, 32 years after the October Revolution, did we win victory in our revolution; third, during WWII we were only a detachment in the fighting, not the main force; fourth, our country is not yet industrialized and is still mainly agricultural with some shabby handicrafts. Therefore, even if some people in China want to get cocky, or “stick up their tails”, they do not yet have the capital to do so, and at most one or two meters high. But we should guard against the possibility in the future – it could be dangerous after 10 or 20 years and even more dangerous after 40 to 50 years... Several decades from now, when China becomes industrialized, the possibility of her “sticking up her tail” will become greater. I request you, on your return to Yugoslavia, to tell your younger generation that if in the future China should “stick up her tail,” to a height of 10,000 meters, you must criticize China, keep a watch on her, and indeed, let the whole world keep a watch on her. By that time I shall have departed – gone to join Karl Marx at a Congress.

Mao Zedong, September 1956. Excerpt from verbatim record of Mao Zedong’s talk with a delegation of the League of Communists of Yugoslavia (in Mao 2007: 199 – 200)

Globalizemos a luta! Globalizemos a esperança!

把斗争全球化！让希望全球化！

Globalize the struggle! Globalize the hope!

Abstract	1
Dedication	i
Table of contents	ii
Acknowledgements	v
Maps of locations cited in Brazil and China	vi

**1. Brazil, China, and Global Agroindustrial Restructuring:
The South-South Question**

1. The South-South Question	1
2. Agrarian questions and global restructuring	6
3. Transnational agribusiness professionals and global assemblages	22
4. Critical global ethnography and political economy	24
5. Outline of subsequent chapters	28

Part I

**2. The Making of Mongolization and Migrations:
Agroindustrial development, diasporas, and Orientalism in Brazil, 1807 – 1955**

1. Transnational agribusiness professionals and the production of Brazil-China relations	31
2. Tea and <i>chinoiserie</i> : 1807 – 1842	33
3. Coolies and fear of “Mongolization”: 1843 – 1900	44
4. Japanese migration, cotton connections, and the seeds of the soy boom: 1908 – 1955	48
5. Yellow Perils and Model Minorities	56

**3. Cold War Politics and Depoliticization:
The faltering foundations of Sino-Brazilian agroindustrial partnerships, 1956 – present**

1. The Nine Red Hearts and anti-communist hysteria: 1956 – 1974	58
2. The Japanese occupation and global agroindustrial restructuring: 1974 – 2000	70
3. Chinatex and the Battle of the Beans: 1997 – present	85
4. The faltering foundations of Sino-Brazilian agroindustrial partnerships	100

**4. Land Grabs and Sinophobia:
Invasions and Evasions**

1. Invasions and evasions	102
2. Asian termites and foreignization of the Amazon	104
3. The first Chinese landlord of the Amazon	116
4. Sinomania and the Chinese threat to Brazilian manufacturing	121
5. The roots of the land grab and the campaign against Green Deserts	135
6. The 2010 Chinese invasion and restrictions on foreignization of land	142
7. Invasions and evasions <i>redux</i>	157

Part II

5. Boosters, Brokers, Bureaucrats, and Businessmen: Assembling Chinese capital with Brazilian agribusiness	
1. A notable and illustrative exception	162
2. BengBu Citric Acid and the Huai river	165
3. Exchanging expertise and the Shanghai joint-venture	171
4. State- and municipal-level boosterism and regional brokers	
4.1 The long road to Maracaju	176
4.2 Brazilian <i>chuzhang</i> and “the babysitter of the Chinese”	181
4.3 The executioner, the executed (and the invisible): Or, how Salerno defeated the Dolorini (and the Guaraní-Kaiowá)	185
5. Transnational class formation and South-South cooperation	194
6. Pratfalls of Paper Tigers: Misadventures in Soybean and Oil Palm Plantations	
1. Dragon Heads and Paper Tigers	197
2. Soy misadventures, part 1: How soybean agribusiness expanded in northern Goiás	199
3. Soy misadventures, part 2: How Fudi and Beidahuang botched soy production in Brazil	221
4. Soy misadventures, part 3: How the Chongqing Grain Group epitomized a Paper Tiger	244
5. Oil palm misadventure: How Shandong Guanfeng botched plantations in Pará	272
6. What makes (and unmakes) a Paper Tiger	285
7. Dawning of Dragon Heads: Mergers and Acquisitions in Agroindustrial Trading	
1. What makes (and maligns) a Dragon Head	287
2. The essence of a Dragon Head: China-Brasil Tabaco Exportadora	288
3. Agrochemical partnerships: How ChemChina (Syngenta, Adama) outpaces all the rest	303
4. Trading and infrastructure: How COFCO (Noble and Nidera) outmaneuvers all the rest	315
5. Chinese finance for Brazilian agribusiness: Early signs of a new era?	326
6. Challenges and chimeras of global convergence	336

8. Panela velha é que faz comida boa / 民以食為天 (It's old pots that cook good food / To the people, food is heaven)	
1. The South-South question	338
2. The crisis of food sovereignty and national development	339
3. A cooperative of donkey ranchers and traditional Chinese medicine	343
4. Panela velha é que faz comida boa / 民以食為天	349
References	353
Appendix	415

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I thank as well all the colleagues, friends, and research assistants who enabled me to work in China even though my language skills are still quite limited and my familiarity always imperfect. First of all, I thank Jeng Hsiao-ta, who both inspired me to undertake this project and also returned in a kind act of solidarity the translation work and support we shared between Brazil and China when this project was first being conceived and developed. For her translation, research assistance, and patience during my fieldwork in 2013 (by far the most challenging period of my work and my life so far), I thank Wang Wanqing, and for her remarkable collaboration as translator and research assistant during 2015, I thank my colleague Xu Siyuan. There are several friends in China who supported me in various ways during fieldwork, some who even transitioned from research subjects to friends, and unfortunately they are too many to name. I highlight Yan Shupeng and Wang Wei for special thanks. Finally, special thanks to Ye Jingzhong, Liu Juan, and especially during these last few months, Zhang Li, whose love and affection have given me an important impetus in difficult times.

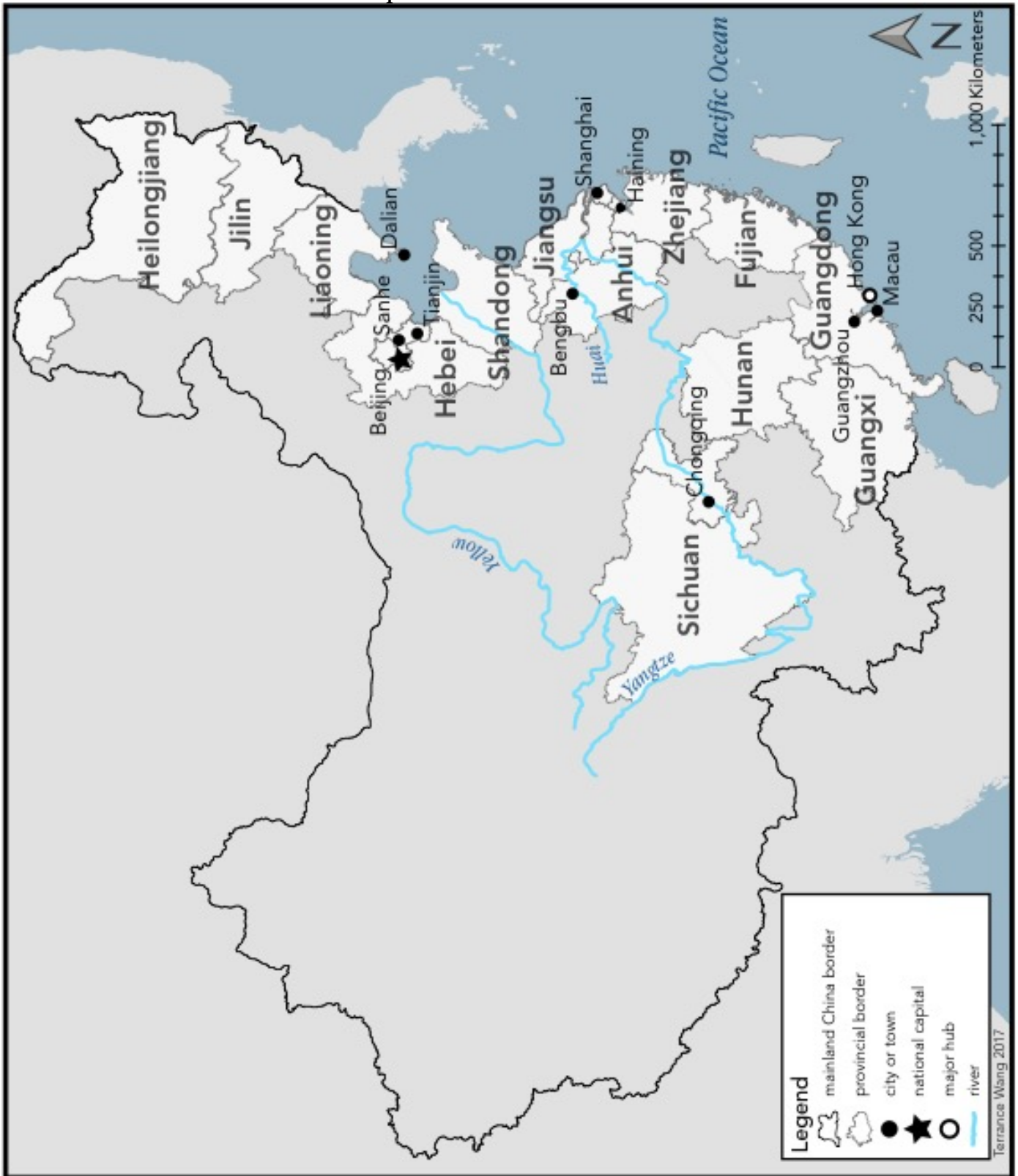
I was raised to be a world citizen, and indeed my life has been increasingly more transnational, so my friends are scattered from the Bay Area to all around the world. Nevertheless, they have all been extremely important to me, and I am thankful for their love, company, and support – it truly has kept me alive, happy, and sane during my time here in the Bay Area. Of special importance have been my comrades in the Friends of the MST, Occupy the Farm, and the UAW 2865. To everyone else whose name does not fit on this page, please know you are still in my heart.

Map of locations cited in Brazil



Map by Terrance Wang

Map of locations cited in China



Map by Terrance Wang

Chapter 1

Brazil, China, and Global Agroindustrial Restructuring The South-South Question

1. The South-South Question

I arrived at COFCO International's headquarters in Hong Kong on a muggy morning in March 2015, sporting a well-trimmed beard and a gold-plated UC Berkeley seal on the lapel of one of my finest suits. Located in a massive office building at the heart of this corporate metropolis, COFCO International's main lobby was covered with several arrangements of orchids and other expensive flowers. "These are gifts from various COFCO subsidiaries and other companies," explained the secretary who received me. COFCO (the China National Cereals, Oils and Foodstuffs Corporation) is the country's leading agroindustrial trading and food processing company, and although its main office is actually located in Beijing, the company had just created COFCO International in Hong Kong as the subsidiary into which all its overseas mergers and acquisitions (M&As) would be incorporated. After some time in a waiting room, I was taken to the office of one of its executives responsible for transnational M&As and their "digestion" after acquisition, as that executive phrased it.¹ They had agreed to receive my interview once I was introduced by the executives of Nidera in Brazil, a fast-growing transnational agribusiness trading and seed company that had been acquired by COFCO only about a year before. After I thanked them for receiving me and explained more about myself and my research, this Chinese-born and US-educated executive began telling me – in perfectly fluent English – about their rationale and process for acquiring Nidera and the agribusiness arm of Noble, another transnational trading company with fast-rising and very strategic operations in Brazil and beyond.

The whole thing is because Chinese agricultural supply is limited by natural resource availability. Land and water are very scarce, and many agricultural production areas have already been overused. [Agricultural production] is still by small farmers, so the cost is very high and the productivity is very low. So you can see that the price is not so competitive with the international market. That is why our whole soybean industry has been ruined by the ABCDs. The Chinese government learned a lot [from this], then you see the current threat we are now facing from the ABCDs in corn. So the Chinese government needs to protect our farmers' basic interests, and they have kept very restrictive import quotas [for maize] for the past years. [But] since our current pattern of natural resource use is unsustainable, the new Xi [Jinping] administration began relaxing import quotas [since 2013]. We saw this as an opportunity. I would not say that it is because COFCO is an SOE [state-owned enterprise], it is rather that COFCO today is already the largest player here in China, already the largest importer and exporter of agricultural food products. So we saw this as an opportunity to go abroad with overseas investments, and secure the supply there.²

The ABCDs is an acronym for four agribusiness companies³ from the US and Europe that established a powerful oligopoly over the international trade of soy, maize, wheat, and (to a lesser

¹ Personal interview, Hong Kong, March 26, 2015.

² *ibid.*

³ ADM, Bunge, Cargill, and Louis Dreyfus.

extent) various other agroindustrial commodities. Their power is rooted in over a century of vertical integration and transnational expansion (Morgan 2000; Murphy, Burch, and Clapp 2012), and their control over this international trade actually *increased* from the 1990s through the 2000s. This was the period when soybeans became the leading agroindustrial commodity exchanged on international markets, as Brazil overtook the US to become the world's largest exporter of soybeans, and China surpassed the EU as the world's largest and fastest growing importer of this versatile oilseed and "protein pill" for animal feed (Oliveira 2016; Oliveira and Schneider 2016; Yan, Chen, and Ku 2016). Particularly during the dramatic food price spikes and global financial crisis of 2007-2009, therefore, the ABCDs reaped massive windfall profits from the price fluctuations affecting record Chinese imports of soybeans from Brazil (HLPE 2011; Ghosh et al. 2012; Clapp 2015). The response that became most quickly visible were announcements of Chinese investments in Brazilian farmland for soy production in 2010 and 2011, contributing to a widespread hysteria over the role of China in the "foreignization of land" in Brazil and the unfolding "global land grab" (Powell 2010; Trevisan 2010; Chade 2010; The Economist 2011; Barrionuevo 2011; Decimo 2011; Maisonnave and Carazzai 2011; O Repórter 2011; Hearn 2012; Faleiros et al. 2014). Nevertheless, as I will show in this dissertation, it was actually through COFCO's integration of Nidera and Noble Agri, and various relatively smaller take-overs by Japanese corporations of local and transnational trading companies operating in Brazil, that the oligopoly of the ABCDs over Brazilian soybean exports was finally broken in 2015: while the ABCDs share of soybean exports fell to 37%, trading companies from Japan and China were collectively responsible for 45% (Bonato 2016). This transformation came about through the incorporation of transnational agribusiness professionals from or trained in the US and Europe, and integration of private local or transnational corporations that maintain full operational autonomy in their subsidiaries overseas. When I asked the COFCO International executive about their strategies for operation and expansion in Brazil, they answered without hesitation:

For the strategy in Brazil, we can fully leave it in the hands of our Brazilian teams... all we do is we look at their proposals and approve or not at the board level... For frontline operations we fully rely on our teams, because I don't think there is a way to distinguish between the employees of COFCO and Nidera today, they are all COFCO employees. There are the COFCO teams in São Paulo, in Argentina, and they are all our employees. We rely on them, we trust them. If we didn't trust them, we would move them [the contract with Nidera, however, stipulated that COFCO would not change the company's management for the first three years]. We cannot say, "we will send all Chinese people to the frontline to say this is right or not". I don't think that makes sense, because the local Brazilian team should know the market there better than us, right? So we only take an indirect role as shareholders. This horizontal way is not just with Frank [Ning Gaoning, then chairman of COFCO] and Patrick [Yu Xubo, president of COFCO], everyone has this same philosophy, even in our headquarters. Because *COFCO is not a Chinese company these days, we are a global company*... Here [at COFCO International in Hong Kong], we all have the same western background... and we fully respect corporate governance. That is our bottom line.⁴

The COFCO executive's account was grounded in two powerful narratives. An assumption of natural resource scarcity that requires agroindustrial imports from places with larger scale and cost-effectiveness of agricultural production, and a global conflict in which transnational agribusinesses from the US and Europe have intercepted the flows and profits of the agroindustrial exports needed to avoid the exhaustion of natural resources and the collapse of agrarian economies in China. These

⁴ Personal interview, Hong Kong, March 26, 2015. Emphasis added.

are familiar tropes in contemporary discussions about “the rise of China” alongside Brazil and other emerging economies, and also long standing debates about agroindustrial modernization and the “geopolitics of food” (e.g. Brown 1995, 2012; Huang, Cheng, and Rozelle 1999; Li 2008; Moyo 2012; HCSS 2013; Margulis 2014; Brautigam 2015; Hopewell 2015). What remains far less examined, on the other hand, is the executive’s curious assertion that COFCO’s decision to acquire two fast-rising “second tier” transnational trading companies as the strategy to counterbalance the threat from the ABCDs came about *not* because of government directives and state backing, but rather as a “business opportunity,” and that the the world’s most powerful state-owned agribusiness trading company is in fact “not Chinese” but “global”. After all, the acquisitions of Noble Agri and Nidera were a business opportunity coproduced by transnational agribusiness professionals arising from Brazil as much as China itself, and even included various US executives who made their careers developing the ABCDs in Brazil,⁵ taking advantage of conditions powerfully structured by the Brazilian state.⁶ What I set out to examine in this dissertation, therefore, is the restructuring of agroindustrial production and commercial relations on a global scale through unique “South-South” capital flows involving corporations from two powerfully nationalist, state-led hubs of capitalist agribusiness, that nevertheless reproduce the same patterns of corporate control and exploitation that constructed the wealth and power of private, transnational agribusiness companies from the Global North.

These seemingly paradoxical dynamics between state-owned and private corporations, as well as emergent economies and old hubs of capital, are intimately related also to the convergence of transnational agribusiness professionals in Brazil-China agroindustrial partnerships, and their conflicting relations with competitors from the Global North and peasants, workers, and others who are exploited or marginalized by the advancement of agroindustrial capital across the Global South. There is a dire need for these processes and dynamics to be explained, yet they point to a very different story from the usual narrative about Chinese state-driven land grabs for domestic food security (Grain 2008; Marks 2008; Cotula et al. 2009; Deininger et al. 2010; Sauer 2010; Borras et al. 2011; Kugelman and Levenstein 2013; McMichael 2013; Faleiros et al. 2014; Pereira and Pauli 2016). Indeed, this story pushes us far beyond the narrative of an ascendant, coherent, homogeneous, and state-directed “China” causing various unidirectional “impacts” around the world through its international trade and foreign investments (Lang and Chan 2006; Pannell 2008; Li 2008; Jiang 2009; Scissors 2010; Leão, Pinto, and Acioly 2011; Friends of the Earth 2012; Fearnside et al. 2013; Lukin 2015; J. Zhang 2015; Zhen 2016). Through the most extensive and in-depth investigation to date of Chinese agribusiness investments in Brazil, I provide an alternative analysis based on unique ethnographic, historical, and political economic data that reveals not only a deeper and more complex history of Brazil-China agroindustrial relations, but also how these have unfolded in drastically different terms than the much feared and maligned “Chinese land grab”. Indeed, one of my main arguments is that the “Chinese land grab” discourse has not only been exaggerated (cf. Ho and Hofman 2014; Brautigam 2015; Guo and Myers 2017), but in fact it has been actively produced as the culmination of a long process of racist Orientalism and sinophobia that has been strategically deployed by various actors for ulterior purposes, including state and agribusiness actors from the Global North and from Brazil itself seeking to evade their own responsibility for the extensive land grabs that have indeed been taking place in recent decades. On the other hand, it also follows that most literature on Chinese agribusiness

⁵ Nidera’s subsidiary in Brazil was created by a Brazilian agricultural commodity trader and a US-born partner who previously directed the US-based ADM’s entrance into Brazil. The British-funded and Hong Kong-based Noble Group hired a Brazilian chief executive officer for its agribusiness arm during the years it expanded from trading energy and mineral commodities to agroindustrial products as well, and COFCO in turn hired ADM’s US-born director of soybean “origination” (i.e. acquisition from farmers and subsequent exports) from South America to coordinate the integration of Noble and Nidera’s operations under COFCO’s new international umbrella.

⁶ For more on the role of the Brazilian state, see Oliveira (2013; 2016).

investments abroad, particularly in Brazil where there were no significant fieldwork-based studies until my own work at hand (cf. Armony and Strauss 2012; Borrás et al. 2012; Scoones et al. 2013; Wilkinson and Wesz Jr. 2013; Guo and Myers 2017; Wilkinson et al. forthcoming), tend to gloss over the diversity of sectors and mechanisms through which Chinese agroindustrial investment have been conducted, the faltering negotiations over direct investments and advancements of low profile M&As, and the racially inflected discourses through which these have been promoted and contested by multiple actors in Brazil and beyond.

Thus, my examination of how Brazil-China agroindustrial partnerships have been transforming over the past two centuries, and especially in the most recent years when Chinese agribusiness investments have come increasingly to the foreground, leads to a very different political, economic, and ecological accounting of the fundamental agrarian questions in Brazil, China, and the rest of the world at the dawn of this new century. Here it is useful to draw a parallel with Antonio Gramsci's famous engagement with the "southern question" about how the "backwards" and agrarian region of southern Italy could be effectively integrated with the more "advanced" industrialized region to the north of the country (Gramsci 2000). Since the unification of Italy in 1871 and through the time Gramsci's work on this essay was interrupted by his arrest at the hands of fascist policemen in 1926, industrial capitalists and financiers from northern Italy had allied with the southern landed elite to ruthlessly exploit southern peasants, many of whom fled landlessness, unemployment, and extreme poverty in their homeland to seek a new life in Brazil and the rest of the Americas. Gramsci argued that a peculiar class of "*intellectuals*" from rural middle classes (such as the clergy, lawyers and other liberal professionals, and politicians who come from and advance the interests of medium- and large-scale land owners in southern Italy) play the pivotal role in producing the *hegemony* of the capitalist elite over peasants in the south and industrial workers in the north (ibid.; emphases added). That is, these mid-level rural intellectuals are the key actors who assemble the specific mixture of coercion and consent among the working classes that secures their adverse integration into the capitalist structure of society and sustains inter-regional inequalities. Consequently, Gramsci argued, peasants and workers must cultivate their own "organic intellectuals" who can expose and contest the injustices of this capitalist hegemony and uneven development, and construct thereby an effective alliance between industrial workers from the north and peasants from the south in their common struggle for a revolutionary transformation of society (ibid.).

What I call the "South-South question" reconstructs Gramsci's own question and argument at the global scale and in contemporary terms. I anchor this analysis in Brazil and China as the most important new hubs of agroindustrial expansion worldwide, taking them as the most advanced regions of a Global South that remains deeply agrarian and exploited by (agro)industrialist and financial elites from the Global North. Thus, the hegemonic agrarian questions of our age pertain to how peasants, agroindustrial workers, and agribusiness corporations from Brazil and China – still marred by the "backwardness" of their colonial and semi-colonial legacies – may "catch up" and/or become integrated with the the more "advanced" and industrialized capitalist world economy still rooted in the Global North, particularly the United States (Graziano da Silva 1980; Jales et al. 2006; Huang, Otsuka, and Rozelle 2008; Castro 2008; Barros 2009; Deininger et al. 2010; Liversage 2011; State Council 2012; Lin 2012; Woo 2012; Nassif et al. 2014). Like Gramsci, I also argue that a particular set of middle class intellectuals hailing from China and Brazil – boosters, brokers, bureaucrats, and agribusiness managers and executives, who I collectively call *agribusiness professionals* – play the key role in reproducing the hegemony of agroindustrial elites over peasants and workers across their own countries and the rest of the Global South. In examining the conditions of possibility for Chinese agroindustrial investments in Brazil, I reveal that these agribusiness professionals are the ones who essentially assemble Chinese agroindustrial capital with Brazilian land, labor, and expertise. Furthermore, to accomplish this they must also assemble the necessary discursive, institutional, and

political instruments for competing against established agribusiness elites and corporations from the Global North, and subjecting the marginalized peasants and exploited workers across the Global South to their own agroindustrial projects through a mixture of coercion and consent.

Although mine is not primarily a narrative about class struggle and resistance to agroindustrial exploitation, my conclusion also follows Gramsci's argument that "organic intellectuals" from among the peasantry and working classes of the Global South are the ones best positioned to contest these new forms of capitalist hegemony emerging through transnational partnerships between Brazilian and Chinese agribusiness professionals. They have already effectively led a cross-class and transnational coalition that successfully imposed restrictions on acquisition of farmland by foreigners in Brazil since 2010, coordinated the high-profile land occupation of a Chinese-owned farms in Brazil in 2015, and even attempted to cultivate transnational alliances between Brazilian and Chinese peasants and peasant-oriented and cooperatively-managed partnerships with Chinese agribusinesses. Yet their efforts have been largely overshadowed, outmaneuvered, and outpaced by the agroindustrial projects that reproduce the hegemony of transnational agribusiness elites (including those emerging from China, Brazil, and the rest of the Global South) – especially through transnational M&As that bypass the framework of "land grabs" in their entirety. The challenge for anti-capitalist intellectuals emerging organically from peasant and working class movements in Brazil and China, therefore, turns on the necessity of reframing mainstream agrarian questions from "catching up" with the Global North through capitalist agroindustrial partnerships, to the agroecological needs and political imperatives of a revolutionary transformation of our societies.

Rather than simply reforming state institutions and capitalist markets to better include agribusiness professionals from China and Brazil among transnational elites, therefore, our task at hand is threefold. We need to begin with a fundamental critique of the discourses of agroindustrial modernization that underpin the mainstream South-South question and the promotion of "national development" through capitalist elites and agribusiness professionals. Then we must work through an analysis of contemporary South-South flows of agroindustrial capital and commodities that goes deeper than land grabs and foreignization. However, given the (agro)ecological dimensions of the contemporary crisis and the critique that I have outlined (cf. Oliveira 2009, 2010), I must part ways with Gramsci and other early 20th century socialist revolutionaries in their belief that it is the proletariat, the industrial working class, that can "become the leading [*dirigente*] and the dominant class to the extent that it success in in creating a system of class alliances which allows it to mobilize the majority of the working population [i.e. the peasantry and both urban and rural middle classes] against capitalism and the bourgeois state" (Gramsci 2000: 173). What the major socialist revolutions of the 20th century demonstrated in Russia, China, Cuba, and several other largely agrarian countries, and what we witness in the contemporary rekindling of indigenous and peasant resistance to (agroindustrial) capitalism that has become expressed by the international umbrella of rural social movements named *La Via Campesina* (Desmarais 2007; Borras and Franco 2010), is the fact that the *peasantry* rather than the industrial proletariat is leading *and needs to lead* the organization of the masses of industrial workers and both urban and rural middle classes into anti-capitalist struggles for agrarian reform, rooted in agroecology, and oriented towards food sovereignty. Still, I remain in agreement with Gramsci that this peasant-led alliance's "greater or lesser success in this necessary task will also depend upon its ability to break up the intellectual bloc," i.e. the influential middling agribusiness professionals who assemble Chinese capital with Brazilian agribusiness, serving as "the flexible, but extremely resistant, armour of the agrarian bloc" (Gramsci 2000: 185), the increasingly integrated and transnational landed, agroindustrial, and financial elites from across the Global North and South.

2. Agrarian questions and global restructuring

The “southern question” Gramsci engaged and the “South-South question” that I examine are part of a broader set of political and theoretical debates usually called “the agrarian question”, or more precisely *agrarian questions*. The so-called “classic”⁷ agrarian question was a debate within Eurocentric Marxist traditions around the turn of the 20th century regarding the penetration of capitalist relations into agriculture, the contribution of agriculture to capitalist development as a whole, and the role of agrarian classes of labor (i.e. peasants and agricultural workers) in the struggle for democracy and socialism (Byres 1996; Moore 2008). These three themes have emerged with different emphasis across the world as people respond to various agrarian problems, crises, and concerns. These have ranged from Polanyian self-protection from the penetration of capitalist relations into agriculture and the countryside (Kropotkin 1974; Graziano da Silva 1980; Fei 1992; cf. Polanyi 2001), the contribution of agriculture to capitalist or socialist development (Kautsky 1988; de Janvry 2010; Huang, Otsuka, and Rozelle 2008), and the role of the peasantry and rural workers in class struggle and revolution (Mao 1971, Prado Jr. 1979; Akram-Lodhi and Kay 2010a, 2010b) – bearing in mind significant overlap across them all. Thus, the extraordinarily impressive boom in agroindustrial trade and transnational investments that have rapidly emerged between China and Brazil (outlined below) creates a unique set of agrarian transformations that are powerfully restructuring agroindustrial production and commercial relations on a global scale. I outline in this section how my research on the South-South question builds upon and contributes to these extensive literatures on agrarian questions and global restructuring, and place the recent boom in Brazil-China agroindustrial trade and investments in their broader historical and political-economic context.

Much literature in this tradition goes back to Marx’s analysis of the development of capitalism through “so-called primitive accumulation” (Marx 1976). According to Marx, the dynamics of agricultural production transform according to the extent to which agricultural producers are subjected to capitalist relations (private property and wage labor). He envisioned two possible outcomes (which ultimately depend on political struggles, rather than any natural, technological, or economic tendency): either increasingly concentrated large-scale agricultural capitalists would largely eliminate the peasantry, allowing some to survive as a rural middle class while the majority was converted into wage-laborers, or agricultural production would be collectivized through non-capitalist social relations (e.g. cooperatives, communes, etc.) that could take advantage of economies of scope and scale without privatizing land and other means of production, thereby preventing (or reversing) as well the commodification of agricultural labor. In either case, independent small-scale agricultural commodity production was considered “backwards” and doomed to disappear in “advanced” western European countries through the development of the “forces of production” (fertilizers, mechanization, etc.) – yet Marx did recognize that his analysis pertained primarily to its own context, and so agrarian transformations elsewhere might differ (Akram-Lodhi and Kay 2010a: 183-4).

The interrelations between capitalist agrarian transformations in Europe, the Americas, Africa, and Asia were not unknown to Marx and Engels, and even though they formed a central pillar of Karl Kautsky’s highly influential analysis (1988: xxi), this transnational aspect of the agrarian question fell from the spotlight until recently. In the past few decades, however, we witness new and increasingly more powerful forms of capital accumulation through agrarian linkages with global industrial networks in biotechnology, chemistry, mechanization, food processing, trade infrastructure, and financial speculation (Goodman, Sorj, and Wilkinson 1987; Watts and Goodman 1997; Borras et al. 2016; Salerno 2017). A major aspect of these transformations has been the dramatic rise in the

⁷ “So-called classic” because this nomenclature prioritizes Eurocentric narratives and epistemologies, which is particularly problematic for studies of South-South relations.

importance of soybeans in transnational agroindustrial production relations, and the specific linkages between Brazil and China produced through these relations (Oliveira and Schneider 2016). Yet this dramatic advancement of capitalist relations into and from the countryside of China and Brazil, reflected in their position as major new hubs of advanced agroindustrial forces of production, have not “resolved” the classic Marxist agrarian question for these places or even for the Global North (*pace* Bernstein 2006). “[T]he generalization of commodity production is always uneven and contradictory, with the result that the agrarian question is never simply ‘resolved’” (Watts and Goodman 1997: 16). To show precisely how agrarian questions are currently being posed in Brazil and China, moreover, calls also for engagement with these own literatures, traditions, and debates in these places, how they converge in my analysis of Brazil-China agroindustrial partnerships.

Agrarian questions in 19th century Brazil were situated at the intersection of the colonial legacy of indigenous genocide, export-oriented cash crop production, and the struggles over the abolition of slavery (which took place in 1888). While not originally framed as questions of agrarian transition to capitalism, and despite the fact that the majority of Afro-Brazilians had already been emancipated or fled their plantations by the time of abolition, the global depression of the third quarter of the 19th century aggravated the crisis of sugar and coffee plantations in Brazil, producing millions of “free workers” who lived and labored primarily in the countryside, and political and economic power was steadily transferred from the ownership of labor (slaves) to the ownership of land (the *latifúndio* regime). The more intransigent slave-owners demanded compensation against public attempts to “confiscate” their “property” through abolition, while on the other hand the more radical abolitionists demanded reparations for emancipated slaves in the form of land redistribution. Under these circumstances, therefore, a distinctive agrarian question developed in Brazil independently from the European debates of the time. The *locus classicus* of the agrarian question in Brazil is the mulatto André Rebouças’s book on *National Agriculture: Economic Studies, Abolitionist and Democratic Propaganda* (1988 [1883]). Rebouças argued that the abolition of slavery would be incomplete so long as the highly concentrated structure of land ownership was maintained. This radical claim was eclipsed, however, with palliative reforms led by liberal parliamentarians like Joaquim Nabuco and Ruy Barbosa, who brokered an abolition law that made no mention of compensation for ex-slave owners, but was also silent on reparations and land reform (cf. Nabuco 1988 [1883]). The fallout of this compromise came fast on its heels: a military coup, backed by the landed oligarchy, established the Old Republic on the pillar of the *latifúndio* regime, highly dependent on coffee, sugar, and other commodities for export, consigning the demand for agrarian reform to a protracted struggle that continues to our day. The rocky years of the Old Republic came to a spectacular end with the crash of world coffee prices (and much more) in 1929. How to cope with the crisis became the central theme of agrarian questions during the 1930s. Drawing on modernist theories from intellectuals and statesmen like Oliveira Vianna (1938) and Ignácio Rangel (1953), Getúlio Vargas (leader of a military coup, dictator, subsequently elected president, and most influential political figure from 1930 to the 1950s) created federal level bureaucracies to support commercial agriculture and internal “colonization”, with the concern that “Brazilian agriculture, due to its backwardness, would be a hindrance to economic development, understood as synonymous with the industrialization of the country” (Graziano da Silva 1980: 4). This produced the “painful” and “conservative modernization” of the Brazilian countryside, whereby transnationally-interconnected agroindustrialists inscribed capitalist agribusiness relations with highly advanced technologies on a palimpsest of colonial era land distribution and labor relations (Graziano da Silva 1982; cf. Moore Jr 1966; Oliveira 2016).

Contemporary agribusiness professionals in Brazil (akin to Gramsci’s rural intellectuals) see in booming agroindustrial exports to China the possibility to attract investments that could “upgrade” Brazilian “forces of production” (to use a Marxist term they would not employ; Berzoini et al. 2010;

Biato Jr. 2010), while critics underscore the relative de-industrialization of the Brazilian economy through a return to primary commodity extraction and exports (Acioly, Pinto, and Cintra 2011; Jenkins and Barbosa 2012). Both remain narrowly limited, however, to the modernist expression of the agrarian question in Brazil (Oliveira Vianna 1938; Rangel 1953), even while updating it to frame China as the greatest threat or salvation for Brazilian *capitalist* development. My research, however, draws from and contributes to the more radical and anti-capitalist tradition of Brazilian agrarian questions that reaches back to Rebouças (1988 [1883]; cf. Prado Jr. 1979) to challenge the *depoliticization* of this contemporary debate to technical considerations about “development” (cf. de Janvry 2010). Firmly embedded in the Marxist tradition of Brazilian agrarian geographers, I argue the key agrarian question in Brazil is not about whether and how agroindustrial investments can “develop” the Brazilian capitalist economy, but rather how the conflict between the agrarian classes of labor and increasingly transnational agribusiness corporations will be politically resolved (Fernandes 2008). The “China factor” (Quaresma 2012), therefore, becomes expressed not as boon or bane for Brazilian (agro)industrial capitalism, but rather as what I have called the “South-South question” above.

In China as well, although my knowledge and engagement are curtailed by my limited language skills, agrarian questions emerged and have been addressed in ways that intersect with but are not reducible to the Eurocentric Marxist debate outlined above. With the collapse of the Qing empire in the early 20th century, two broad traditions emerged. The first, which found its most prominent expression in the writings and political organizing of Mao Zedong, framed the agrarian question in terms of the “the importance of the peasant problem” (Mao 1971 [1926-7]). While the recently founded Chinese Communist Party followed the Eurocentric Marxist line that envisioned the miniscule urban proletariat to lead the revolution, Mao analyzed Chinese society in greater detail, stressing the multiplicity of classes beyond capitalist and proletarians. He asked “Who are our enemies? Who are our friends?” and concluded that “our enemies are all those in league with imperialism – the warlords, the bureaucrats, the comprador class, the big landlord class and the reactionary section of the intelligentsia attached to them” (Mao 1971:11, 18). Based on theory alone, however, Mao thought, “the leading force in our revolution is the industrial proletariat,” not the peasantry, which is considered an ally, as “our closest friends are the entire semi-proletariat and petty bourgeoisie” (ibid. 18-9). After he undertook a month-long investigation of the peasant movement in his native Hunan, however, he argued:

All the wrong measures taken by the revolutionary authorities concerning the peasant movement must be speedily changed [for] the future of the revolution to be benefitted. For the present upsurge of the peasant movement is a colossal event... they will smash all the trammels that bind them and rush forward along the road to liberation. They will sweep all the imperialists, warlords, corrupt officials, local tyrants and evil gentry into their graves. Every revolutionary party and every revolutionary comrade will be put to the test, to be accepted or rejected as they decide. There are three alternatives. To march at their head and lead them? To trail behind them, gesticulating and criticizing? Or to stand in their way and oppose them? (Mao 1971: 24)

Although Mao centered the agrarian question in Chinese society on the role of agrarian classes of labor in the struggle for democracy and socialism, others (and himself later in life) developed agrarian questions more in consideration of the penetration of capitalist relations into agriculture, and the contribution of agriculture to capitalist or socialist development as a whole.

Fei Xiaotong, for example, was a prominent sociologist who also had extensive ethnographic knowledge of the peasantry, but developed a distinct approach to agrarian questions in China until political reeducation campaigns from 1957-78 forced him to adopt Marxist-Leninist class struggle

analyses instead. The central arguments in his classic book *From the Soil* (乡土中国; Fei 1992 [1948]) rests on a comparison between rural and urban China to demonstrate their similarities, and in particular the way these elements resist or suffer foreign influence in modern urban China, but genuinely Chinese patterns in urban relations continue due to their foundation in rural China. Consequently, a second-level comparison between China and “the West” also demonstrates the distinctive qualities of Chinese society that arise, as it were, “from the soil”, meaning the specific social relationships and interlocking social networks of family ties, rituals, and agri/cultural practices through which Chinese peasants reproduce their livelihoods. “Chinese society is fundamentally rural,” meaning that it is based on villages and their networks of migration, linked by family ties and a “familiarity” of social norms that rests upon rituals and customs (Fei 1992: 1, 37). For Fei, therefore, agrarian questions were posed because “China is undergoing a rapid transformation that is changing a fundamentally rural society into a modern one... giving rise to abuses. Created by strangers, modern society cannot incorporate the customary basis of rural society. Rejecting customary ways of rural life, modern people denigrate everything rural. The rural village is no longer a place to which successful people want to return” (ibid.: 44). The question was not, as for Mao, how to eradicate the old society and create an entirely new social order, but how to retain the distinctively Chinese elements of the old society and use those as the foundation on which to build a modern (and implicitly capitalist) society. Needless to say, capitalist analysts of China from “the West” (i.e. the Global North) found in Fei Xiaotong and his tradition a point of intersection in which they can promote the “modernization” of China through capitalist global integration (Lardy 1983; Huang, Otsuka, and Rozelle 2008; cf. de Janvry 2010).

Barrington Moore Jr.’s broader study of the peasantry, capitalism, and revolution posed an interpretation of agrarian questions in China that mediated Marxist and “Western” sociological interpretations such as those above, asking:

How were the upper classes connected with the land in this society where the overwhelming majority were tillers of the soil? Did their power and authority rest ultimately on control of landed property or was it an outcome of their near monopoly of bureaucratic posts? If it was a combination of the two, what was the nature of this combination? ... by de-emphasizing its bureaucratic character, Marxists conceal uncomfortable resemblances to their own practices... Nevertheless the Marxist stress on landlordism is thoroughly justified. (Moore Jr. 1966: 162-3)

According to Moore Jr., the penetration of capitalist relations into agriculture was limited because...

the Chinese landlord-tenant relationship was a political device for squeezing an economic surplus out of the peasant and turning it into the amenities of civilization. [And] in the absence of a big urban market, there was little reason to change it, perhaps even less possibility of doing so. Ambitious and energetic individuals under the Empire got themselves a bureaucratic post in order to add to the family acres. (ibid.: 179-80).

As the Qing empire crumbled, the power of taxation and conscription reverted to “landlords pure and simple, gangsters, or a combination of the two”, who accentuated the fact that “the government and the upper classes performed no function that the peasants regarded as essential for their way of life. Hence the link between rulers and ruled was weak and largely artificial, liable to snap under any severe strain” (ibid.: 186, 205). Akin to Mao, this recognition set the agrarian question in China in Marxist and geopolitical terms about how to obliterate the “rural foundation” of Chinese society (*pace*

Fei) “to destroy the old order, to forge new links with the government, to extract more resources from the peasants [so as to begin] solving the basic problem of increasing economic output all around in a world of competing armed giants” (ibid.: 227). And indeed, so it was that the peasant revolution “effectively broke the power of the landlord class” in China (Hart 2002: 200).

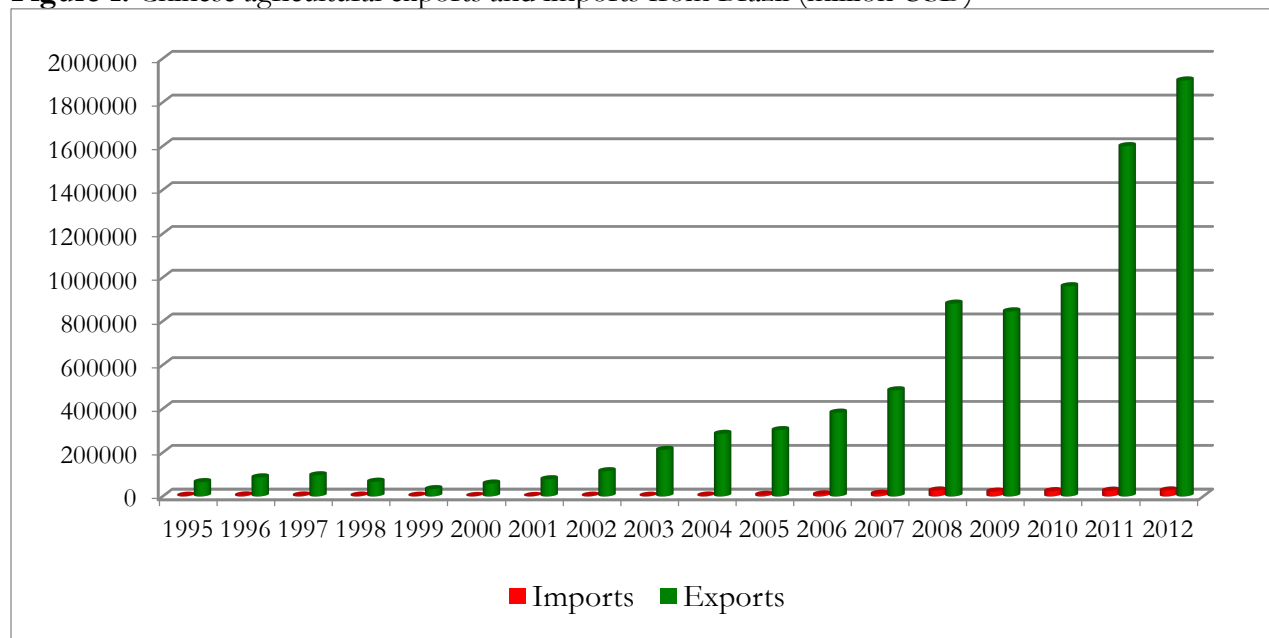
After the Communist political victory in 1949, therefore, Chinese and “Western” analyses of agrarian questions became increasingly convergent on the goal of restoring and developing agricultural efficiency and output in order to finance and promote industrialization (for military purposes as well as improving social wellbeing), and so it is not surprising if after many ebbs and flows of political campaigns and agricultural restructuring, Chinese scholars and officials have ultimately assumed capitalist notions of privatizing production and resorting to market mechanisms to “develop” and “modernize” agriculture and China itself (Sonntag et al. 2005; Huang 2008; State Council 2012; Lin 2012). This process was actively resisted and criticized by some foreign and Chinese scholars of agrarian questions alike, who decried Deng Xiaoping’s reforms as “the great privatization of China” (Hinton 1990). By most accounts, in the thirty years after the Communist victory in China, agrarian question became subordinate to “primitive socialist accumulation”, accomplished through land reforms in the early 1950s and subsequent collectivization of agriculture to supply and finance industrialization, which took place “in large part without dispossession” (Hart 2002: 217; cf. Wen 2001). While accepting agrarian questions as pertaining to “extracting and accumulating capital, in the process of urbanization and industrialization, from a highly scattered and low surplus agricultural economy” (2001: 290), Wen Tiejun critiqued the reduction of the agrarian question to economic efficiency in agricultural production (cf. Lardy 1983; Huang and Rozelle 2009) and developed the most influential contemporary articulation of agrarian questions in China as the “three dimensional problem of rural China” (三农问题): how to employ rural people, “urbanize” rural society, and increase rural production without falling into the “Latin-Americanization Trap” of landless peasants flooding metropolitan slums (Wen 2001: 294). In order to accomplish this goal, neither collectives, “the simple regrouping of individuals”, nor any “modern capital-intensive agricultural production” can succeed, instead China must adopt a “labor intensive development” that is based upon a “non-market” institutional system of rural property, state infrastructure, and accelerated urbanization “in small cities, counties, and towns, to readjust the industrial and employment structure and facilitate the transfer of rural surplus labor to other sectors” (ibid., emphasis added).

Currently there is both a sense of crisis and a broad agreement that a “new socialist countryside” must be produced in China “if China is to avoid the slumlike conditions experienced in other major developing countries”; yet “there are different and even diametrically opposed understandings of [this] strategy” (He 2007: 26, 29). On the one hand, there is a strong pro-market reform camp with general support of the top CCP officials who promote urbanization and market-efficient reforms to “resolve” the agrarian question (e.g. Huang, Otsuka, and Rozelle 2008; Mao 2010; State Council 2012; Lin 2012). A milder expression of this position is articulated by Li Changping (2003), who points to rural indebtedness, higher costs of living (particularly healthcare and education), and delayed democratization of the political system as the main factors perpetuating and exacerbating the “three divisions” (between industry and agriculture, town and country, and mental and physical labor) that must be overcome for a complete liberation of the peasants. His proposed solutions are to commodify land so peasant can pay off debts and facilitate inter-sectorial labor flows, transfer village and township debts into shares of TVEs, and accelerate the political construction of democracy at village and township levels (Li 2003). On the other hand, there is a “New Rural Reconstruction” movement (Wen 2001; He 2007) and a neo-Maoist revival (Ye 2015; Yan and Chen 2015; Q. Zhang 2015), tolerated by the CCP, that promote non-market mechanisms for social and cultural services, as well as democratically controlled cooperatives to benefit peasants and protect them from the harms

of the advance of agrarian capitalism in conditions of relative land scarcity. As Yan Hairong phrased it best, the contemporary agrarian question in China is: “Shall capital or cadres organize the Chinese countryside?” (Yan 2016). It is drawing from and contributing to these latter expressions of agrarian questions in China that I situate my argument and research.

In all their iterations, agrarian questions in Brazil, China, and beyond must be understood in co-production with global processes of capitalist advancement and transformation through class struggle. Thus, while depoliticized reductions of agrarian questions to mere issues of technological and institutional development converge in promoting (capitalist) Brazil-China agroindustrial partnerships, new socialist renditions of agrarian questions across China and Brazil also converge in a critique of this process of capitalist global restructuring. In the remainder of this section, therefore, I outline empirically the political economy of the process that is to be explained, and the sorts of Chinese agribusiness investments that I will be addressing in the dissertation. First, witness the astounding boom in Brazilian agricultural exports to China since 2000 (Figure 1). The overwhelming majority of this trade consists of soybeans, so even though Brazil-China agroindustrial relations are not limited to this particular commodity, it certainly requires special attention. Sitting at the nexus between food, animal feed, fuel, and myriad industrial products, soy has become the paramount “flex crop” (Oliveira and Schneider 2016; Oliveira and Hecht 2016), and its primary driving demand has been the growing consumption of meat and concentration of pork and other livestock production in China (ibid.; Schneider 2011, 2014; Peine 2013).

Figure 1. Chinese agricultural exports and imports from Brazil (million USD)

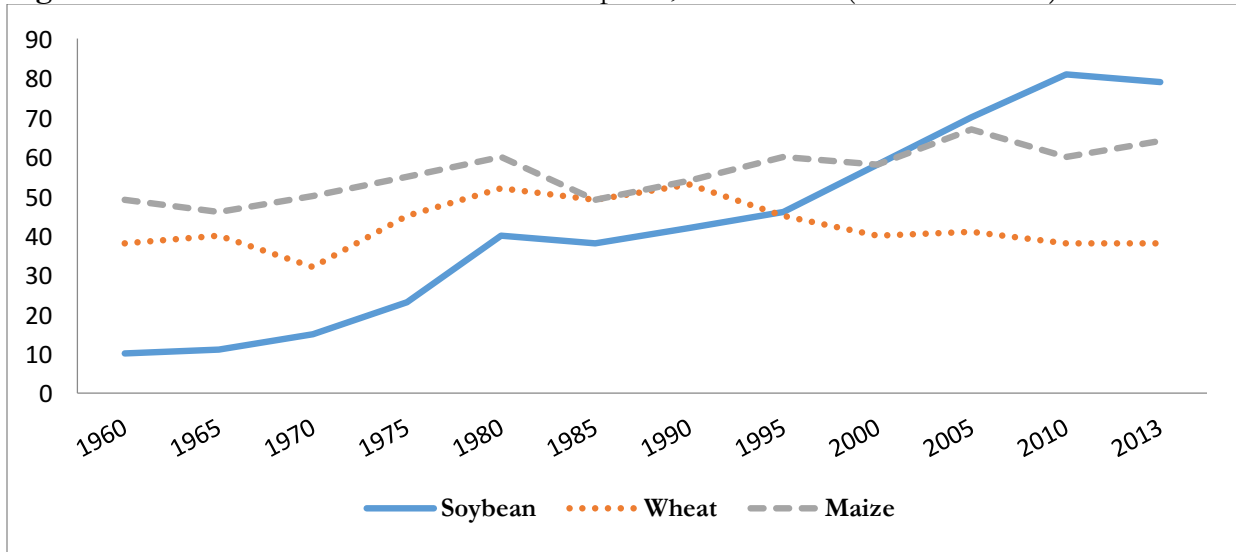


Source: Elaborated by the author from UN-Comtrade

In terms of production volume, land use, and international trade, soy is among the most important crops in the world today. State- and agribusiness-led processes of agro-industrialization have profoundly expanded soy’s frontier, such that over the past 60 years or so, global soybean production has increased by almost 1,000 percent, while the land area under soy cultivation has more than quadrupled [Figures 2 and 3]. The United States became the world’s leading producer, processor, and exporter of soybeans in the mid-20th century, and US-based companies still control most of its production technology and trade. Since the

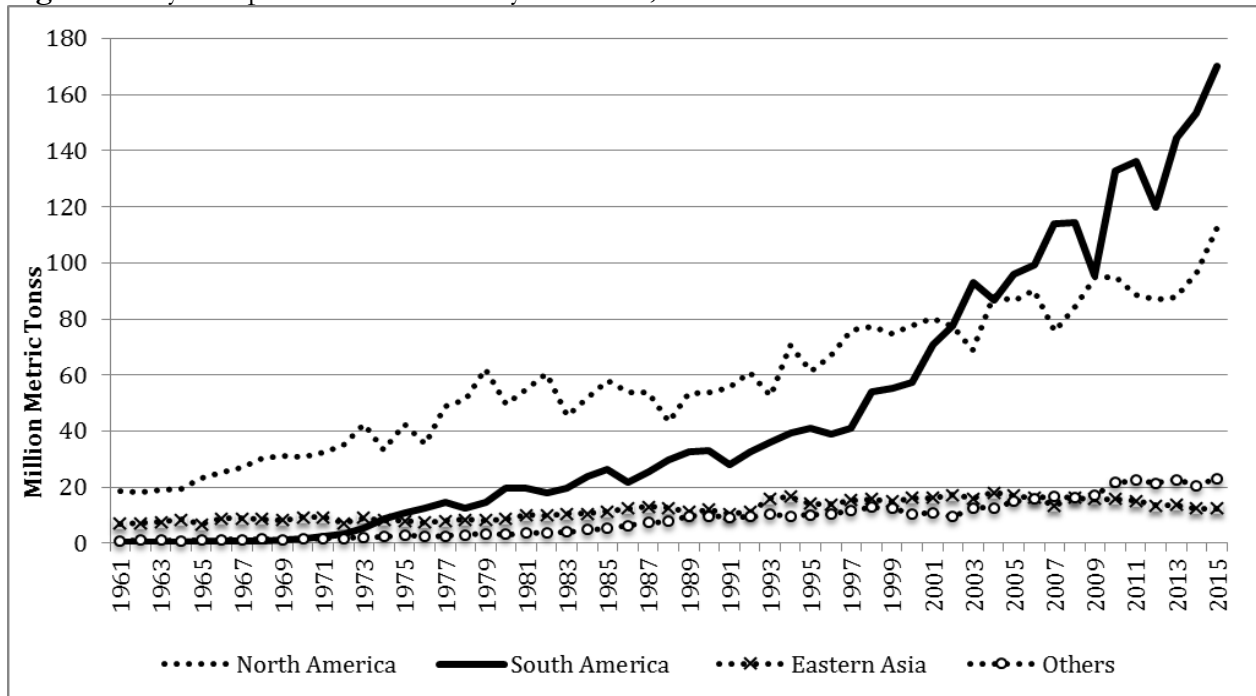
1990s, however, there has been a dramatic shift in soy's political geography. South America's Southern Cone, where soy is the "the monoculture 'starlet' of the agro-export model", accounts for 57 percent of world soybean exports [Figures 4 and 5]. At the same time, East Asia is the leading consumer of soybeans from international markets, surpassing Europe since the year 2000, and currently accounting for more than 65 percent of total imports [Figure 6]. (Oliveira and Schneider 2016: 167-8; cf. Rulli 2007: 16)

Figure 2. Area harvested in the Western Hemisphere, 1960 – 2012 (million hectares)



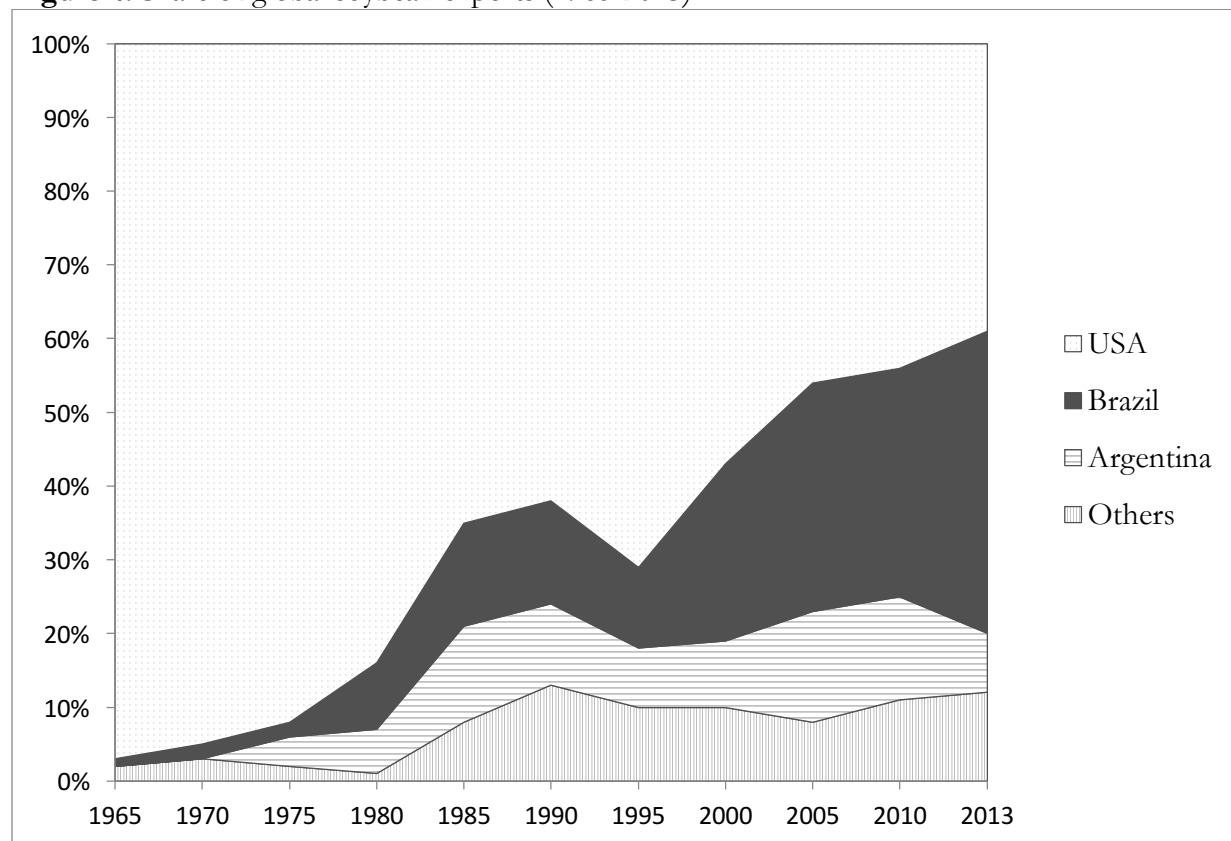
Source: USDA data adapted from Brown (2012)

Figure 3. Soybean production volume by continent, 1961 – 2015



Source: Elaborated by the author from USDA for Oliveira and Hecht (2106)

Figure 4. Share of global soybean exports (1965-2013)



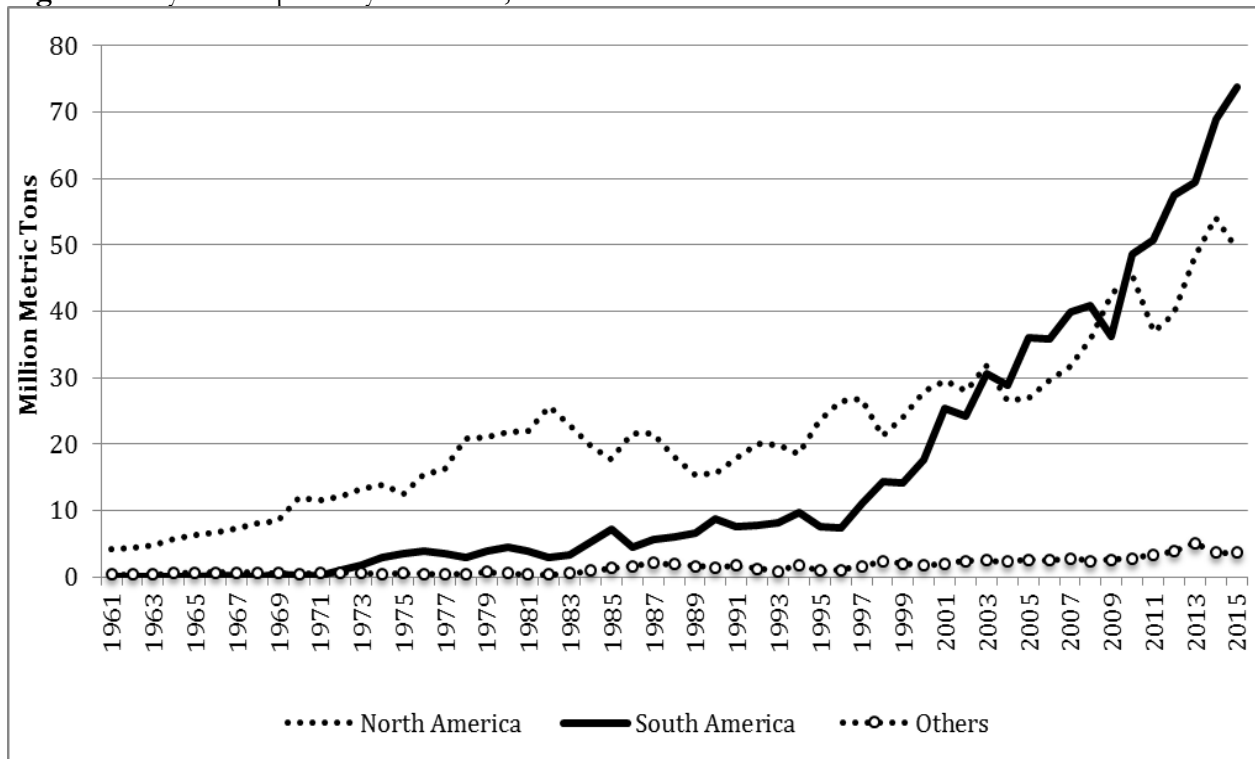
Source: Elaborated by the author from USDA for Oliveira (2016)

Table 1. Deconcentration of soybean production and crushing industry

	Share of Global Soy Production		Share of Global Soy Crush	
	1991	2014	1991	2014
USA	50%	31%	37%	19%
Brazil	18%	31%	15%	16%
Argentina	10%	19%	8%	16%
EU	0.6%	0.4%	14%	5%
China	9%	4%	4%	29%
Others	12.4%	14.6%	22%	15%

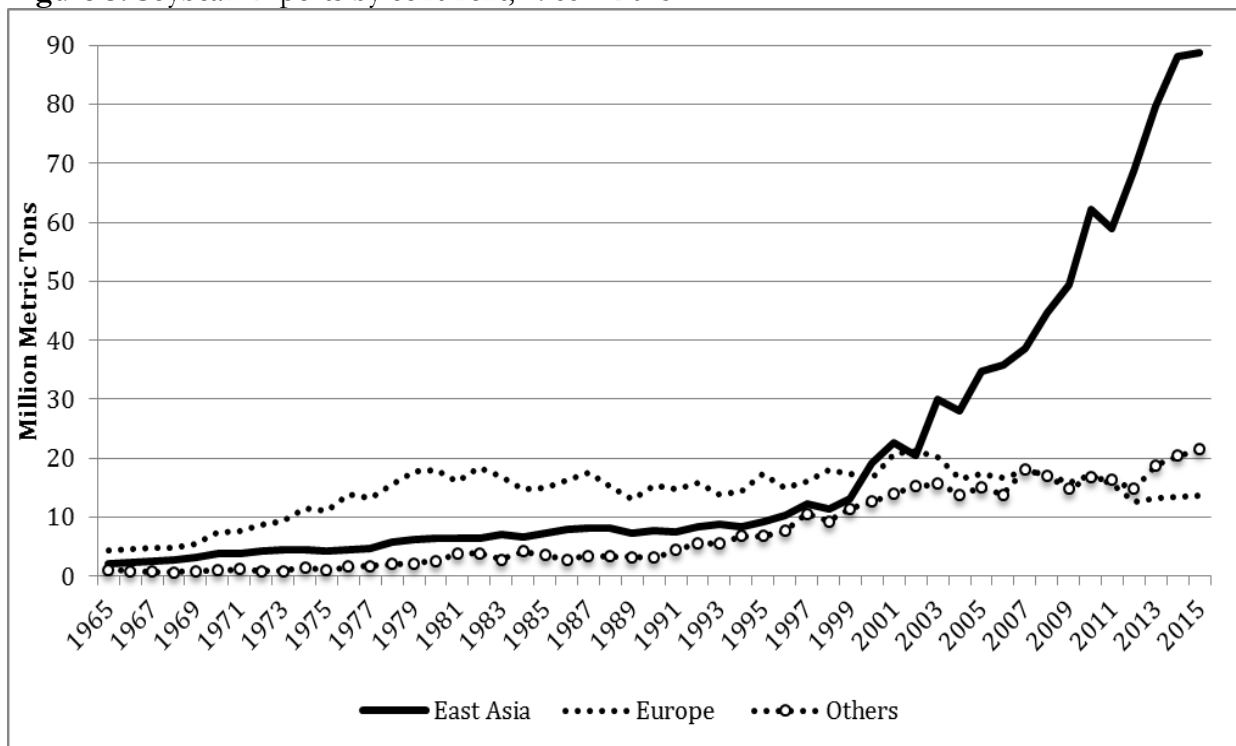
Source: Adapted from Goldsmith et al. (2004) and USDA (2014) for Oliveira and Schneider (2016)

Figure 5. Soybean exports by continent, 1961 – 2015



Source: Elaborated by the author from USDA for Oliveira and Hecht (2106)

Figure 5. Soybean imports by continent, 1965 – 2015



Source: Elaborated by the author from USDA for Oliveira and Hecht (2106)

This dramatic deconcentration of soybean production from the US towards Brazil and the rest of the southern cone of South America has taken place simultaneously with the deconcentration of soybean processing (i.e. crushing and refining for livestock feed and vegetable oil) from the US and Europe to China (Table 1) (Oliveira and Schneider 2016). While this process unfolded through the vertical integration and transnational expansion of agribusiness trading and processing companies from the Global North (particularly the ABCDs), as will be described in greater detail in chapter 3, it also laid the foundation for the rising power of agricultural production companies in South America and agroindustrial traders and processors from China and the rest of east Asia, among which COFCO is featured prominently (Wilkinson 2009; Murphy, Burch, and Clapp 2012; Oliveira and Hecht 2016). Nevertheless, there are also other important state-owned companies from China (such as Chinatex, Beidahuang, and the Chongqing Grain Group) that grew formidably in the past two decades through soybean trading and processing, and even private companies in China like Sanhe Hopeful also received significant government subsidies and other support to regain market share from the ABCDs since the mid-2000s. In Brazil as well, moreover, the soy sector has received significant state backing, not least of which through the government promotion and production of soy-based biodiesel (Table 2) (ibid.).

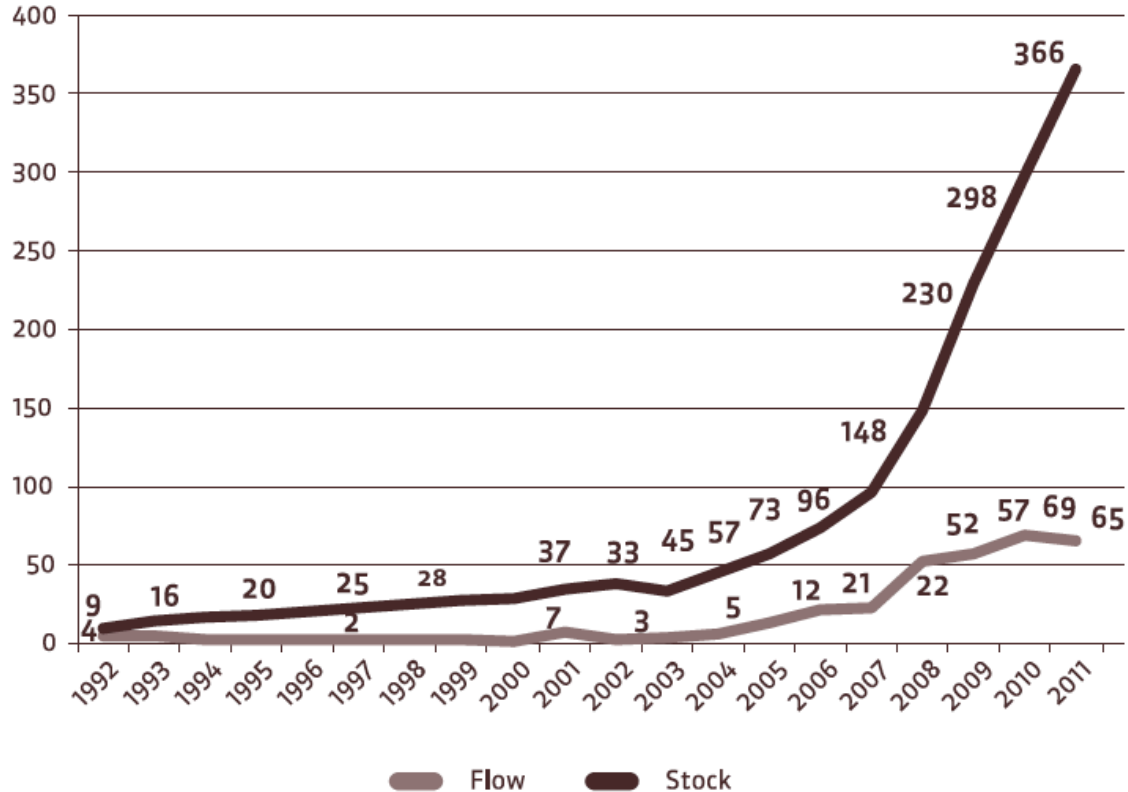
Table 2. Soy Industry Highlights: China and Brazil (2013)

China	
China's soy imports as a share of total global soy trade	66%
Share of soy used in China from imported beans	85%
Share of soybeans in China crushed for meal and oil	85%
Share of soy crushing industry in China that is foreign owned	60%
Soy crushing in China as a share of total global soy crush	28%
Share of crush capacity that is domestically owned	72%
Excess crush capacity in China's soy industry (capacity: utilization)	50%
Annual crush capacity added by domestic companies from 2009-2010	15 mmt
Annual crush capacity added by multinationals from 2009-2010	7 mmt
Number of state-owned enterprises in the list of top 10 crushers	6
Brazil	
Brazil's soybean exports as a share of total global trade	41%
Brazil's soybean exports as a share of total domestic production	51%
Soy crushing in Brazil as a share of total global soy crush	15%
Soy meal exported from Brazil as share of total domestic production	52%
Soy oil exported from Brazil as share of total domestic production	23%
Share of soybean production in Brazil used for biodiesel	10%
Excess crush capacity in Brazil's biodiesel refineries	50%
Annual crush capacity added by all companies from 2003 to 2008	15 mmt
Annual crush capacity added by all companies from 2008 to 2013	8 mmt
Crush capacity of Brazil's state-owned biodiesel company as share of total domestic biodiesel production	28%

Source: Elaborated by the author and Mindi Schneider from FAOSTAT, USDA, Rabobank, ABIOVE, Aprosoja, and Petrobras Biocombustiveis for Oliveira and Schneider (2016)

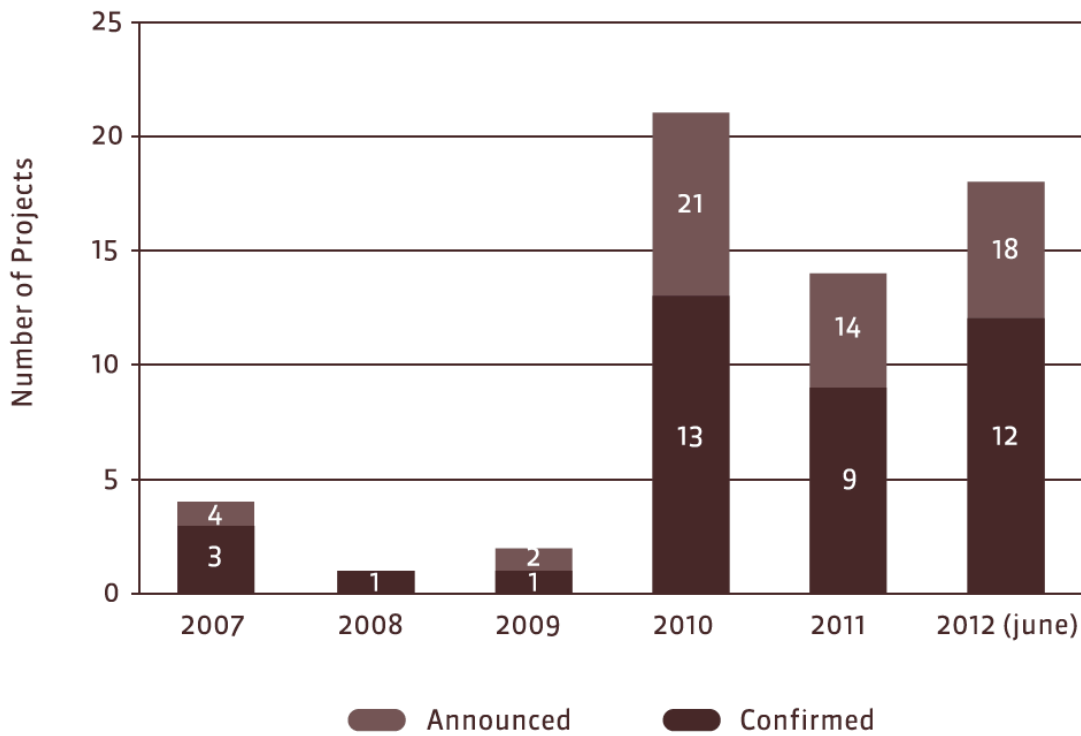
The prominent role of the Chinese and Brazilian states in cultivating soybean agribusinesses domestically also emerges from a complex and sometimes tense relationship between farmers and agribusinesses from these countries and transnational corporations from the Global North. These include not only the ABCDs in trading and processing, but also similar oligopolies in other links of soybean and other agroindustrial production chains. Most notably, these encompass seed, agrochemical, and biotechnology companies like Monsanto and Bayer (the former currently being acquired by the latter), Dow and DuPont (which are currently merging), and Syngenta, which has been acquired by the state-owned giant ChemChina in a deal that will be discussed at greater length in chapter 7. It is not surprising, therefore, that when the Chinese government launched a formal policy to encourage its companies to “go out” (zou chuqu, 走出去) since the late 1990s and early 2000s with foreign investments, there have been widespread expectations that Chinese agroindustrial investments would target particularly soybean agribusinesses in Brazil, where the power of the oligopolies from the Global North wasn’t as deeply entrenched as in the US itself, and also where agribusiness professionals actively boost the possibilities for the largest expansion and intensification of production (e.g. Grain 2008; Cotula et al. 2009; Kugelman and Levenstein 2013; McMichael 2013; Oliveira 2015, forthcoming). Although agribusiness was included in the Chinese government’s “going out” policy since its origin, it did not actually feature prominently until after the 2007-2008 food price crisis (Braugitam 2015; Guo and Myers 2017). Chinese investments abroad across all sectors grew significantly since 2000 (Figure 6), but it was only in 2010 when they skyrocketed and “arrived” in Brazil and the rest of Latin America (Figure 7; cf. Armony and Strauss 2012), as prominently illustrated by the disbursements of the China Development Bank and China Export-Import Bank (Figure 8).

Figure 6. China’s total outward FDI flows and stocks, 1992 – 2011 (billion USD)



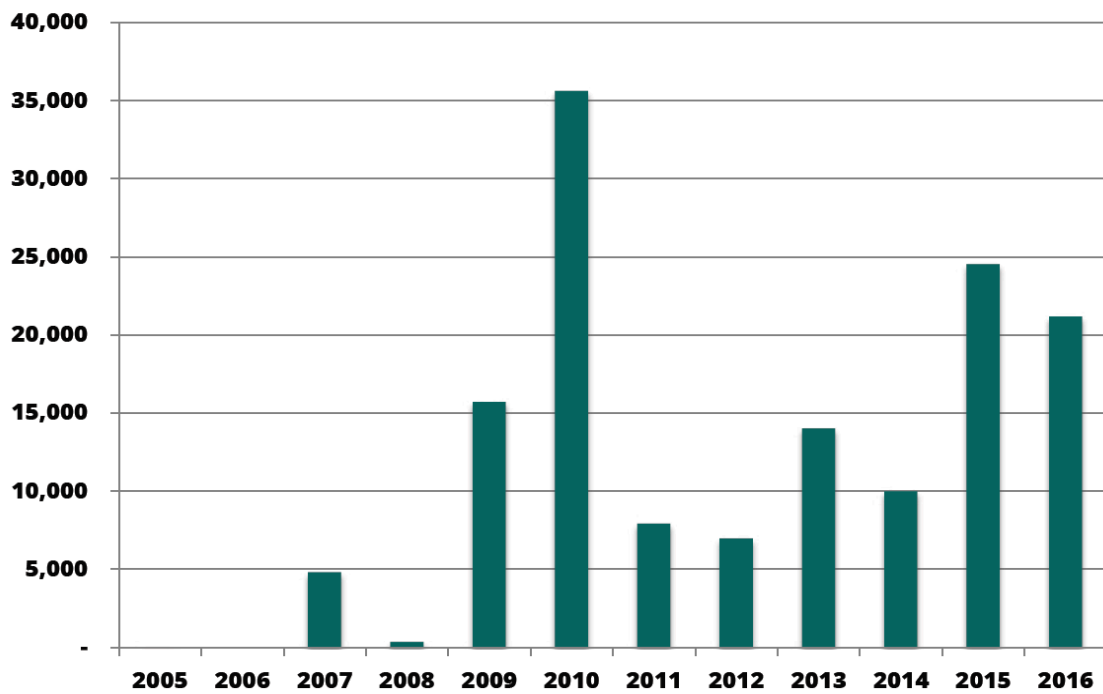
Source: CEBC (2013: 23)

Figure 7. Chinese direct investment projects in Brazil, 2007 to June 2012



Source: CEBC (2013: 10)

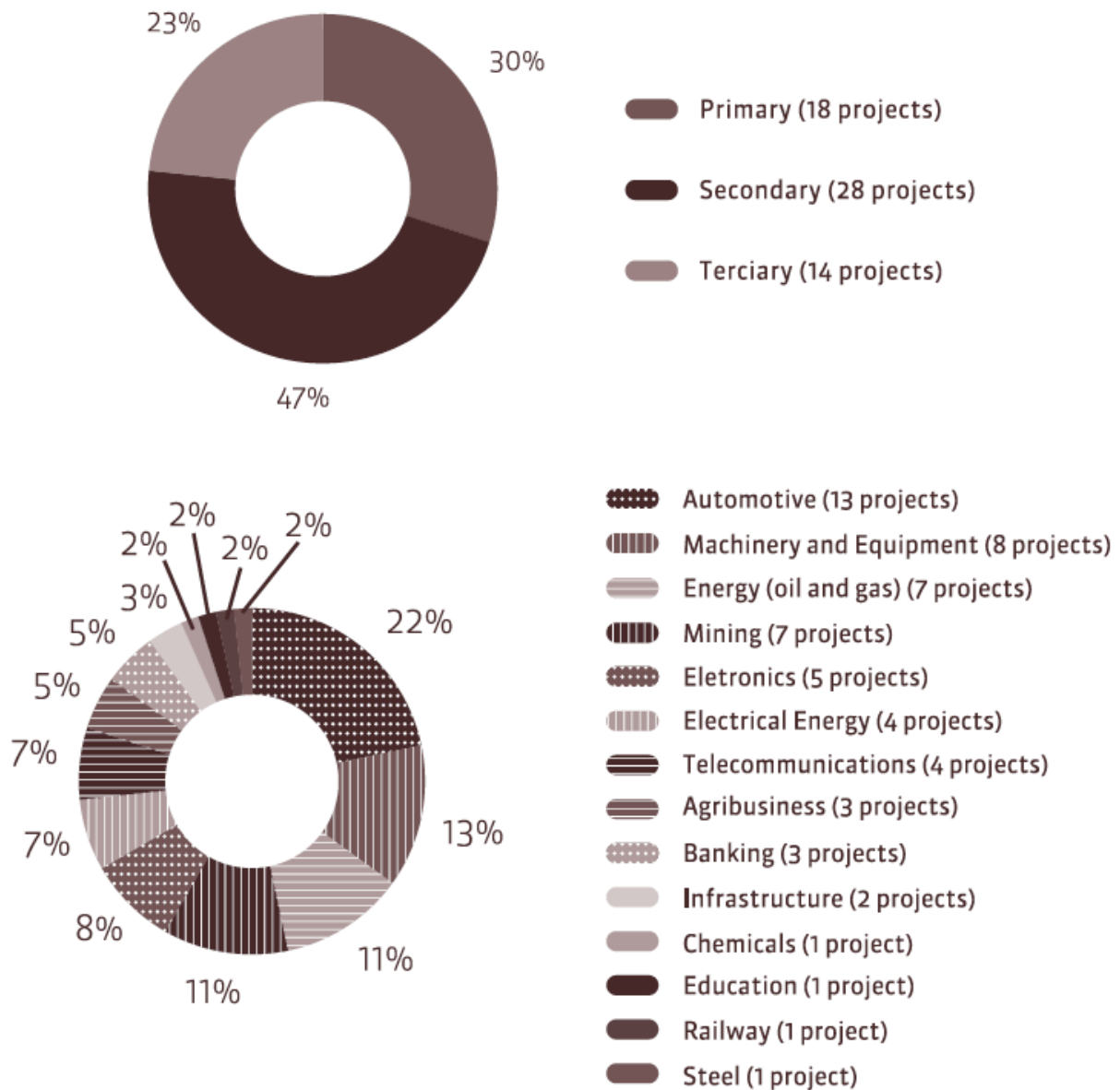
Figure 8. Chinese policy-bank finance to Latin America by year, 2005 – 2016 (million USD)



Source: Gallagher and Myers 2016

By 2010, China became one of the top sources of overseas foreign direct investments (OFDIs). Serving as *entrepot* for capital moving into and out of mainland China, Hong Kong was the third largest source, behind only the US and Germany, and even more remarkably mainland China itself surpassed Japan to become the world's fifth largest source (CEBC 2013). As I demonstrate in chapter 4, this moment echoed a hysteria over the “role of China” in the unfolding “global land grab.” This discourse that Chinese OFDI are fundamentally state-driven and predominantly natural resource-seeking did find some basis in the data that was being produced by journalists, economists, and think tanks at the time – and focusing on Chinese state-owned banks and corporations certainly underscored this sentiment (Gallagher and Myers 2016). Some of the most detailed data on Chinese investments in Brazil in particular also seemed to illustrate this fact (Figure 9).

Figure 9. Chinese investment projects in Brazil by sector, 2007 – June 2012 (number of projects)



Source: CEBC (2013: 14)

However, one of my central arguments in this dissertation is that this hysteria was actually unfounded. The largest share of Chinese agribusiness investments reported by the CEBC in 2013, for example, pertained to a \$7.5 billion USD would-be investment that was an exaggeration from the get-go and never got off the ground (as I demonstrate in chapter 4). Nevertheless, this deal continued being reported in journalistic, think tank, and academic circles; an incident of what some call “zombie deals” (Brautigam 2015; Guo and Myers 2017). To understand the hysteria around Chinese agribusiness investments in general, and the phenomenon of “zombie deals” in particular, I argue we must examine the historical construction of Orientalist discourses of “yellow peril” since the 19th and 20th centuries (my central task in chapters 2, 3 and 4). I foreshadow that I found little indication of large-scale Chinese agribusiness investments, but very strong evidence that investors from the Global North continue to dominate that terrain. Central Bank of Brazil data does identify an increase of Chinese investments (from 45th place in 2000 to 15th place in 2010), but only a very small participation in agribusiness. In fact, during the years when Chinese agribusinesses were thought to be “invading” Brazil, it is evident that capital from the Global North dwarfed Chinese investments (Table 3).

Table 3. Top twenty-five foreign investors in Brazilian agriculture: 2010 to 2013 (million USD)

Origin	2010	2011	2012	2013	Total
US	1056	1058	2183	3275	7572
UK	154	1091	1510	207	2962
Luxemburg	790	1044	389	511	2734
Switzerland	373	358	586	1377	2694
Chile	537	709	633	561	2440
France	472	553	664	664	2353
Netherlands	319	280	304	576	1479
Br. Virgin Islands	277	224	201	193	895
Panama	187	160	168	164	679
Portugal	156	133	134	130	553
Japan	70	189	157	136	552
Italy	145	125	126	123	519
Denmark	139	119	120	117	495
Argentina	137	109	121	131	498
Canada	176	119	43	74	412
Germany	93	92	92	90	367
Jersey	0	0	0	171	171
Uruguay	45	38	39	38	160
Australia	21	19	38	40	118
Bermuda	8	7	7	49	71
India	0	19	19	18	56
South Korea	7	6	6	6	25
China	6	5	5	5	21
Cayman Islands	6	5	5	5	21
Spain	4	3	3	3	13

Source: Elaborated by the author from Central Bank of Brazil, Foreign Capital Census

Since the reports from the Central Bank of Brazil do not account of the ultimate source of large flows through tax havens and combine investments in the production of all agricultural commodities, but on the other hand exclude investments in agroindustrial processing and logistics infrastructure, I analyzed more fine-grained data specifically in the soybean sector and across its entire production chain drawing on the National Network of Information about Investments (RENAI) of the Brazilian Ministry of Development, Industry, and Foreign Trade (MDIC). I focused on the soybean sector because this was widely (and accurately) perceived to be the central focus of Chinese agribusiness interest in Brazil (e.g. Cotula et al. 2009; Oliveira 2015, forthcoming; Oliveira and Schneider 2016). This databank only captures publicly *announced* investments, so it served only as starting point for further multi-method research that identifies other deals and confirms announcements through fieldwork. Still, RENAI data also suggests that Chinese companies lag far behind investments from the US, EU and Japan in the Brazilian soybean complex (Table 4).

Table 4. RENAI data on foreign investment announcements in the Brazilian soybean complex: 2009 to mid-2015 (millions of USD, rounded to the nearest million)

Origin	Seed and Soy Production [§]	Soybean Processing [¶]	Silos and Warehouses [⌘]	Port and Railroad [⌘]	Total
Japan	7	-	3.932		3.939
France	30	9	667	2.000	2.706
Netherlands	-	36	-	2.463	2.499
Algeria	-	2.150			2.150
USA	959	389	30	96	1.474
China	300		27 (2.100 cited in 2011, retracted in 2012)		327
Hong Kong	-	200	-	-	200
UAE	-	-	-	171	171
Russia	-	-	117	-	117
Portugal	-	58	-	-	58
Argentina	26	-	-	-	26

Source: Elaborated by the author from RENAI 2009 to 2015

§ Includes acquisition of farmland, equipment, and other production costs cited by companies that have soybeans as one of their main products.

¶ Includes soybean crushing and biodiesel production facilities when soybean is cited as the main feedstock, and their directly associated silos and warehouses.

⌘ Includes total investment when soybeans are among the main commodities stored/traded through this infrastructure.

The 2.1 billion USD investment included by RENAI in 2011 and retracted in 2012 was the high-profile negotiation by the Chongqing Grain Group for the acquisition of 200,000 ha of farmland for soy production and construction of a soybean processing facility in Bahia state, a case that is discussed at greater length in chapters 4 and 5. This paradoxical prominence of the “Chinese land grab” discourse despite lack of evidence contrasts with the relatively limited account of the powerful entrance of COFCO and ChemChina through their acquisitions of transnational agribusiness companies from the Global North with substantial operations in Brazil. Rather than investigating these variations in Chinese agribusiness investments in terms of state-owned vs. private companies, as most of the literature tends to do (e.g. CEBC 2011, 2012, 2013, 2014; Myers and Wise 2017; cf. Hung 2016), I characterize companies according to their investment strategies and *modus operandi*. Thereby I distinguish between those I call “Dragon Heads” and “Paper Tigers.”

Paper Tigers are the companies like the Chongqing Grain Group that attempted large-scale direct agribusiness investments, particularly in farmland, but largely failed to establish themselves and operate profitably and successfully. This nomenclature is adapted from Mao Zedong's use of the term to refer to the United States (and its nuclear arsenal) as something that seems powerful and threatening, but is ultimately ineffectual and unable to withstand a direct confrontation (Mao 2007). Similarly, Paper Tigers are companies that were feared as powerful land grabbers, or were expected to launch large-scale agroindustrial enterprises, but failed to establish their projects and/or operate them profitably and successfully. On one hand, it was the pratfalls of the Paper Tigers that became embroiled in the "Chinese land grab" hysteria that I critique in chapter 4, particularly for the manner this discourse enables the leading land grabbers from the Global North and Brazil itself to evade negative public attention and accountability. On the other hand, this critique is not to ignore or condone the attempted, aborted, and unprofitable land grabs of Paper Tigers. Rather, I examine their misadventures in soybean and oil palm plantations in chapter 5 to elucidate how and why they failed to satisfy the necessary conditions for successful transnational agroindustrial investments. My argument is that they failed largely due to insufficient understanding of the Brazilian terrain; overreliance on government officials who prioritize their own personal goals above investor interests; relying primarily on Chinese managers inexperienced in Brazil, and under strict control from headquarters; and exposing themselves to social-environmental and labor conflicts.

Dragon Heads, on the other hand, are companies like COFCO and ChemChina that have largely succeeded through global-level mergers and acquisitions of transnational corporations operating primarily up- and downstream from farming itself. These companies are becoming leaders in their sectors, ranging from tobacco, seeds and agrochemicals, agroindustrial processing and trading infrastructure for sugar, soy, grains, and other important agroindustrial commodities. The etymology of term "Dragon Head Enterprise" (longtou qiye, 龙头企业) is quite illustrative.

[It] comes from the dragon dance, a widely recognized ceremonial dance in China, which dates to the Han Dynasty, and continues to be a fundamental performance at festivals and holiday celebrations. In the dance, one performer wears a fierce dragon head, and leads others who are bent over each other to make up the dragon's body in a long line of coordinated movement. Inspired by this imagery and meaning, central authorities empower dragon head enterprises to don the 'head' of the dragon in order to guide masses of farmers towards industrialization, and to lead the nation on the path of modernization. Dragon Heads are "the major agents for constructing a modern agricultural system, and are the key to advancing agricultural industrialization". (Schneider 2017: 7; cf. State Council 2012)

As Mindi Schneider (2017) elucidates, the Chinese government policy to establish and support Dragon Head (i.e. leading) enterprises explicitly bridges the consolidation of operations domestically with efforts to gain ground in international markets through commercial relations and foreign investment. My usage of the term conforms with this overarching framework, yet it does not overlap exactly with the Chinese government's formal designation of "Dragon Head Enterprises." The Heilongjiang province agribusiness giant Beidahuang, and the Chongqing Grain Group conglomerate from the provincial-level city of the same name, for example, re formally designated as "Dragon Head Enterprises" by the Chinese government (Oliveira and Schneider 2016; Schneider 2017). Yet in my dissertation, however, I adapt the usage of the term to the company's foreign investment strategy and *modus operandi*, and call both Beidahuang and the Chongqing Grain Group Paper Tigers rather than Dragon Heads. The latter term in this dissertation is used more specifically in this contrast with Paper Tigers, identifying their transnational investment operations as characterized by cultivating careful

understanding of the Brazilian and global agribusiness, legal, financial, and commercial terrain – with their higher echelons staffed by executives trained in the best business schools of Europe and the United States. Their deals largely bypass government officials in Brazil (and elsewhere); they rely primarily on transnational and Brazilian managers, who are given full operational autonomy from headquarters, and these locally-rooted managers in turn are more capable of defusing socio-environmental and labor conflicts.

Consequently, my distinction between Dragon Heads and Paper Tigers does more than simply cut across public/private, central/provincial, and coastal/inland dichotomies to address the more concrete terms and mechanisms through which different Chinese agribusiness companies actually operate in Brazil. The central narrative in Part II of this dissertation, where I examine in-depth the most prominent Chinese investments in Brazil across all sectors of agribusiness, traces the specific financial and administrative capacities and strategies that most clearly account for the “success” or “failure” of Chinese agribusiness investments in Brazil and beyond. Linking back with the narrative in Part I about the co-production of Brazil-China agroindustrial relations and sedimented layers of Orientalist xenophobia that ultimately produced the hysteria over Chinese land grabbing, the argument that I advance in the chapters that compose Part II of the dissertation is that at the heart of the distinction between Dragon Heads and Paper Tigers lies in the *intersection* of structural capacities (such as financial resources and political connections) with the operational abilities and expertise of transnational agribusiness professionals, whether emerging from China and Brazil or incorporated from the Global North itself. So I turn now to a brief account of my conceptualization of transnational agribusiness professionals and their work assembling Chinese capital with Brazilian agribusiness to explain the theory and methods I employ to investigate the following questions: How and under what conditions have these investments and partnerships come into being? What forms of power and interest have been shaping and contesting their projects, including indigenous, peasant, environmentalist, and worker resistance? How have agribusiness strategies shifted in response to such resistance and contestation? And how can this emerging Brazil-China agroindustrial assemblage be transformed for greater food sovereignty, social justice, and the environmental wellbeing of all?

3. Transnational agribusiness professionals and global assemblages

Identifying transnational agribusiness professionals alongside the more standard political economic attention to corporate structure and capacities (such as financial resources, ownership structure, and political connections) brings my discussion back to Gramsci’s engagement with the “southern question” as fundamentally rooted in “the question of intellectuals and the function which they fulfill in the class struggle” (Gramsci 2000: 184). Contemporary agribusiness has become increasingly characterized by its transformation from a socio-spatial arrangement of distinct farmers, traders, and policy makers, into a cluster of agribusiness managers (usually university trained agronomists, economists, lawyers, and MBAs) who move through the same transnational spaces and employ the same discourses as multinational trade and investment brokers, consultants and financiers (Gudynas 2008; Hopewell 2013). The manner in which these individuals embody logics of capital accumulation and state formation in their daily practices is captured especially well in analyses of the construction and contestation of “techno-politics” by locally embedded but transnationally connected corporate and government professionals (Mitchell 2002; Dezalay and Garth 2002; Roy 2012; Prince 2014). This has an important parallel with studies of Chinese transnational investors (Hsing 1998; Hart 2002; Lee 2009), including accounts of Chinese diaspora producing new trajectories of capitalist globalization (Weidenbaum and Hughes 1996; Suryadinata 1997; Liu 1997; Ong and Nonini 1997; Ong 1999). While contesting the hegemony of Global North actors in agroindustrial markets, these

agribusiness professionals in China and Brazil also transform their domestic social relations, as the ability to shape social structures shifts from groups with interests in national accumulation to those whose interest lie in new global circuits of accumulation (Flynn 2007; Robinson 2008). Their characterization as boosters, brokers, bureaucrats, and businessmen do not identify distinct sets of individuals, but rather different roles undertaken at different moments by this group of increasingly transnational agribusiness professionals.

I identify and distinguish these individuals not as a class in the strict, Marxist sense (i.e. according to their position in structural relations of production and power), but by their collective work of assembling Chinese capital with Brazilian agribusiness (highlighting that this is not merely a technical process, but an aspect of class struggle), and their relationship to the resulting Brazil-China agroindustrial assemblage (cf. Hollander 2010). This approach brings focus to *processes* of class struggle and formation. Thereby it addresses more than just the emergence of a transnational capitalist class. It examines this process in relation to the discursive, material and geographical basis upon which these actors—whether capitalists, corporate managers, government bureaucrats, bilateral trade and investment boosters and brokers, and even independent consultants and professional service providers—actually cultivate affluence and influence in their relations with one another. This follows from Gramsci’s own examination of “intellectuals” that hail from various classes like the rural petty bourgeoisie, liberal professionals, clergy, politicians and government officials, and finally the landed elite itself (Gramsci 2000). What both distinguishes and unites them is their political labor of constructing the hegemony of capitalist elites across society. More functionalist and dynamic conceptual categories like Gramsci’s “rural intellectuals” and my “agribusiness professionals” are especially useful for investigations of Chinese (and to a lesser extent Brazilian) capitalism. After all, the business elite and the middling technocrats associated with them that emerge from such places strongly colored by state-owned companies and government-directed agroindustrial developments hardly ever fit easily into dichotomous categories of “entrepreneur *or* bureaucrat”. As You-tien Hsing argued, these characters exist and operate instead along a *spectrum* ranging from “entrepreneurial bureaucrats” managing the leading SOEs closest to the core of the state, to “bureaucratic entrepreneurs” not necessarily affiliated with the state but still dependent on political connections to access finance, resources, and strategic spaces and partnerships for their private or quasi-private enterprises (Hsing 2012; cf. Liu 1997, 2002). Thus, insofar as my dissertation speaks to the broader literature and debates about transnational (capitalist) class formation (Sklair 2001; Robinson 2008; Carroll 2010), the contribution I make is rooted in this reformulation of the reference point for research from networks of executives across corporate boards or technocrats serving in multilateral institutions to the *material and discursive assemblages* that a more diverse group of agribusiness professionals produce for and through their transnational (agroindustrial) investments.

There is a fast growing body of work on assemblages as a conceptual/methodological instrument for research, especially regarding globalization. Departing from studies that theorize “global assemblages” as the way “global forms are articulated in specific situations” (Collier and Ong 2005: 4), however, my approach focuses upon the *practice of assembling* – “the on-going labour of bringing disparate elements together and forging connections between them” (Li 2007: 263) – as the theory-method most suitable for investigating what it takes for transnational partnerships and agroindustrial investments to take place, and with what consequences for our empirical and theoretical understanding of this process. Thus, my work is most directly in conversation with human geographers who are developing the conceptual apparatus of assemblages as the material, institutional, and discursive contours of phenomena that are not reducible to production chains or social networks (Hollander 2010; Anderson et al. 2012; Watts 2012; Prince 2014). Thus, what I call “the Brazil-China agroindustrial assemblage” is not only a transnational production network with particular properties, actors, networks, governance structures, institutions, and organizations, but even more importantly it

is a regime of accumulation and mode of regulation for agroindustrial production and trade between these countries (cf. Hollander 2010; Watts 2012). In other words, my examination focuses on how a relatively small group of individuals from China, Brazil, and beyond seek partnerships for the construction of state and corporate instruments that channel capital from China into specific farms, factories, offices, warehouses, ports, and other agroindustrial infrastructures in Brazil. And in doing so these individuals cultivate forms of wealth and power to propel themselves in class, career, and transnational ascendance.

4. Critical global ethnography and political economy

I have undertaken the most extensive and in-depth research to date on Chinese investments in Brazilian agribusiness. My research project developed in response to calls to “study up” (Nader 1974) and de-center the nation-state from social scientific inquiry in general, and research of international relations in particular (Agnew 1996). Consequently, I draw upon practices of critical global ethnography (Burawoy et al. 2000; Tsing 2005; Hart 2006; Roy 2012) in combination with the political economy of ecological and agrarian change (Watts and Goodman 1997; Bernstein 2010). My methods may be considered ethnographic in a *critical* sense, whereby on-site fieldwork may identify the ways in which these transnational partnerships are “actively produced through situated, embodied material practices, and their associated discourses and power relations” (Hart 2006: 995), thereby extending qualitative research across scales to demonstrate the material territoriality of transnational or even global processes. However, unlike multi-sited ethnography that tends to compare countries (e.g. Burawoy et al. 2000), my research discloses the *interrelations* between Brazilian and Chinese agribusinesses professionals and civil society. Thus, my research reveals how these partnerships bring “diverse but connected historical geographies into tension with one another... to render taken-for-granted categories peculiar and open to question, as well as pointing to new connections, claims, and re-articulations” (Hart 2006: 996; cf. Tsing 2005; Roy 2012), investigating rather than presupposing new class formations, alliances, and struggles that emerge through and reshape the agroindustrial assemblage between Brazil and China. Such critical global ethnography shuns “local immersion” or narrow focus on a particular set of actors to focus on the assemblage itself and its constitutive relations and practices, centering on the particular agribusiness professionals (middling technocrats more often than elites) who broker these deals – even as in doing so they attempt to join the state and transnational elite (often their bosses) who are the main beneficiaries of their success – and the agents of the state and civil society who regulate and contest their transnational agroindustrial partnerships. These analytical categories and research methods combined enable a rigorous and nuanced study of ambiguous forms of national development and the contestation and reproduction of class and international hegemony (Gramsci 2000) to address “the ongoing salience of historically and geographically specific – but globally connected – agrarian questions” (Hart 2002: 38-9) in light of new trajectories of capitalist globalization.

My narrative is assembled from the triangulation of (1) hundreds of extended interviews and informal conversations with key protagonists and numerous other actors who may not appear in this account, (2) various government, company, and multilateral agency reports and documents, (3) field site inspections and participant observation of some environmental licensing processes and (in one occasion discussed in the last chapter) the negotiations for a particular Brazil-China agroindustrial partnership, (4) extensive research of media sources and local archives, and (5) the relevant secondary literature. What I term *triangulation* is the process of drawing on two or more different sources on any given fact or topic to not only verify statements from a particular interview, media report, or document, but also examine the distinct aspects of an event and often the conflicting, partial, and

biased accounts across various sources. This means that I was not always necessarily seeking “the truth” from any particular interview, report, or document, but rather the *situated expression* of someone’s or some institution’s view and/or portrayal of the relevant subject matter. Frequently, my investigation of a particular company would begin with a thorough examination of journalistic and other media accounts. These would often identify certain key individuals who might be willing to receive me for an interview, and who could in turn identify (and sometimes even introduce me to) additional individuals who participated in or had direct knowledge of the relevant negotiation, investment project, etc. As my knowledge of a particular case expanded, I also identified public documents that could be used to corroborate, elaborate, or challenge particular accounts or aspects of the negotiation/investment project at hand. On some occasions, agribusiness executives would grant me access to certain company archives and/or other documents. Most often, however, I was able to obtain company documents that were filed with Brazilian government agencies, which could in turn be solicited through interviews with the relevant regulators or through more formal institutional requests (this was the case especially regarding court documents pertaining to environmental licensing processes, lawsuits, etc.). Finally, I attempted to personally inspect all relevant field sites, engaging for interviews or informal conversations a wide diversity of local actors ranging across government officials, academics, NGOs, social movements, etc. Whenever possible, I would return for follow-up interview key agribusiness professionals after field site visits and/or obtaining access to crucial documents, working back-and-forth through multiple data and sources to gradually flesh out narratives even as they continued to unfold during all my years of research.

Prior to commencing this specific research project, I already had strong contacts with rural social movements in Brazil (particularly the MST and La Via Campesina coordinators in South America), and through them I cultivated a very close personal and working relationship with a Taiwanese social movement organizer. She accompanied me and provided research assistance and translation during my first fieldwork trip to China during the summer of 2011. I enrolled in an intensive Mandarin language course in Taiwan, then I went to mainland China where interviewed primarily Brazilian government officials at the Brazilian Embassy in Beijing, Chinese academics working on related research topics, government officials, and some agribusiness professionals in Beijing, Shandong province, and Heilongjiang province. At that time, my goal was simply to gauge the possibility of undertaking this research project, and my investigation turned more simply on the attempt to understand the political ecology of Brazil-China agroindustrial trade (especially in soybeans). Then in the summer of 2012, I returned to my native Brazil to launch preliminary investigation of the two main sets of Chinese agribusiness investments announced at the time in Bahia and Goiás states. I conducted interviews in Portuguese with all Brazilian subjects, and in English with some Chinese government officials and agribusiness professionals. When I returned to China during the summer of 2013, I hired a research assistant and translator. Since that time, my Chinese Mandarin language skills have only been adequate for short, simple conversations. Thankfully, many Chinese agribusiness professionals working specifically on transnational investments speak English (some more fluently than others), and on rarer occasions some even spoke Portuguese. In those cases, I conducted interviews in English and/or Portuguese, and relied on my research assistant and translator for interviews with government officials and agribusiness professionals who only spoke Mandarin. During the summer of 2013, I was already able to start triangulating interviews in China and Brazil, government documents and journalistic sources, and the preliminary field site inspections in Bahia and Goiás states. Finally, in January 2014, I moved to Brazil and stayed there almost continuously through August 2015 – the main exception was a period of almost two months during the spring of 2015 when I returned to China for additional interviews, accompanied by yet another research assistant and translator. I spent a total of 20 months undertaking fieldwork in Brazil and 7 months in China, going personally to 14 states in Brazil and 9 provinces (including provincial-level cities) in

China. During this period, I recorded hundreds of interviews, many of which were partially transcribed during the process of writing this dissertation. I also took extensive field notes during interviews that the subject did not grant permission to record, as well as during and after informal conversations and field site inspections.

My access to Brazilian and Chinese agribusiness professionals was obtained through multiple entry points, including introductions by academics with personal connections to research subjects, government officials who participated in or provided support for investment negotiations, and direct requests for interviews through email. The Brazilian Embassy in Beijing and the Chinese Embassy in Brasília were particularly helpful starting points in this regard, as well as the Ministries of Agriculture of both countries, the Brazilian Trade Promotion Agency (Apex), and various agribusiness associations such as the National Confederation of Agriculture (CNA) in Brazil and its state-level federations. Government officials and agribusiness professionals in Brazil hardly ever turned down my requests for interview, and Chinese research subjects (whether in China or Brazil) became increasingly more accessible and willing to grant me interviews once I was being introduced by their (Brazilian or Chinese) business partners and/or government officials – and once they realized that I was becoming an expert on this topic. My sense is that several individuals recognized that I might have useful information for them about the geographical, social, economic, and political landscape they were trying to navigate, including perhaps valuable information on business partners or competitors, and government regulations or possible subsidies. According to my Institutional Review Board protocol at UC Berkeley, all the information provided to me through interviews, documents, and other materials can be used exclusively for academic purposes of my doctoral research – and I explained to all my research subjects that this gave them and their companies/agencies guarantee that any and all information they provide would not be disclosed to competitors, journalists, or others. Many Chinese agribusiness professionals and government officials seemed apprehensive about the fact that I am enrolled at a US university, and usually sought them using the English language. Their concern, as one of them put very bluntly, was that my interests might lie “with the US” and its agribusiness companies, which were seen as the key competitors and formidable obstacles to their attempted investments in Brazil (or other forms of China-Brazil agroindustrial partnerships). I would always make it very clear from the moment that I first contacted them and during our interviews or conversations that I am a Brazilian citizen, and that my interests are academic rather than commercial or journalistic. “I am not associated with any company or government institution in the US, Brazil, or anywhere else, and my university and funding sources have absolutely no control over the content and format of my research and publications,” I would tell them as I provided the formal document elaborated in conformance with UC Berkeley’s Institutional Review Board (IRB) and Committee for Protection of Human Subjects, and proceeded with the formal statements of participant rights and risks to request their informed consent to participate in my research (see appendix).

My IRB protocol requires me to distinguish between agribusiness professionals and government officials, who were allowed to be personally identified in my dissertation if they granted me informed consent, and workers and members of the community, who might be vulnerable populations and therefore cannot be personally identified in my research. Whenever it was necessary for me to refer to any individual in the latter group, I use pseudonyms and attempt to conceal their personal identity in my descriptions. I also determined to use pseudonyms for several agribusiness professionals and lower-level, unelected government officials, even when they granted me informed consent to be personally identified in my research and my IRB protocol does not mandate such anonymity. I do personally identify higher-level and elected government officials, conforming with my IRB protocols, as it is in the public interest for such governmental functions to be transparent and accountable. Moreover, I have determined to use the real names of all companies investigated in this research, and usually when I am drawing primarily or exclusively on media sources that are already

in the public domain, I identify the individual even if we did not have personal contact for me to request their informed consent to participate in my research. Of course, whenever any individual requested that our interview or conversation be kept off the record as a whole or in part, I refrain from using any of that information in writing (although such material does inform my overall analysis and narrative), and whenever an interview or other information was provided on condition of anonymity, I have honored this request and indicated in footnotes when some information is derived from such anonymous sources.

My attitude to all my research subjects – whether agribusiness professionals, government officials, peasants, workers, NGO members, social movement organizers, etc. – was always that “I am here to learn, and not to give my own opinion or critique.” This enabled me to cultivate a good disposition and open mind to all my research subjects, even those who I may have been predisposed to dislike or disagree for personal or political reasons. I would usually introduce my research topic to agribusiness professionals and government officials from both China and Brazil roughly as follows:

Agricultural trade between Brazil and China mushroomed in the past fifteen years, and now we are starting to see a growing movement of Chinese investments in Brazilian agribusiness as well. While the driving forces and general contours of this commercial relations are already relatively well understood, there is still insufficient understanding about the investments and partnerships that are now starting to emerge. In my research, I am setting out to figure out, first, what is actually happening in terms of Chinese investments in Brazilian agribusiness? And second, what are the challenges and opportunities that we see taking place?

Sometimes, it was helpful to underscore the rhetoric of “South-South cooperation”, and the fact that the oligopoly of transnational companies from the Global North (e.g. the ABCDs) is sustained at the expense of Brazilian and Chinese agribusiness interests. Other times, it was helpful to flag the “land grab debate” taking place, as a way to launch a conversation about how that framework is (in)adequate in general or in the particular case at hand. Still other times, the point-of-entry for the interview was a simple and direct request for an account of “how and why did you take up this investment/partnership/project?” Agribusiness professionals and government officials, particularly Brazilians, were often very happy to tell me about their personal histories, opinions, negotiations, projects, and so on. Indeed, some relished the opportunity to brag about themselves and their agribusiness exploits, or “set the record straight” when they felt embattled in public opinion or before governmental regulations. Chinese research subjects were generally more circumspect in formal interview settings, and almost always attempted to bracket out topics that were considered to be “political” from what they perceived to be apolitical agribusiness themes. However, I did cultivate increasingly closer contacts with several research subjects over the years, sometimes through friendly and informal relations that transcended the immediate scope of my research. Sometimes, this resulted in fantastic interviews three or four years after I originally met someone, and/or extremely illuminating informal conversations that informed my research and analysis, even if not being featured as an interview or explicitly identified source in my text.

“Studying up” is always a challenge, as the state and corporate milieus are deeply structured around secrecy, proprietary information, and sheer uncertainty. In addition, researching Chinese government and business dealings, particularly as a non-Chinese person with limited Chinese language skills, created an additional layer to the challenge to obtain useful data. Obviously, then, there was a lot that I was unable to accomplish and much information that I could not obtain. On the other hand, the Brazilian government has adopted very strong transparency laws and regulations, and there is a general culture of relative openness among Brazilians (at least among compatriots who are perceived to be non-threatening, frankly interested in the persons and topic at hand, and clearly open to the

research subject's own account of themselves, their negotiations/investments/projects, etc.). This meant that I was able to discover substantial amount of information on Chinese companies and actors through formal institutional channels and interviews with Brazilian government officials and business partners. And frequently when I went to interview or returned for a follow up with a Chinese agribusiness professional or government official, demonstrating that I *already knew* a substantial amount of information about their company/investment/ partnership, they usually became far less worried and much more willing to deepen our interview or conversation. It was surely very helpful that I am affiliated with an internationally renowned and very prestigious academic institution, as most of my research subjects highly valued such formal education at elite institutions. Indeed, on more than a few occasions a research subject would ask me for information, suggestions, hints, or more concrete help to enable their children to gain acceptance to UC Berkeley or other elite academic institutions in the US. Moreover, whenever dealing with agribusiness professionals and government officials in both China and Brazil, I made sure to present myself as a *bona fide* member of the cosmopolitan and (relatively) elite circles to which they already belonged or aspired. This involved everything from my superficial appearance (dressing up in suits and other high-quality clothes and apparel, keeping a clean shaved face in Brazil and a well trimmed beard in China, speaking and carrying myself with the appropriate decorum, etc.) to the more nuanced signs that I could intellectually (and perhaps politically) understand and engage with my research subjects. And as a matter of fact, my upbringing in an upper-middle-class household in Brasília, bilingual education since first grade, and ability to navigate cross-cultural (and cross-class) mores usually gave my research subjects a positive impression as someone with whom they could relate, and who could understand them as transnationalizing agribusiness professionals and/or ascendant government officials. On the other hand, when dealing with peasants, workers, NGO and social movement organizers, and other non-elite community members in Brazil (I did not even attempt to engage similar subjects in China, given my own limited language skills and positionality), I also shifted my dress, speech, and behavior accordingly to also reflect back as much familiarity as possible.

Finally, the ethical challenges and concerns I faced during fieldwork also pertain to my own safety, as there were at least three occasions in which I received barely veiled threats to my own person if I were to disclose or expose specific sets of information. Thankfully, I have been able to construct a robust narrative without having to include any information that might jeopardize my own safety in relation to those threats, or the safety and well-being of others who could get “caught in the crossfire”.

5. Outline of subsequent chapters

I begin this investigation in chapter 2 with a genealogy of Brazil-China agroindustrial partnerships, and more specifically with the faltering efforts to bring Chinese “tea experts” and seedlings to establish plantations in Brazil during the first half of the 19th century, followed by the tentative projects to bring Chinese contract workers (i.e. “coolies”) to replace African slaves in the sugar and coffee plantations. I demonstrate that such agroindustrial partnerships have been at the very center of Brazil-China relations since that time, assembled by individuals who already began to display the characteristics of what transnational agribusiness professionals. I argue this process reflects a very peculiar set of racial imaginaries that capsized from a form of sinomania (about the possible tea project and the diligence and agroindustrial expertise of the Chinese) to sinophobia about the risk of “Mongolization” of the nascent Brazilian race through the influx of coolies of “inferior yellow race.” This narrative will demonstrate how and why a Chinese diaspora was *not* established in Brazil during the 1800s, as Brazilian imaginaries of the Chinese became increasingly xenophobic.

Then in chapter 3, I continue this historical narrative through the dialectical relation between the establishment of a substantial Japanese diaspora in Brazil during the 20th century, which was enabled by the eugenicist distinction between the Japanese as virile and ascendant “model minorities”, in contrast with the “inferior” Chinese, as the condition of coolie had become associated with the character of the Chinese. I demonstrate that this Japanese diaspora played a fundamental role in developing cotton and soy production and industry in Brazil, drawing on substantial government support and industrial connections with Japan. While Japanese-Brazilians consolidated their perception as “model minorities” during the so-called Cold War⁸, new forms of sinophobic imaginaries emerged of the Chinese as dangerous and politically motivated Communists who cannot be trusted even for commercial relations. My argument is that this racial dialectic unfolded in the Japanese playing a major role developing the cotton and soybean agribusiness sectors in Brazil, which in turn attracted Chinese merchants to Brazil, yet facing Cold War era sinophobia and lacking an established diaspora on which to rely, Chinese merchants and investors who arrived later in the 20th century were far more troubled (relative to Japanese investors, for example) in their attempts to cultivate even basic trust with Brazilian government officials and agribusiness professionals, curtailing thereby commercial relations and not only delaying, but even actively undermining incipient efforts for Chinese investments in Brazilian agribusiness.

In chapter 4, which brings Part I of the dissertation to its conclusion, I examine how these sedimented histories of Orientalist xenophobia played out in the most recent two decades, when the specific imaginary of Chinese land grabbers was developed. In particular, I argue that Chinese agribusiness investors were inaccurately perceived as the leading force in a veritable global land grab that took place in the aftermath of the food price and financial crisis of 2007-2008, as capital from the Global North and elites from Brazil itself evaded their own responsibility in this process by distracting public attention to the “Chinese invasion” supposedly under way. While Chinese investments in general certainly did expand significantly in Brazil since 2010, the terms in which these were perceived have neither been helpful for analysis of Chinese agribusiness investments in Brazil, nor useful for examination of the broader process of foreign investments in Brazilian farmland and agribusiness in general. Thus, in this chapter I examine how the specifically powerful but deceiving imaginary of “Chinese land grabbers” was produced in Brazil since the late 1990s, whose interests this discourse has served, and how it obfuscates analysis and regulations of the phenomenon at large.

Part II of the dissertation begins in chapter 5 with the examination of one specific and exceptional case, the successful direct investment by the BBKA Group in an agroindustrial processing facility in southwestern Brazil. Tracing the global restructuring of the citric acid industry and the political ecology of the sector, I first explain how the BBKA Group emerged from the polluted banks of the Huai river in Anhui province to become the world’s leading citric acid producer, and why they turned towards foreign investments during the 2000s (in order to bypass growing environmental restrictions and trade barriers). Then I examine how key individuals pursuing foreign investments on behalf of the BBKA Group found and established a partnership with a group of Brazilian businessmen, who in turn launched their own trading subsidiary in China. Delving into the detailed history of how these actors then proceeded to assemble the BBKA’s capital and agroindustrial blueprints with Brazilian engineering and environmental licensing experts, and covering a convoluted path through which they ultimately identified a specific location in which local government support enabled them to ground their investment, I show what the work of assembling Brazil-China agroindustrial investments actually looks like. As this process plays out, it illustrates how the

⁸ I say “so-called” because the wars in this period were only “cold” in terms of direct military confrontation between the US and the USSR themselves, while both superpowers fought bloody proxy wars and supported devastating dictatorships everywhere else in the world, and repressed violently as well various dissident groups within their own borders.

individuals involved—across class and national lines, operating from higher echelons of politics and corporate management all the way down to the municipal level and local struggles over environmental regulations and economic development—advance their own personal, state, and corporate interests at the expense of various others who are marginalized (or worse) by their new transnational partnerships. This chapter concludes, therefore, that we must turn to this scale of analysis to understand how Brazil-China agroindustrial relations are constructed and transformed, and expose thereby how and why they ultimately serve as instruments for increasing the power and profits of certain elites from China, Brazil, and elsewhere, and thereby undermine the supposedly beneficial aspects of the emerging power of Chinese and Brazilian agribusinesses in relation to established interests from the Global North.

Then in chapters 6 and 7, I examine a series of case studies across multiple sectors in which I identified and examined through extensive interviews, field site observations, government and corporate documents, media resources, local archives, and other materials the Chinese investments—both direct and indirect—that are actually taking place in Brazil since the 2000s. I argue that the most useful framework for analysis pertains to the *intersection* of personal managerial capacities of agribusiness professionals and structural factors (such as financial resources and governmental support) that enable some companies to incorporate existing Brazilian or transnational corporations into their own operations, or attempt (and largely fail) to establish independent agribusiness operations from the ground up. Chapter 6 describes a series of misadventures by Paper Tigers that attempted and failed to establish and profitably operate soy and oil palm plantations, while chapter 7 works through examples of Dragon Heads that successfully entered Brazilian agribusiness markets such as tobacco, agrochemicals, logistics infrastructure for agroindustrial trade, and agribusiness finance.

Finally in chapter 8, I briefly revisit the stakes and terms of the broader debate into which this empirical investigation has been produced. After briefly revisiting the contradictory ways in which the advancement of Brazil-China agroindustrial partnerships benefits a small number of agribusiness professionals and elite actors from these countries who rise in class, career, and transnational hierarchies, I provide a vignette that illustrates the rarer but exciting agroecological possibilities for Brazil-China agroindustrial partnerships that might contribute to, rather than undermine, pro-peasant agrarian reform and food sovereignty.

Chapter 2

The Making of Mongolization and Migrations: Agroindustrial development, diasporas, and Orientalism in Brazil, 1807 – 1955

1. Transnational Agribusiness Professionals and the Production of Brazil-China Relations

Transnational agribusiness professionals (using this term loosely to refer to a wide variety of actors from colonial elites to modern businessmen) have been at the forefront of the production of Brazil-China relations from its inception in colonial times to the present day. Indeed, it is no surprise they have been at the forefront of the creation of “Brazil” itself as an agroindustrial colony and agribusiness-based nation-state. More provocatively, however, I venture to say Portuguese imperialists (more specifically, its explorers/merchants/pirates) may also be assigned responsibility for the production of “China” as a nation-state, or at least its conception as such in Euro-American (including Brazilian) imaginaries. Yet my purpose in this chapter is not so much to explain the origins of “Brazil” and “China” themselves in relation to European imperialism, but rather to explain three interrelated phenomena. First, the origins of various Orientalist racial forms in Euro-American/Brazilian imaginaries that would eventually give rise to the sinophobia that marks the contemporary discourse about Chinese agribusiness investments in Brazil. Second, the key role of transnational agribusiness professionals in both creating and combating these sedimented layers of Orientalist xenophobia, as Brazil-China relations (not only agroindustrial but also cultural, diplomatic, etc.) waxed and waned according to their faltering attempts at establishing agroindustrial partnerships. And third, the *lack* of significant Chinese migration to Brazil and establishment of a diaspora, which is not only contrasted with, but dialectically related to the incredibly strong and influential *Japanese* migration and diaspora in Brazil. From colonial times until the mid-20th century, a remarkable transformation occurred with the relative decline of the Qing empire against the rise of European, Japanese, and Euro-American empires, and understanding this transformation – and the key actors and discourses involved – is essential for a critical account of contemporary Brazil-China relations in general, and the peculiar forms of sinophobia and sinomania that characterize contemporary debates and discourse about Chinese agribusiness investments in Brazil and beyond.

In the introductory chapter, I argued we must focus our examination on an emerging transnational class of agribusiness professionals who actually assemble Chinese capital with Brazilian agribusiness, and the processes through which they seek class ascendance and transnationalization in this assemblage. Prioritizing these subjects for analysis requires attention to deeper and more complex histories through which these actors engage each other amidst broader Brazil-China relations to produce their specific agroindustrial partnerships, and the discourse of “south-south cooperation” for “national development” used to justify their enterprises. Therefore, in this chapter I begin to trace a genealogy of Brazil-China agroindustrial partnerships that reveals the non-linear, contested, and often contradictory manners in which the pursuit of such agribusiness ventures has generated this transnational class; and in turn how their efforts have been the principal drivers of Brazil-China relations, not simply its advancements and limitations, but more specifically its political-economic priorities, social and cultural contours, and uneven class and colonial dynamics in a world economy dominated by capitalist and state interests from Europe, the United States, and more recently, Japan, composing what I call the Global North. Contemporary Brazil-China agroindustrial partnerships have sought primarily then to carve space in international markets dominated by agribusinesses from the Global North, but as I will demonstrate in Part II of this dissertation, most have largely failed to do so, and even when successful, they tend to benefit primarily the narrow transnational class of

agribusiness professionals who secure their own spaces in the capitalist world economy. The present genealogy, therefore, unearths the *faltering foundations* of the “south-south cooperation” efforts for “national development” pursued between Brazil and China through agroindustrial partnerships – their fits and starts, temporary advancements and stumbles, and ultimately the weak socio-cultural and political-economic grounds for transnational investments without the support of a well-established diaspora and favorable cultural/racial discourses.

My narrative traces how the production of Brazil-China relations over the past two centuries has been led by the efforts of transnational agribusiness professionals to assemble agroindustrial projects centered in four key commodities: tea, labor, cotton, and soybeans. I argue that at every turn, a dynamic tension between sinophobia and sinophilia among (Portuguese and) Brazilian actors has both encouraged and curtailed these agribusiness partnerships, and so these multiple, layered, and contested forms of Orientalism need to be carefully examined. Although far exceeding the scope in which Orientalism was first conceived by Said (1979), this chapter still excavates the production of discourses through which (the Portuguese and) Brazilians have engaged “the Orient” and “Orientals” in the pursuit of their agroindustrial partnerships and broader political, economic, and social relations. Moreover, this analysis is simultaneously *material*, pertaining to the shifting political economy of agricultural production, labor and property relations, migration, and trade between Brazil and China, and also *ideological*, regarding the racial, cultural, and political imaginaries of Brazilians about “China” and “the Chinese” as possible partners (even if subjected to a condition of subaltern laborers) in agroindustrial enterprises. Thus, this chapter and the next also speak to a broad set of literatures in ethnic, Asian American, and diaspora studies, expanding particularly our empirical basis for the debates about material and ideological practices of transnationalism (Ong 1999; Lee 2005), the central role of migration, immigration controls, and diasporic communities in the production of national identities and international relations (Hu-DeHart 1999; Lesser 1999; Suryadinata 2011), and the evolving dialectical tensions between Orientalist forms of racialization that currently range simultaneously across cosmopolitan Asian businessmen as “model minorities” and communist cadre as “yellow perils” or unassimilable Others (Nonini 1997; Dezem 2004; Lye 2005; for an illuminating parallel, see Mahmood Mamdani’s *Good Muslim/Bad Muslim*, 2004).

In section two, I examine the origins of Brazil-China agroindustrial partnerships (to use contemporary terms anachronistically) in efforts by a transnational elite to assemble Chinese tea plants and experts with Brazilian plantations from 1807 to the 1840s. At that time. Then in section three, I show that once this project failed to become profitable, focus shifted towards assembling sheer labor from Chinese migrant workers as supplement to or replacement for African slave labor in sugarcane and coffee plantations from the 1850s to the end of that century. Although my methods are not archival, I draw on 19th century publications and extensive research of subsequent academic accounts to argue that Orientalist discourses among (Portuguese and) Brazilians shifted radically during this period from respect for the Chinese as experts bearing advanced agroindustrial science and technology, to disdain for them as mere labor in a racially inferior and threatening body. The fear of “Mongolization” of the emerging “Brazilian race”, active and passive resistance of Chinese contract-workers to exploitation on Brazilian plantations, efforts by the transnational abolitionist movement, and the prohibition of the “coolie trade” by the Qing empire ultimately foreclosed the possibility of bringing Chinese workers to resolve the perceived “labor shortage” (*falta de braços*) in Brazilian slave-based plantations. Then in section four, I investigate how the conjunction of these factors resulted not only in the negative racialization of the Chinese and foreclosure of a Chinese diaspora, but also became dialectically articulated with another Orientalist discourse about the Japanese as “model minorities” (again to use a contemporary concept anachronistically). Japanese (in fact, mostly Okinawan) migrants would actually be arrive in large numbers in Brazil until World War II, and they were largely welcomed until tensions shifted discourses violently towards the “yellow peril” of the

Japanese diaspora in Brazil. The chapter concludes with a brief discussion of the dialectical relation between “yellow peril” and “model minority” racial forms in Brazilian imaginaries about the Chinese and Japanese, and how these lay the foundation for the dramatic transformations in global agroindustrial assemblages that have brought both Japanese and Chinese agribusinesses to launch major investments in Brazil in recent decades.

Although I rely primarily on secondary literature for this account, my own narrative makes an innovative contribution by linking histories of Chinese and Japanese migration and racialization from the 19th into the 20th century into a dialectical whole. A similar effort has been outlined for East Asian migrations and Orientalist discourses in the US by Lyman (2000), and partially undertaken by Lesser (1999) and Dezem (2004) regarding Brazil, but I also go further in connecting these narratives with the political economic transformations of Brazilian, Chinese, and Japanese agroindustries and their commercial relations in a way that has never been done before. I demonstrate, for example, that it was the Japanese diaspora in Brazil who first sustained the cultivation of soybeans (which would become the primary commodity in Brazil-China agricultural trade, and main target for contemporary Chinese agribusiness investments in Brazil), and it was also they who assembled, with support from the Japanese government and investments from Japanese agroindustrial corporations during the 1930s, a modern cotton production base in southeastern Brazil, which in turn attracted Chinese agribusiness professionals after the Communists won the civil war in the 1950s, and thereby reignited Brazil-China relations and attempts at agroindustrial partnerships since the second half of the 20th century.

2. Tea and *chinoiserie*: 1807 – 1842

The first “Brazil-China agroindustrial partnerships” was an attempt to assemble Chinese plants and expertise with Brazilian agribusiness during the early decades of the 19th century, followed by attempts by Brazilian plantation owners to draw Chinese migrant workers as replacement for African slaves in the second half of that century. Although those efforts largely failed, they set important precedents for the formation of a transnational class of agribusiness boosters, brokers, bureaucrats, and businessmen who have continued to play central roles in the construction of Brazil-China relations in an emerging world economy dominated by capital and state interests from what we now call the Global North. These early faltering efforts are also the foundation of Brazilian xenophobic imaginaries about “the Chinese”, which have become a major factor curtailing and transforming contemporary Chinese agribusiness investments in Brazil. In this section, after briefly situating the emergence of “Brazil” and “China” in the longer history of European colonization, I trace the origins of Brazil-China agribusiness professionals to a Portuguese/Brazilian state-supported attempt to transfer Chinese tea production to plantations in Brazil from 1807 to the 1820s. I show that until then, Portuguese/Brazilian bureaucrats and businessmen had generally positive views of the personal qualities and agricultural expertise of Chinese “tea masters”, as well as of China and its people in general, and their collaboration was extremely advanced in technology, expertise, and political-economic innovation for the time. With the failure of the tea project attributed to the high costs and difficulty of Portuguese/Brazilian elites to manage Chinese labor, and a broader shift of inter-state power relations in the aftermath of the Opium Wars of the early 1840s, the focus of these prototypical Brazil-China agribusiness professionals shifted from Chinese plants and expertise to sheer “coolie”¹

¹ This Orientalist term originated in British accounts of workers from India, and quickly became applied to all Asian contract workers shipped to plantations, mines, and infrastructure construction projects in the Americas over the course of the 19th century. Despite its racist etymology and connotations, I employ it in this text explicitly to denote the reduction of Chinese workers to “little more than merchandise” (Lesser 1999: 15) and a “new slavery” (Meagher 2008: 295).

labor to rescue the plantation system, which turned to coffee production instead of tea in order to dispel its impending crisis (due to the environmental degradation of the Atlantic forest by sugar monoculture, as well as rising abolitionist movements at home and abroad). In this process, the Brazilian imaginary of the Chinese became increasingly negative and sinophobic during the second half of the 19th century, and while prominent scientific discourses at first encouraged Chinese immigration to Brazil, later they turned against it, curtailing the emergence of a Chinese diaspora that might have facilitated contemporary investments in Brazil.

It is worth noting the very ideological construction of “Brazil” and “China” themselves as the countries we know today already began as a transnational project of Portuguese explorers and merchants to colonize and impose their own order upon the world. Soon after the Portuguese encountered the South American continent in 1500, they began referring to it informally as the “Land of Brazil” after the valuable brazilwood found in abundance along the coast, an extractive interest that predates European settlement on the continent.² As widely known, “Brazil” was then produced as an extractivist colony for European markets through the genocide of the indigenous peoples, enslavement of Africans, and the booms-and-busts of a plantation economy predicated on an ever advancing frontier, driven by the exhaustion of workers, forests, and soils (Holanda 1936; Dean 1995; Moore 2000). Less well-known but quite similarly, “China” emerged as a nation-state in the European imaginary through the reports of Portuguese explorers, and “less the name for a country than a designation for the external limits to early capitalist expansion and colonization” (Chuang 2016: 13).³ The earliest Portuguese accounts of “the Great Kingdom of China” were made in reference to merchants they met in their invasion of the Sultanate of Malacca (present day Malaysia) and other Southeast Asian kingdoms, describing “many and very great cities” they could not access on the Asian mainland, since the Ming empire restricted their trade to outlying islands (Barbosa [1516] 1944: 217). They held the Chinese they met in high regard as “great merchants” and “men of great honesty”, sailing “great corsairs” and dealing in very well regarded porcelain, silk, jewelry, and several spices (ibid.: 218). The Portuguese did not limit themselves to trade, however, but raided the coast for slaves and became embroiled in battles with several (other) pirates and the Ming navy, until they obtained permission from the latter to establish a permanent and official settlement in what is now Macau in 1557. An early Portuguese raider and mercenary, who was captured by the Ming in 1549, sent into internal exile in Guilin (Guangxi province) and managed to escape back through Guangdong and from there to the Portuguese settlement in Goa, India, later described the civilization of the provinces he was able to see in person with great awe, and his account became the basis for most other European texts about “China” during the 16th century (Boxer 1953, reproducing Pereira c. 1559).

There were of course negative aspects of the “heathen” people and their culture in these early European accounts, but those were marked more as religious differences than innate or fundamental racial inferiority (Spence 1998). “China” remained largely seen as a great kingdom with which these European explorers and merchants sought to do business, and Macau in particular became one of the most important hubs of the emerging Portuguese empire as the intersection of several routes they

² The etymology of “Brazil” is of course more disputed and complex; for a good discussion, see Couto (1995). For more details on the early extraction of brazilwood by European colonizers, see Lery (1990), Dean (1995), and Tucker (2007).

³ The etymology of “China” is likely derived from Qin (秦), the first imperial dynasty (221 BCE – 206 BCE), which was passed on to Europeans through Persians and other Central Asian peoples and languages in reference to the empires that succeeded the Qin in the eastern Asian continent. The term *zhongguo* (中国) had already been used much earlier to refer to kingdoms in what we now call central China, but it was only in the late 19th century that it began to designate the whole country over which the Qing ruled, and thus replace the practice of naming the empire after its ruling dynasty. Thus, when the Portuguese arrived in the Pearl river delta in the early 1500s asking about “China”, they were surprised to find that none of the natives knew what they were talking about, and explained instead that there were numerous distinct ethnolinguistic groups that composed the “Great Ming” empire (Pereira 1559, in Boxer 1953; cf. Zarrow 2012).

established during the 16th and 17th centuries. These included not only the route from Macau back through Malacca and Goa to Lisbon, often making stops at Brazilian ports (Freyre 2003), but also routes in which they served as middlemen between Guangzhou and Nagasaki, and from Macau to Manila, and from there to the western coast of what became Mexico (Boxer 1948; Porter 1996).

Too far away to be a military or religious threat to Europe, [China] generated tales not of fear or loathing, but wonder. Marco Polo's reports of China, now judged mostly hearsay, fixed fabulous images that lasted down to Columbus setting sail for the marvels of Cathay. But when real information about the country arrived in the 17th and 18th centuries, European attitudes towards China tended to remain an awed admiration, rather than fear or condescension. From Bayle and Leibniz to Voltaire and Quesnay, philosophers hailed it as an empire more civilized than Europe itself: not only richer and more populous, but more tolerant and peaceful, a land where there were no priests to practice persecution and offices of the state were filled according to merit, not birth. Even those skeptical of the more extravagant claims for the Middle Kingdom – Montesquieu or Adam Smith – remained puzzled and impressed by its wealth and order (Anderson 2010: 3).⁴

This admiration for China evolved alongside the expansion of European consumption of Chinese luxury products, including various “eastern spices”, fine porcelain, silks, and above all tea. As tea consumption became increasingly popular among European elites during the 18th century, it became the centerpiece of an entire sinomania now described as *chinoiserie*, particularly in England where the consumption of tea became the most widespread and deeply ingrained (Sloboda 2014). The prominent Brazilian anthropologist Gilberto Freyre argued that such *chinoiserie* was even more prevalent in Brazil than in Europe itself. He was the first to elaborate on several “oriental” connections and aspects of daily life in Brazilian diet, architecture, and social habits during the 18th century, even dubbing Brazil a “Tropical China” for sharing greater similarities with “the Orient” than with Europe itself (Freyre [1953] 2003). These similarities were not coincidental but fruits of the transnational connections made by Portuguese trading caravels carrying Chinese (and other “Oriental”) products on their way to Europe, much of it paid with silver and gold taken from Brazil itself. But aside from this almost incidental trade with Brazilian *entrepôts* along the 16th and 17th centuries, there was no further connection between China and Brazil, and both places remained extremely remote and barely known to one another until the early 19th century. This limited knowledge, which was carried into the present due to the absence of diasporic connections, was consistently regarded as a major challenge for contemporary boosters, brokers, bureaucrats, and businessmen attempting to establish Brazil-China agroindustrial and other partnerships (cf. Araripe 1974; Severo 2004, 2011; Bridi 2008; Pomar 2009; Biato Jr. 2010; Quaresma 2012; Tang 2013).⁵

In the meantime, most of what is now Brazil was claimed by Portuguese colonizers from indigenous peoples, the majority of whom succumbed to extremely virulent European-borne plagues and violent incursions by explorers and slavers (Crosby 2004; Mann 2011). After the exhaustion of the most accessible brazilwood along the coast, the colonizers sought to extract precious metals from the hinterland and produce an exogenous cash crop – sugarcane – in coastal plantations, drawing upon African slaves after the general failure to enslave the indigenous peoples, who would either fend off

⁴ For a far more nuanced and in-depth discussion of “China” in European imaginaries, see Spence (1998).

⁵ Such opinions were expressed by boosters in organizations like the Brazil-China Business Council, bureaucrats in both Brazilian and Chinese ministries of foreign affairs, and several local and state level governments in Brazil, as well as both Brazilian and Chinese businessmen and women interviewed throughout my research. See especially my interview with Paul Liu from the Brazil-China Chamber of Economic Development in chapter 4.

raids and escape from enslavement, or die out from European plagues. Those sugarcane mills on the massive plantations were some of the earliest forms of modern industrialization (Moore 2000), but it was only with the project to establish Chinese tea plantations in Brazil after 1808 that a government-planned and explicitly scientific project emerged to transform the human bodies of a Brazilian “population” and their environment for the benefit of “the nation” (abstractly), and thereby propel the emergence of a transnationally-oriented class of agroindustrial professionals (concretely). It would transcend the scope of this dissertation to fully develop this claim, but I venture that this moment marks not only the foundation of the racial discourses through which Brazil-China agroindustrial partnerships have since become articulated, but also the “birth of biopolitics”⁶ in Brazil.

This process began when the Napoleonic wars forced a blockade on Great Britain, leaving the Portuguese empire that had become heavily dependent upon and even indebted to the British in a troubled situation. On the other hand, decades of revolutions and warfare in North America and the Caribbean had expanded Brazil’s opportunity to increase exports to Europe, particularly sugar, cotton, and tobacco. Seeing opportunity in the crisis, a Brazilian economist and member of the High Court of the city of Salvador (the colony’s erstwhile capital until 1763), Judge João Rodrigues de Brito, became the very first booster for Brazil-China agroindustrial partnerships to not only increase, but also *diversify* Brazilian exports to Europe: in 1807 he elaborated a proposal for importing Chinese tea seedlings and specialists to establish plantations in Brazil, noting (in a slightly later influential treatise on political economy) that the Chinese were “not only hard workers... but active, industrious, and skilled in arts and agriculture” (Brito 1821, in Lesser 1999: 16). This highly positive view of Chinese agricultural skills was likely derived from Brito’s familiarity with British accounts of Chinese workers in their first colonial enterprises in Southeast Asia, where the development of the export-oriented sugar industry “was largely due to their skill and labor” (Meagher 2008: 49).⁷ Since Chinese tea was fast becoming one of the most valuable and important commodities traded in international markets, spectacular profits were expected if Brazilian plantations could supply British markets from a closer distance, and presumably then at lower cost, and on more favorable terms given the continued alliance between the Portuguese and British crowns during the Napoleonic wars. Brito’s proposal did not materialize, however, as conditions for its implementation would only emerge with the arrival of the Portuguese royal family in Rio de Janeiro the following year.

With the Napoleonic invasion of Portugal, the Portuguese court found abandoning their European kingdom preferable to severing ties with their English allies, financiers, and most important commercial partners of their decadent empire. The arrival of the Portuguese court under escort of the English navy triggered a veritable second colonization of Brazil after 1808: not only were restrictions on trade, industry, and even information lifted, but the relocated Portuguese government launched full-blown state encouragement for the development of new and experimental agro-industrial enterprises in Brazil. “More than 20,000 courtiers, bureaucrats, and tradesmen soon found their way

⁶ Biopolitics is a notion of sovereignty and its power as directed towards the human body and its environment “as a machine: its disciplining, the optimization of its capabilities, the extortion of its forces, the parallel increase of its usefulness and its docility, its interaction into systems of efficient and economic controls” (Foucault 2008: 261). Bio-power, then, characterizes regulatory controls over the “species body” and the emergent notion of the “nation” itself as its “population”, marked by the biological mechanics of life itself: births and mortality, propagation, the level of health, life expectancy and longevity, all fundamentally rooted in the production and provision of food (ibid.: 258ff). “The Botanical Garden was intended to bring organizational perfection to the transfer of colonial crops, a critically important activity that had been carried on up to then empirically, even haphazardly” (Dean 1995: 124). In 1825, the Brazilian government renewed its commitment to the Botanical Gardens, highlighting its importance in “cultivating and propagating species in ‘the public benefit’, the result of which should be of ‘considerable advantage to the national commerce’” (Domingues 2001: 32).

⁷ Thomas Raffles, one of the leading architects of the British empire in Asia, said of the Chinese: “We find them dispersing themselves abroad and carrying with them a spirit of enterprise and speculation combined with an industry and prudence that makes them flourish and acquire opulence wherever they settle,” quoted in Meagher (2008: 48-9).

to the refugee court. Several thousand foreigners joined them – artists, craftsmen, military officers, merchants, and even scientists” (Dean 1995: 122). It was a radically new transnational class that suddenly emerged in Brazil, and prominent among them was Rodrigo de Souza Coutinho, known as Count of Linhares. A distinguished polymath and charter member of the Linnaean Society of London, Linhares was minister of colonies since 1796, and as minister of war and foreign affairs he became the most important advisor to the Portuguese ruler (Dom João VI) upon his arrival in Brazil. He was also considered by his peers “utopian” in his optimism about progress, sponsoring projects like the first foundry established in Brazil, and botanical gardens in Salvador and Belém to advance scientific and agricultural research of Brazilian plants. One of his very first actions upon arriving in Brazil was establishing the Estate of the Arsenals, Factories, and Foundry of the Capitancy of Rio de Janeiro⁸, which began with a gunpowder factory – the first in Brazil – and included an “Acclimation Garden” as its most advanced scientific and commercial expression (Dean 1995; Domingues 2001).

The Acclimation Garden was not originally envisioned as a botanical garden for Brazilian plants, but designed to adapt (or “acclimate” according to the scientific language of the time) varieties of valuable spices and other colonial products such as clove, nutmeg, cinnamon, black pepper, jackfruit, and camphor to the southeastern Brazilian soils and climate. In order to obtain these varieties, the Portuguese raided French royal gardens in Cayenne (French Guiana) in early 1809, and Mauritius later that year.⁹ Also seeing in this transition of the Portuguese court to Brazil an opportunity to further develop commerce with Macau, the chief magistrate of the Portuguese outpost in China sent a delegation to Rio de Janeiro that same year with a declaration of loyalty, gifts from China and Japan, and an offer to supply the court with Chinese workers and artisans to “create a new capital”, stressing the industriousness of the Chinese, their contribution to the development of British possessions in Southeast Asia, and suggesting they could introduce and cultivate “eastern spices” in Brazil, including of course, tea (Meagher 2008: 198). The Portuguese officer who raided the French gardens in Mauritius requested seeds of the tea plant the following year from a Macaese senator, and the first seeds arrived in the Acclimation Garden in 1812. They germinated well enough, but as no one in Brazil had experience cultivating tea, Linhares concluded that it would be necessary to also bring Chinese experts and workers familiar with tea cultivation and processing (Dean 1995).

At first, Linhares wanted to bring 2,000 Chinese tea farmers to establish a tea-producing colony in Brazil. Brazilian plantation owners had no interest in replacing African slave labor with non-slave colonists, however, and most lent no support for the project. Linhares persevered, however, and drew upon government resources to contract specialized tea farmers and artisans, which he insisted needed to be hired from inland China, rather than among migrant workers from coastal Macau, and be experienced not only in the cultivation of the plant, but also in the processing of the leaves (Spix and Martius 1824). It was ultimately a native of Nanjing, who lived in Macau for enough years to learn Portuguese and adopt the name Domingos Manoel Antonio, who was able to assemble a few master tea artisans with laborers and seedlings for the project. The first 30 Chinese “tea masters” arrived with new tea seeds or seedlings for the Acclimation Garden in 1814, soon followed by another 110 Chinese farm workers, and 10 Chinese carpenters the following year (Dean 1995; Meagher 2008). Linhares

⁸ Fazenda dos Arsenais, Fábricas, e Fundação da Capitania do Rio de Janeiro. The term Capitancy (*capitania*) was the unit of governance of the Portuguese colonies at the time, each being governed by a Captain appointed by the crown.

⁹ “The minister [Linhares] was correct in regarding the botanical resources of the French governor’s garden... the principal booty of the colony. Since the beginning of the eighteenth century, French botanist had expended considerable efforts diversifying the agricultural resources of Guiana, and [its botanical garden] boasted not only nutmeg but also cinnamon and cloves, which the colony had come to export, and pepper, still experimental, along with breadfruit, star fruit, bilimbi, mangosteen, Tahiti gooseberry” and a variety of other plants with commercial, medicinal, and other scientific value (Dean 1994: 126). A similar diversity of seeds, including the highly coveted clove, cinnamon, and nutmeg, and what became the Brazilian Imperial Palm, were also stolen by a Portuguese officer from a French botanical garden in Mauritius (*ibid.*).

passed away soon after signing the labor contracts for this first group (stipulating monthly payments for a 2-year contract, but note, without covering return costs), and securing the grounds for expansion of the project to the Royal Estate of Santa Cruz and to the Governor's Island nearby (*ibid.*). All Chinese arrivals during that period were male, reflecting the fact their time and work in Brazil was intended to be temporary, geared towards the establishment of the plantations and the transfer of technology and technique to Brazilian landowners and managers, and not the beginning of a settler community as Linhares originally intended (Eschwege [1833] 1941).

The radically advanced and innovative scientific, technological, and political-economic nature of this endeavor cannot be underestimated. The only two efforts to cultivate tea outside East Asia¹⁰ prior to the Brazilian project were limited, non-commercial, and failed attempts by Dutch doctors and botanists to plant it for ornamental and medicinal purposes in Batavia (present day Jakarta) in 1684, and in their South African colony in 1687; but commercial-scale production of tea would only be established in Indonesia in 1827 (Sriyadi et al. 2012), fifteen years *after* the beginning of the project in Brazil, and in 1878 on the African continent (Kamunya et al. 2012). There was also an effort to introduce tea in Charleston, South Carolina, one year after its first introduction in Brazil, but that project did not advance (Saunders 1879, in Dean 1995). Even in India, where British explorers identified indigenous varieties of tea in Assam as early as 1823, the East India Company only established a scientific committee to procure seeds and specialists from China to experiment with tea production in the Calcutta Botanical Gardens in 1834 (Das et al. 2012), over two decades after the initiation of the project at the Acclimation Gardens of Rio de Janeiro. Indian tea plantations would succeed and eventually overtake China in exports to England at the end of the 19th century, but commercial tea plantations only began to be established in northeastern India and Bangladesh during the 1840s (Das et al. 2012; Khan 2012), and in Sri Lanka in 1867 (Gunasekare 2012).¹¹ With Chinese experts and farmworkers running the tea project in Brazil already in 1814, the plants flourished and the first Brazilian tea harvests were celebrated by the court, and soon several dozen planters in Rio de Janeiro and neighboring provinces took up cultivation.¹² “This was a remarkable achievement [that] excited much curiosity in Europe” (Dean 1995: 127), and European travelers in Brazil remarked that for a few years, tea from the Acclimation Garden was a major fad in Rio de Janeiro (Graham [1824] 2010; Domingues 2001). The project to bring Chinese plants and experts to establish commercial tea plantations in Brazil was in many ways ahead of its time, not only scientifically and technologically, but also political-economically.

The Austrian artist and writer Johannes Moritz Rugendas, one of the first to depict and comment on this experiment, explained the rationale and importance of the enterprise thus:

¹⁰ Tea cultivation originated in what is now southwestern China millennia earlier, then developed rapidly and spread to the rest of the East Asian continent, including the Korean peninsula and Japan, since the Tang dynasty (618 – 907 CE). But while central Asian merchants and European navigators began transporting tea to western Asia, Europe and the Americas, Chinese merchants retained a virtual monopoly on tea exports to them and the rest of the world until the late 1800s (Yan and Chen 2012).

¹¹ Export-oriented tea production would emerge even later in several other important sites in the late 19th century. In 1888, for example, tea cultivation was introduced in Turkey, which became a major consumer and producer of tea ever since (Ercisli 2012). Even in Vietnam, where tea consumption was already established since earlier centuries, commercial plantations for export were only established in 1890 (Ngoc 2012).

¹² After the installation of the first project in 1814, most Chinese tea farmers were taken to expand the project on the Royal Estate of Santa Cruz and the Governor's Island surrounding the city of Rio de Janeiro. With the successful establishment of these public projects, additional tea plantations were launched by the private initiative of other landowners during the next few years in three other areas of Rio de Janeiro province (Macaé, Mangaratiba, and Paraty along the coast), and two more plantations were launched in Bananal and Ouro Preto, important inland towns in the neighboring provinces of São Paulo and Minas Gerais respectively (Dean 1995; Peres 2013).

The happy consequences that tea cultivation can bring to Brazil, and its possible influence in the commerce in the whole world, are of such magnitude that it would be difficult to find a subject worthier of the government's concern. Considering that England alone imports more than three million pounds [sterling] of tea from China, all paid in [silver], it will be understood that the Orient is the abyss that devours almost all precious metals exported from America to Europe... The introduction of tea in Brazil threatens to entirely transform this commercial system, so fatal to Europe. When Europe can obtain from Brazil all the tea it needs, or at least the majority of it, it will no longer be obligated to pay for them with precious metals. To compensate the immense value of its imports, she will export goods to Brazil. Thus the loss of [precious] metals to the Orient will be limited, [European] industry will receive new impetus, both from the increase in capital and the increase of exports. The advantages to Brazil are undeniable. We limit ourselves to observe that large amounts of [precious] metals are also sent to the Orient from Brazil, which gives its price dangerous fluctuations and frequent, sudden, and unjustifiable price-spikes. (Rugendas [1835] 1949: 154)

A rare illustration of this project by Rugendas (Figure 1) appears to depict himself sitting with his drawing board in the Acclimation Garden and receiving an explanation from who was likely Domingos, the leader of the Chinese farm workers and artisans, and another European man (perhaps a translator or the Brazilian official in charge of the enterprise). Note also that Rugendas depicts how among the other Chinese there were some who undertook managerial functions, overseeing the labor of African slaves, but also others who labored alongside slaves, watering the seedlings and holding an umbrella to shield the artist from the hot tropical sun.

Figure 1. Rugendas depicts the tea plantation experiment in the Acclimation Garden



Source: Rugendas ([1835] 1949)

Several other European travelers would describe these curious Chinese individuals found around Rio de Janeiro and a few other places where tea plantations were started in Brazil during the early 19th century, usually in a quite positive light. Since early on, however, there were indications that the quality and cost of production curtailed the economic success of the enterprise. Maria Graham, an English lady who served as governess in the Portuguese/Brazilian court from 1821 to 1823, described how Chinese-style gates and gazebos were built around the tea plantation at the royal Santa Cruz estate, alongside other herbs, flowers, and fruit trees, “such that the China[town] of Santa Cruz forms a really delightful walk” (Graham [1824] 2010: 212). “The tea produced both here and at the botanic gardens is said to be of superior quality,” she added, “but the quantity is so small, as never yet to have afforded the slightest promise of paying the expense of the culture” (ibid.). Naturalists and merchants often remarked how these Chinese workers were expected to labor alongside indigenous and African slaves, but unlike African slaves, the work of the Chinese on the tea farms was generally regarded as dedicated and very meticulous. The English merchant John Luccock, for example, who resided in Rio de Janeiro from 1808 to 1819, noted the Chinese brought for the tea projected were not mere laborers, but intended to “superintend its growth and management” (Luccock 1820 1951: 190). Already at the time of his observation, it was becoming clear that the project would not succeed financially, but in his account that was not due to the incapacity of the Chinese “superintendents” of the enterprise, who had a “rapidity of comprehension which surpassed whatever I have observed of the kind in any other race” (ibid.):

There can be little question about the care taken of it, and every observer must see that it flourishes luxuriantly; yet the projectors of the scheme seem to have calculated ill, are become dissatisfied with their own plan, and consequently neglect it. The rate of wages is too high to admit of the production of tea at moderate prices; while the Chinese, though diligent, are too precise and slow in their modes of culture. With several of these people, and particularly their Chief, a native of Nanjing, I had much intercourse. They were extremely ignorant, but they gave me favorable impression of their principles and intentions. (Luccock [1820] 1951: 190)

Similarly, in detailed accounts by the naturalists Johann Baptist von Spix and Carl Friedrich von Martius, who launched their famous journey through Brazil in 1817 with this visit to the Acclimation Garden in Rio de Janeiro, the project was described as meticulously undertaken by the Chinese workers, while its unsatisfactory results and early abandonment were attributed to the natural challenges of adapting plants to new ecological conditions:

The tea is planted, plucked, and dried precisely in the same manner as in China itself. The Portuguese government has directed its particular attention to the cultivation of this plant, the produce of which, to the value of twenty millions of dollars, is annually imported from China to England... Most of these Chinese, however, do not now live about the botanic garden, but in the vicinity of the royal residence of Santa Cruz, except a few who are employed here under the direction of Colonel Abreu, to tend the tea plants, and gather and prepare the leaves. The leaves are plucked three times a year, and laid on gently heated kilns of clay, on which they are dried and crisped. The director of the establishment gave us samples of the different kinds, which here also are chiefly distinguished according to the season of gathering. The taste was strong, yet by no means so delicately aromatic as the best kinds of Chinese tea, but rather earthy and rough. This disagreeable property must, however, be no discouragement in any new branch of cultivation, for it is a natural consequence of the plants not being perfectly accustomed to the climate. (Spix and Martius 1824: 221-222)

But those tea plants did not seem to adapt to the hot and humid Atlantic forests and to the tastes of European consumers, frustrating the Europeans who thought that plants could be quickly “acclimated” to different environments (Dean 1995). In one of his first main stops in the famous voyage of the *Beagle*, Charles Darwin visited the Acclimation Garden with keen interest in its erstwhile flagship project, but became sorely dismayed: “There are some acres covered with the Tea tree. I felt quite disappointed at seeing an insignificant little bush with white flowers & planted in straight rows. Some leaves being put into boiling water, the infusion scarcely possessed the proper tea flavor” (Darwin [1832] 1988: 60).¹³ Similarly George Gardner, who undertook botanical investigations in Brazil from 1836 to 1841 (under patronage of William Hooker, vice-president of the Linnaean Society and director of the Royal Gardens of Kew), described the project in the following terms:

[On] about an acre [in the Botanical Gardens] the Tea plants grow which were imported from China by the grandfather of the Emperor [i.e. Dom João VI in 1812 and 1814]. It was thought that the climate and soil of Brazil would be suitable for its cultivation, but the success of the experiment has not equaled the expectations which were formed of it, notwithstanding that the growth of the plants, and the preparation of the leaves, were managed by natives of China accustomed to such occupations. In the province of San (sic) Paulo a few large plantations of Tea have been established; that belonging to the ex-regent Feijó, containing upwards of 20,000 trees. The produce is sold in the shops at Rio, and in appearance is scarcely to be distinguished from that of Chinese manufacture, but the flavor is inferior, having more of an herby taste. It is sold at about the same price, but it is now ascertained that it cannot be produced, so as to give a sufficient recompense to the grower, the price of labor being greater in Brazil than in China. To remunerate, it is said that Brazil Tea ought to bring five shillings per pound. (Gardner 1849: 26-7)

The economic unviability of the project due to labor costs was also ascertained in 1837, when Brazilian tea samples were sent to London but they were not favorably received, as they were twice as expensive as Chinese tea of similar quality (Dean 1995). Thus, despite strong state-support and early enthusiasm among the most entrepreneurial among Brazilian, Macaese, and Portuguese boosters and bureaucrats, the conjunction of low-quality product and high-cost and troublesome management of Chinese labor (as discussed below) made it so that Brazilian tea plantations failed to generate profits and were soon abandoned. Yet the consequences of attempting to manage Chinese labor amidst a slave economy in Brazil established a powerful new discourse over the suitability of Chinese workers for the Brazilian plantation economy, which gradually shifted Brazilian imaginaries from appreciative *chinoiserie* to increasingly more xenophobic Orientalism.

Even though the Chinese farm workers and artisans were brought as paid workers on temporary contracts, once on the plantations they were treated almost indistinctly from slaves by their Portuguese/Brazilian masters, and they certainly did not accept this passively. There are documented incidents, for example, when Chinese workers attempted to flee from the slave-like conditions of the tea plantations to which they were bound. Once, when two Chinese farmworkers attempted to run away from the Acclimation Garden, prince Dom Pedro himself (future declarant of Brazil’s independence in 1822) hunted them down with horses and hounds (Lesser 1999). They also refused

¹³ This account is found in his original diary, but mention of the tea plants (and his dismay about them) was removed from the more literary revision of the journal that was published later (Darwin [1839/1845] 2004). This disappointment left a deep impression on Darwin, and certainly contributed to his early thinking on the mutability of species, as he noted in an unpublished notebook: “Collect cases of difficulty of growing plants in all parts of the world, thus tea tree in Brazil must have degenerated, as must spices, etc. etc.” (Darwin [1838] 1987: 370).

to undertake heavy labor. As noted by the German prince and naturalist Maximilian of Wied-Neuwied, who described them as “too indolent, and perform none but extremely light work”, the Chinese used the little Portuguese they had learned to complain that their conditions were better in their home country (Wied-Neuwied 1820: 210-211). This supposed “indolence” was quite certainly result of their resistance to being forced to work as slaves (cf. Scott 1985). Their resistance even became open and organized when they drafted a document that will find eerie echoes when a group of Chinese agribusiness professionals are arrested in Brazil at the height of the Cold War: on September 6, 1819, fifty of them wrote a letter to D. João VI (Figure 2) requesting that Domingos Manoel Antonio, the one among them able to speak Portuguese, be allowed to serve as their “interpreter, director, and consul before the courts and justice” (in Peres 2013: 80). They justified this need because there was no legal representative from their country and they could not speak Portuguese, which has led to “very grave losses to the supplicants, not only physical but moral” (ibid.).

Figure 2. Pages with some of the signatures in the formal complaint by Chinese workers to the King of Portugal and Brazil, 1819, featuring names in *banxi*, Roman transcript, and Portuguese



Source: National Library Archives, Rio de Janeiro, in Peres 2013: 81

Exploited on the tea plantations, and without funds to travel back to China, most of the Chinese attempted to develop other economic activities, and these became even more necessary for them with the economic failure of the tea enterprises. In 1817, Spix and Martius observed:

Only a few of them were now there [in the Acclimation Garden], most of them having gone into the city to carry about for the sale of little articles of Chinese manufacture, particularly cotton and fire-works; sickness and regret for their native country had carried off many of them, and dislike to their situation induced others to disperse. Those who still live here have made round their low huts, which are kept very neat inside, little plantations, which they adorn with coffee [a cash crop] and their favorite flower, the jasmine. (Spix and Martius 1824: 222)

The fact that the Chinese workers were planting *coffee* and not tea on their personal gardens is a remarkable detail. After all, it was not tea but coffee that became Brazil's preeminent new export, thereby extending the slave-based and environmentally-destructive plantation economy for almost another century. "The introduction of the culture of tea into Brazil was a favorite project of the King João VI," remarked Maria Graham, who was intimately familiar with the Portuguese/Brazilian court during the period of independence, but "the Emperor [Pedro I, the Portuguese prince who declared the independence of Brazil], who perceives that it is more advantageous to sell coffee and buy tea, than to grow it at such expense, has discontinued the cultivation" (Graham [1824] 2010: 212). Indeed, upon independence, Dom Pedro I ordered the transformation of the Acclimation Garden from the adaptation of exotic species to diversify the Brazilian economy, to a Botanical Garden that should focus upon improving the commercial monocultures that were already well established in the country, primarily sugarcane and cotton, and developing the culture of coffee that was just beginning to boom (Domingues 2001).¹⁴ Indeed, while tea production required the employment of relatively expensive Chinese contract workers and highly advanced scientific experimentation, coffee production was known in Brazil for a century, and by the early 1800s it was already expanding with slave labor and crude slash-and-burn advances over the Atlantic forest (Dean 1995; Pendergast 1999). Once the newly independent Brazilian government withdrew support from the project, further efforts for Chinese immigration and tea production were halted. Only 49 Chinese individuals were documented to have arrived in Brazil between 1820 and 1840, including a single unnamed woman and one child. About fifteen of them remained around Rio de Janeiro, and the rest scattered through the other places where tea plantations had been attempted, and where coffee production was in fact taking off (Peres 2013).

Since this first Brazil-China agroindustrial partnership, therefore, a relatively small number of individuals straddling business and state functions, and drawing on exceptional scientific and economic expertise, promised incredibly profitable and world-transforming projects that outpaced their effective means of implementation – particularly because they tended to benefit this emerging transnational class of agribusiness professionals over peasants and workers across Brazil and China. This is likely the basis for the common Brazilian expression "a Chinese deal" (*um negócio da China*), meaning a very unusual and supposedly highly profitable business deal that is, most likely, too good to be true. The failure of the tea project and the increasingly ambivalent, if not outright negative opinion among Europeans/Brazilians about the qualities of the Chinese as plantation workers, combined with the defeat of the Qing empire in the First Opium War against the British (1839 – 1842) to launch a new phase of European/Brazilian orientalist xenophobia. Increasingly eugenicist arguments against Chinese immigration due to the fear of "Mongolization" of the nascent Brazilian nation will foreclose a Chinese diaspora in Brazil that could (as will be shown with the case of the Japanese in the following section) facilitate agroindustrial investments in subsequent decades.

¹⁴ The new director of the Botanical Gardens, Friar Leandro do Sacramento, was a renowned natural philosopher from the University of Coimbra, and soon published an *Economic memoir about the planting, cultivation, and preparation of tea*, (Sacramento 1825) to encourage private initiatives with tea plantation in Brazil, but apparently to no avail. The Botanical Gardens, however, expanded its scientific activities, and remains an important botanical and biological research center in Brazil to this day, and was renamed as a Research Institute to reflect its scientific role in 1998 (Domingues 2001).

A drastic change of opinion came in the 19th century, when Western predators became increasingly aware of the relative military weakness and economic backwardness of the Qing empire. China was certainly teeming, but it was also primitive, cruel and superstitious. Respect gave way to contempt, mingled with racist alarm – Sinomania capsizing into Sinophobia. (Anderson 2010: 3).

3. Coolies and fear of “Mongolization”: 1843 – 1900

The second cycle of Brazil-China agroindustrial relations during the 19th century shifted from the Chinese as experts bearing advanced agroindustrial science and technology, to mere labor in a proletarian body. With their victory over the Qing empire, the British led a campaign to abolish the slave trade and replace it with wage labor – including Chinese “coolies” – which transformed and reignited the impetus for plantation-based connections between Brazil and China. The now independent Brazilian empire opened its first consulate in Guangzhou (alongside the European victors of the Opium War) in 1843. The next year, the British secretary for foreign affairs, Lord Aberdeen, formally proposed to the Brazilian Chamber of Deputies that the British navy would effectively substitute the slave trade with the transportation of 60,000 Chinese workers “primarily to the regions where tea cultivation prospers” (Peres 2013: 85). The proposal was rejected by the Brazilian government, but the possibilities of arranging future migrations to supplement (or replace) slave labor remained under consideration, as the legislators did request the Brazilian emperor to commission a study about “the climate and culture of China, and above all about the character, habits, and strength of its inhabitants” (ibid.). There is no archival evidence the government ever produced this study, but its documented request betrays the ambivalent concerns of Brazilian plantation owners over the proposed use of Chinese coolies to supplement or replace African slaves.

It was only after the British began seizing and destroying slave ships along the Brazilian coast in 1849 and 1850 that the Brazilian government reluctantly accepted British demands to end traffic in African slaves, and within two years the price of slaves in Brazil doubled. “The declining sugar plantations in the north could not afford slaves at the new inflated prices, and the expanding coffee plantations [in the southeast] could not get enough at any price” (Meagher 2008: 47). Moreover, the conjunction of environmental, social, and political crises within the Qing empire drove increasingly larger numbers of refugees to the coastal provinces, especially Guangdong, where many found no alternative or were conscripted into migrating as indentured workers to the Americas (Look Lai 1993).¹⁵ Hearing that Chinese contract workers were starting to be employed successfully in Peruvian guano mines and Cuban sugarcane plantations, the idea of importing coolies was finally taken up by the private initiative of plantation owners and the public interest of the government. Sugar planters from Bahia hired an English agent to recruit workers in China in 1855, but apparently without any success. That same year, the first successful private initiative was led by a merchant from Rio de Janeiro (Manoel de Almeida Cardoso) who contracted 303 Chinese workers in the British colony of Singapore to be employed in coffee plantations in São Paulo, who financed the enterprise. The workers only accepted 2-year contracts, however, with free return passage to Singapore. Moreover, as British subjects, they were able to enforce the terms of their contract with the protection of the British legation in Brazil, which made the experiment a financial failure (Meagher 2008: 263).

¹⁵ For more on the socio-environmental crisis of the mid-19th century that drove the outmigration that would become entangled with the “coolie trade”, see Marks (1998) and Elvin (2004).

Meanwhile, the Brazilian government was attempting to obtain support from members of the British parliament for the introduction of 6,000 Chinese workers in Brazil, but when that brokerage failed, a contract was signed with the Boston merchants Sampson and Tappan for the transportation of 2,000 workers over a period of 18 months. A new and more entrepreneurial director of the Botanical Gardens in Rio de Janeiro sought to reignite the tea plantation project and requested that as many as 100 of those workers should be experienced in the cultivation of tea, but the priority was no longer advanced scientific experiments to diversify the Brazilian economy, but the more conservative attempt to rescue the faltering sugarcane plantations: after all, the contract stipulated the remaining 1,900 coolies were required to be experienced in sugarcane (Lesser 1999; Domingues 2001). The Boston merchants delivered a first ship with 368 Chinese laborers in 1856, but were then pressured by the US commissioner in China to sever their contract thereafter, as the US government prohibited further participation in the “coolie trade” (Conrad 1975). This prohibition was due to the fact that the traffic of coolies was already becoming renowned for being predicated on kidnappings and other forms of coercion and deceit in recruitment, inhumane conditions of travel and high incidence of mutinies and mortality at sea, and the subjection of the contract workers to brutal work conditions at their points of destination in the Americas, where abolitionists decried it as a new form or continuation of slavery – while southern US planters certainly welcomed any measure that could curtail international competition as well (Meagher 2008). Still, Cardoso (who brought the first shipment of coolies to Brazil in 1855) successfully brought another 312 Chinese workers from Singapore in 1866, but by then the prospect of growing Chinese immigration began to raise fears that the settlement of coolies would “Mongolize” the nation (Lesser 1999), and the resistance of the Chinese themselves to being forced to work in conditions analogous to slavery began to raise concern among the Brazilian elite.

During the 1850s and 1860s, there were hardly more than 1,000 Chinese workers in Brazil, but several rose in rebellion in the plantations, and labor conflicts soon led most plantation owners to return their hired workers to their labor broker or throw them into prison. Several more fled, and attempted to make a living through petty trade or even begging in the streets of Rio de Janeiro. Thus, Brazilian elites began to see coolies as not only indolent, but also undisciplined and possibly dangerous. Cardoso’s last group of workers remained three months at the warehouses in the port of Rio de Janeiro without any contracts, and were only taken up by the government to undertake public works (Peres 2013). Against the charge that Chinese migration would “Mongolize” the Brazilian race, boosters did not attempt to defend the racial or moral qualities of the Chinese, but simply provided assurances that the Chinese would not establish permanent colonies in Brazil, and that they would never intermarry with Brazilians of any race. Against the growing skepticism that the Chinese could “increase the sum of our agricultural knowledge,” boosters sought to protect the image of coolies as “hard working”, but also began to characterize the Chinese as an especially “impoverished, politically unsophisticated, and *servile* people accustomed to low status and, most important, willing to work for the lowest of wages” (Lesser 1999: 18; Conrad 1975: 43, emphasis added). In a very telling pamphlet, a booster of Chinese migration pointed out (correctly) that most bad experiences with coolies so far were due to the failure to recruit proper farmworkers, as the majority of those who indentured themselves (or very often were coerced or deceived into indenture) did so as their only alternative to starvation (Meagher 2008). Such nuanced discussions of the Chinese were largely lost in the Brazilian imaginary, however, as the *condition of coolie* began to be increasingly associated with the *character of the Chinese*.

As the movement for abolition of slavery gained momentum in Brazil during the 1860s, the pressure of plantation owners mounted against the Brazilian government. So in 1869 and 1870, the Ministry of Agriculture produced several reports encouraging European immigration and the coolie trade. However, European migrants were largely resistant to integrating the slave economy in Brazil, when better alternatives seemed available in the United States, Canada, and even Argentina. And so, two Rio de Janeiro merchants were entrusted with brokering further imports of Chinese contract

workers. To assuage fears of “Mongolization”, the government stipulated that at the completion of their contracts, the Chinese workers had to re-indenture themselves or leave the country within two months, thus being excluded from becoming Brazilian citizens. However, the Qing government had begun to enforce prohibitions against the coolie trade (given its coercive nature at every turn from recruitment, transportation, and work at the destination), and the Brazilian delegation’s efforts failed (Luo 1980). Four years later, some more adventurous merchants orchestrated the shipment of 1,000 undocumented Chinese workers as contraband. Then in 1876, boosters in the legislative assembly of the province of Bahia proposed to finance further shipments of coolies, but without any success (Meagher 2008; Peres 2013).

It is notable that by the last quarter of the 19th century, boosters for Chinese migration were no longer intellectuals attempting to diversify and modernize the Brazilian economy, but more simple merchants and plantation owners seeking to sustain an increasingly backward plantation economy against the proposed transition to wage labor on the large estates and the encouragement of European immigration to establish smaller-scale commercial farms. Influential intellectuals and renowned scientists, on the other hand, particularly those associated with the rise of modern medicine, and later in the early 20th century advocating full-blown eugenics, became some of the most vocal critics of Chinese immigration, as it threatened to “Mongolize” the Brazilian race, which needed “whitening” with European migration instead (Schwarcz 1999; Lesser 1999; Prado 2005).¹⁶

The main exception became the Brazilian prime minister Cansação de Sinimbú, who promoted the “coolie trade” with great ardor as efforts to broker imports of Chinese contract workers faltered. First, he commissioned an extensive report on *Asian Laborers* from the Brazilian consul in New York, which argued, based on the experiences in the British colonies and the United States itself, that Chinese migration “is the only that can currently rescue our agriculture [during] the transition from servile to free labor” (Mendonça 1879: vi). Even with its boosterism resting on extensive historical, geographical, and scientific data on China and Chinese workers abroad, that report still sought to demonstrate its “objectivity” with the assertion that the Chinese bear multiple vices: they “are suspicious, untrustworthy, and liars, who don’t create love for the land to which they migrate... but while that [last vice in particular] is a defect for permanent migration, which we desire to be assimilated, it is an advantage when dealing with a transitory migration to give continuity between the African and European labor” (ibid. 221-222). Clearly, the intellectual motivation for Chinese migration was purely economic, and the character of the Chinese in the Brazilian imaginary was abandoned to sinophobia.

Then in 1878, when 350 Chinese workers were arrested in the most widespread upheaval of coolies in Brazilian history, the leading plantation owners gathered for Agricultural Congress in Rio de Janeiro and Recife (capital of Pernambuco state) to debate and promote their economic and political interests, including whether to encourage or foreclose Chinese migration to Brazil (Peres 2013). In a show of great political acumen, Sinimbú was able to intervene in this “Chinese question” to broker the support of the Agricultural Congresses:

Though individual planters... roundly condemned the Chinese as a race that was “corrupt by nature,” and “physically and morally depraved by opium,” and hence could only see their introduction to Brazil as a “calamity,” the majority of the planters expressed a willingness to

¹⁶ Note, however, that early critics of Chinese immigration also rested on the advocacy of particularly intellectual plantation owners, most powerfully represented by Luiz Peixoto de Lacerda Werneck, an influential coffee planter from Rio de Janeiro with two law degrees from the Paris Academy and the University of Rome. Lacerda Werneck continued being cited as the most authoritative reference against Chinese immigration throughout the 19th century (Lesser 1999: 18-19).

import Chinese, but only as a temporary measure during the difficult period of transition from slavery to wage labor. (Meagher 2008: 267)¹⁷

With the qualified support of the Agricultural Congresses, prime minister Sinimbú organized a government delegation to China, hoping so sign a treaty that would lift restrictions on the migration of contract workers to Brazil. However, an alliance of Brazilian and British abolitionists forewarned the Qing of the intentions of the Brazilian delegation, accusing them of seeking to take Chinese workers into conditions analogous to slavery.¹⁸ This first Treaty of Friendship, Trade, and Navigation between the Empire of Brazil and the Qing Empire signed in 1881, therefore, contained no provisions for the emigration of Chinese workers, dealing a severe blow to boosters of the coolie trade. In Chinese historiography, this moment is seen “as a great victory of Chinese anti-imperialism and anti-feudalism” (Luo 1980, in Li 2006: 193).

Two private Brazilian initiatives to bring Chinese coolies for the coffee plantations of São Paulo attempted to circumvent the restrictions of the Qing empire 1880 and 1881, but without success. It was only in 1882 that the Brazilian government established the Company for Trade and Chinese Immigration (Companhia de Comercio e Imigração Chinesa – CCIC) with the goal of transporting 21,000 workers over the course of 3 years. In order to conform to Qing legal requirements, the CCIC negotiated with a newly established Chinese firm for the recruitment and transportation of the contract workers, the China Merchant’s Steam Navigation Company, founded by the entrepreneurial bureaucrat Li Hungchang. He dispatched a wealthy Cantonese entrepreneur, Tang Tingshu (identified in Brazilian documents as Tong King-sing), to negotiate the terms of the contract with the CCIC in Brazil. Upon his arrival in Brazil, dressed in Chinese silks but speaking fluent English, and accompanied by a well educated mulatto from California as his secretary, Tang Tingshu evoked great bewilderment among Brazilian planters. Tang then learned from the Brazilian emperor that the large subsidy for the CCIC enterprise would not be covered by the Brazilian government, but paid by the plantation owners themselves, who planned to recoup this expenditure from the labor of the coolies. Tang abruptly ended his negotiation in Brazil and returned to China, asserting that his company would not be part of any contract for forced labor (Lesser 1999: 31; Meagher 2008: 269).

The CCIC was dissolved the following year, and it was only ten years later in 1893, after the abolition of slavery in Brazil (1888) and the republican overthrow of the imperial government (1889), that the Metropolitan Company of Rio de Janeiro brought the last group of Chinese agricultural workers to Brazil that century, estimated at 375 to 475 individuals. Another 107 Chinese immigrants would only arrive in São Paulo in 1900, but already without state support or prearranged labor contracts (Peres 2013). By that time, sinophobia had so gripped Brazilian imaginaries that the newly installed republican government was not only disinterested in the coolie trade, but even began to restrict the entrance of Asians along with Africans (Dezem 2005). Thereafter, Chinese migration to Brazil became virtually nonexistent until the Communist victory in 1949, when there was a small wave of migrants from Macao (Dore 2000).

The manner that tea production and coolie trade projects were assembled but largely failed despite private initiative and government support illustrates the essential role of a relatively small and internationally-oriented emerging class of boosters, brokers, bureaucrats, and businessmen, and the

¹⁷ For an in-depth analysis of the “Chinese question” in the Agricultural Congresses of 1878, see Peres (2013).

¹⁸ “It has been confirmed not only by history but by their own experience that in any country in which slavery exists neither treaty provisions nor laws will prevent imported and contracted labor from becoming a virtual slavery, and therefore any treaty between China and Brazil... must infallibly result in the virtual enslavement of the unfortunate migrant” (statement of the British and Foreign Anti-Slavery Society to the Zeng Jize, minister plenipotentiary of the Qing emperor to the United Kingdom, quoted in Lesser 1999: 29).

remarkable transition in the Brazilian imaginary of the Chinese from well regarded and trustworthy merchants, and even admirable agroindustrial experts, to an Orientalist xenophobic characterization of the Chinese as racially inferior, servile, indolent, untrustworthy, and perhaps even dangerous Others that should be actively excluded from the Brazilian nation. Coffee had become king in Brazil, rather than tea, and coffee merchants promoted themselves as progressives who favored the immigration of small-scale European settlers, while Chinese immigration was denounced as a regressive effort to sustain backwards plantations (Dean 1995; Lesser 1999). In the next section, I will demonstrate how the advancing eugenicist arguments that justified Chinese exclusion became dialectically related to an increasingly positive account of the Japanese, who migrated to Brazil in large numbers from 1908 until World War II, and how this divergence came to characterize yet another faltering foundation of Brazil-China agroindustrial partnerships during the 20th century.

4. Japanese Migration, Cotton Connections, and the Seeds of the Soy Boom: 1908 – 1955

The 20th century opened with the anti-imperialist Boxer Rebellion in China, and as the “Old Republic” government in Brazil embarked in a project of constructing a post-slavery society, immigration mushroomed, making debates over race and eugenics even more pronounced. Rising anti-Chinese sentiments in the US and other countries of Latin America, particularly where second-generation communities were being established, were echoed in Brazil and resulted in immigration restrictions that further limited the flow of Chinese workers. Instead, European migrants were proactively favored in government policy and public discourse to “whiten the Brazilian race”. Moreover, the rapid modernization and “westernization” of Japan during the turn of the century led Brazilian (and other Latin American) policy-makers to distinguish them from Chinese coolies, allowing and even encouraging their immigration “on the assumption that they might prove superior to the Chinese. Consequently, after the turn of the century Chinese immigration was largely superseded by that of the Japanese” (Tigner 1981: 460). China soon became embroiled in revolution and civil war, and although the Brazilian government recognized the republican government of Sun Yat-sen in 1913, trade and diplomatic relations between both countries were largely abandoned. Japan became the focus of Brazil’s economic and diplomatic engagements in East Asia, and the connections established by Japanese immigrants in Brazil and their homeland through cotton and, later, soybean agribusiness laid the foundation for the agricultural modernization of Brazil, which would bring Chinese agribusiness professionals back during Cold War searching for cotton and, later, soy exports.

Encouraging the immigration of European farm workers and settlers became policy of the “Old Republic” government in Brazil (1889–1929).¹⁹ São Paulo state especially, where coffee plantations expanded the most, dispossessing the indigenous that still survived in the Atlantic forest with its rich red soils underneath, paid the passages of European immigrants willing to sign contracts with coffee plantations:

More than a million of them—Italians, mostly, but also Spaniards, Portuguese, and others—arrived between 1888 and 1914, attracted as well by the news that slavery had finally been one away with. They were provided groves to tend and paid in piecework, and they encouraged their relatives and friends to join them... These free passages represented a considerable

¹⁹ I don’t elaborate on the racist and eugenicist production of discourses and policies that encouraged European migration because this has already been the focus of extensive studies; for the best account of the role of doctors, lawyers, and other intellectuals and scientific institutions in this process, see Schwarcz (1999), and for a good discussion of how debates about race and immigration articulated with questions of citizenship during this early period, see Prado (2005).

transfer of resources from the rest of the... citizenry to a single sector for the benefit of a small number of landowners, all in the hopes of eventually raising state revenue from export taxes. This hope was indeed realized: Coffee came to supply three-quarters of the budget of the state of São Paulo, and coffee paid for much of Brazil's imports. (Dean 1995: 220)

The first law of the republic to legalize and encourage migration in 1890 placed special restrictions requiring congressional approval for immigration from Asia. This restriction was lifted in 1892 to enable what became the last government delegation to seek Chinese coolies the following year, but even the Brazilian diplomat who headed that mission reported back that Chinese immigration would be a “moral harm to Brazil”, while favoring Japanese immigration instead, as there he asserted they could find “better and more economic workers” (Dezem 2005: 111). Indeed, the new Brazilian republic shifted focus in East Asia towards Japan, where diplomatic relations were established signing a Treaty of Friendship, Commerce, and Navigation in 1895. There were still, of course, powerful xenophobic voices among the Brazilian elite, particularly sugarcane plantation owners from the northeast who opposed all migration, independently of its origin, as a threat to their already decadent economy. But coffee planters, as well as merchants, bureaucrats, and other urban elites began to boost Japanese migration with arguments that had never before been included in the earlier debates about the “Chinese question”: they reasoned that Japanese immigration could also expand bilateral trade with the fast industrializing Japan, which could in turn strengthen the Brazilian shipping industry, and even its own industrialization process (ibid.; Tsushida 1978).

The reversal in the general opinion of the Brazilian elites between the Chinese and Japanese over the turn of the 20th century was dramatic. The earlier report on *Asian Laborers* commissioned by prime minister Sinimbu in 1878 to boost the coolie trade in Brazil found it “necessary to indicate succinctly the advantage of the Chins over the Japanese as immigrants. All that is admired in Japan was a reflection of China. From the Chinese classics the Japanese plucked the flower of literature, they teach Confucius at their school, and speak Chinese as a more polished language than their own” (Mendonça 1878: 24). At that time, the Meiji restoration was only in its first decade, but in another fifteen years Japan would be defeating the Qing empire at a war for influence over the Korean peninsula (1894 -1895), and exactly ten years later Japan would even defeat the Russian empire over influence in Manchuria (presently northeast China).²⁰ The second Japanese victory above all shocked observers in Brazil and the rest of Americas and Europe, who saw “that the ‘yellow element’ could be divided in two racial poles: the Japanese, positive and in ascension, and the Chinese, negative and in decline” (Dezem 2005: 233-4). However, this dialectical relation through which the Japanese were gradually distinguished as superior to the Chinese did not eliminate anti-Japanese fears and concerns. Many were influenced by debates in the US, where a strong current of Chinese immigration had taken place until the Exclusion Act was issued in 1882, renewed in 1892, and made permanent in 1902; and also where a new variant of Orientalist xenophobia was taking shape against the “yellow peril” of Japanese imperial expansion and immigration. A San Francisco (California) newspaper in 1900 illustrates the heart of that debate thus: “the sniveling Japanese, who swarms along the streets and cringingly offers his paltry services for a suit of clothes and a front seat in our public schools, is a far greater danger to the laboring portion of society than all the opium-soaked pigtailed who have ever blotted the fair name of this beautiful city” (quoted in Lyman 2000: 698). In other words, the Japanese might be industrious and oriented towards education, but that relative superiority to the Chinese itself

²⁰ The Russo-Japanese war (1904 - 1905) was fought primarily over Port Arthur/Dalian in Manchuria, present day Liaoning province in China, as Russia sought a warm-water port it could operate all year on the Pacific (unlike the port of Vladivostok). The war ended with a clear Japanese victory, and Russia ceded not only Manchuria to the Japanese, but also the southern portion of the Sakhalin islands, and recognized Japanese control over the Korean peninsula as well.

became cause for another sort of alarm, that the ascendant Japanese could outcompete Euro-Americans at home and abroad.

This ambivalent Orientalist view of the Japanese emerged in Brazilian discourse especially through the Russo-Japanese war (1904-5), when the “inferiority” of China and the Chinese became consolidated in the very fact that its northeastern provinces were reduced to the spoils of the conflict between an old European power and a rising Japanese empire. In a remarkable analysis of a magazine that conducted a poll of support for the Russian or Japanese sides of the war the month hostilities commenced, Dezem (2004) shows that Brazilian public opinion favored the Japanese 4:1, but the reasons provided demonstrate more idealization than familiarity with Japan itself, and reflect above all opinions about Brazil’s own place in the imagined international community. After all, while the Japanese were indeed described as “brave, loyal, and heroic” in the justifications of the votes (as in many other statements in the rest of the Brazilian press), it was for representing a relatively “young” and “weak” nation drawing upon the “nationalist spirit of its sons” to overcome a Russian empire that represented the “old, decrepit Europe” that many justified their position (ibid.: 243-257). Implicit, of course, is the projection of the young Brazilian republic also striving to modernize and place itself on better terms against its erstwhile colonizers in Europe and its neighboring American republics.

Dezem (2004) also traces how illustrations representative of Japan in Brazilian magazines show this transformation from 1878 to 1908. At first, China was symbolized with depictions of Chinese *men* in traditional clothes and pigtailed, and these were increasingly contrasted with depictions of *women* as *geishas* to symbolize Japan. The exoticism was sustained in both forms of Orientalism, as well as the notion of inferiority and servility associated with both coolies and women. But the threatening aspects of this Orientalist exoticism were attenuated for the Japanese precisely through the gendered distinction, as the feared penetration of the Brazilian nation by inferior Chinese working men was counterposed with the passivity of women who served aristocratically in a distant land. Then especially with the Japanese victory over Russia, the depiction of Japan as the “country of the *geishas*” was matched by depictions of Japan as the “country of the *samurai*”, shedding aspects of the Orientalism that denoted inferiority and servility with “virile” images of traditional samurai or modern, and victorious, soldiers. Nevertheless, it was precisely this new *male* vision of the Japanese as “brave, loyal, and heroic” that would then be inverted to xenophobia with the onset of Japanese migration to Brazil, and escalate into anti-Japanese hysteria during the Second World War (Takeuchi 2002, 2008).

Another important aspect that formed the dialectical distinction between the Chinese and the Japanese in Brazil was the very proactive role of the Japanese state in constructing this discourse. In 1894, the Japanese government sent a special immigration envoy to Brazil to gauge its suitability for Japanese migration. Unlike Tang Tingshu who arrived two years earlier in silk robes on a similar mission from China, the Japanese envoy always wore Western-style suits, and successfully balanced the fears of Brazilian plantation owners of unassimilable and inferior races with their eagerness for cheap and docile workers: he asserted in no vague terms that the Japanese were the “whites” of Asia, but unlike the Italian and other European immigrants who were already becoming embroiled in labor rights struggles (some already even being deported for advocating socialism and anarchism), he assured that Japanese migrants would be quiet, hard-working, and eager to assimilate. “We can improve our standard of living, buy property, educate our children, and live happily,” he told a Brazilian newspaper at the time (in Lesser 1999: 82). That first Japanese delegation did not generate a colonization contract, but it did set very distinct terms in which Japanese migration would be pursued and conceived in Brazil, particularly in its contrast with the previous efforts establish temporary labor

contracts with all-male Chinese workers, who were feared to be indolent and racially inferior, while still remaining a docile workforce willing to work for low wages, unlike the European settlers.²¹

The role of the Japanese government in encouraging outmigration was fundamental for the whole process that ensued (and contrasts sharply with the Qing empire's restrictions on outmigration, and consequent lack of support for its diasporic communities). The imposition of property rights on Japanese farmland during the Meiji restoration, from which heavy taxation was derived for fast-paced industrialization and military build-up, impoverished the peasantry and drove those who could no longer afford the taxes out of the countryside. This process led to a rise in labor strikes and agitation by landless peasants, which in turn motivated the Japanese government to encourage migration to Taiwan and Korea after the Sino-Japanese war of 1894-5 as an escape valve for these tensions, and source of cheap agricultural and mineral imports for the Japanese homeland. With the enclosure of the commons in Okinawa and the Ryukyu islands, and the imposition of taxation there as well after 1903, additional outlets were needed for a new wave of outmigration. These were sought in Australia, Hawaii, and North America (particularly California and western Canada), where it began to trigger an anti-Japanese backlash. It was only after 1907, when these countries imposed bans or restrictions on Japanese immigration (e.g. the US prohibited migration of Japanese from Hawaii to the mainland), that the Japanese government and semi-private colonization agencies shifted focus to Brazil (Tsuchida 1978; Lesser 1999; Masterson and Funada-Classen 2004; Endoh 2009).²²

The first arrival of Japanese immigrants to Brazil took place in 1908. Among the 797 migrants, 180 were women, and all were dressed in European-style clothes and shoes made in Japanese factories, which evoked a good impression among Brazilians who noted especially their "cleanliness" and orderliness. "The race is very different, but it is not inferior," concluded a front-page report about their arrival, even while this relatively positive assessment was still portrayed in terms of "hardworking docility" (in Lesser 1999: 87). Ironically, about half of the migrants in this first ship were actually Okinawans who were not considered properly Japanese in their homeland, and they only "became Japanese" upon their arrival in Brazil. Moreover, the contract that secured their migration to Brazil stipulated they should be experienced agriculturalists, committed to 6-month contract in coffee plantations in São Paulo. However, neither the migrants nor the plantation owners conformed to contracted expectations. Several Brazilian plantation owners complained the Japanese were no more willing than European immigrants to accept work conditions analogous to slavery, and some even withheld wages and other benefits, triggering strikes and abandonment of the plantations. Most immigrants, in turn, were not agriculturalists but an assorted proletariat, and many of the "families" they constituted were merely pretense among single youth to gain recruitment subsidies from the Japanese colonization agency. A major strike that first year was only resolved when the Japanese government itself intervened, brokering the dismissal of 24 leaders of the strike, and covering their relocation costs to Rio de Janeiro, and arranging other employment for them (Lesser 1999; Masterson and Funada-Classen 2004).

This problematic start led the Japanese government to refine its efforts to encourage and support emigration to Brazil: the São Paulo state government still subsidized their transportation to Brazil between 1908 and 1924, but the Japanese government brokered the creation of semi-public colonization associations to raise additional funds, recruit and even train migrants before sending them

²¹ This event in 1894 was not exceptional, but only the first instance characteristic of what became a sustained Japanese diplomatic effort to reconfigure Brazilian (and other "Western") views of the Japanese as "whites", or at least distinct from and superior to other Asians (Lesser 1999; Endoh 2009).

²² While Tsuchida (1978), Lesser (1999), and Masterson and Funada-Classen (2004) provide very good accounts of Japanese migration to Brazil, it is Endoh (2009) who produced the most in-depth study of the Japanese government's politics of emigration towards Latin America. Endoh's work is especially notable for its detailed accounts of the policies and institutions generated by the Japanese government to orchestrate emigration and support its diasporic communities.

abroad, and focused especially on guaranteeing that migrants were in fact experienced and committed agriculturalists (Endoh 2009). The following arrival in 1910 (which included 906 individuals, 391 among them were women) did not result in such widespread dissatisfaction among either migrants of plantation owners, and emigration increased further from 1912 to 1914 (when a total of 13,289 individuals arrived, including 5,256 women). Although many of these migrants were indeed experienced farmers who arrived as whole families, they still maintained a “sojourner mentality”, imagining they would work in Brazil for a few years and return to Japan with huge sums of money (Tsuchida 1978; Masterson and Funada-Classen 2004). Given the low wages and high cost of consumer products at the coffee plantations, however, they refused to stay any longer than necessary, and began coordinating with colonization associations in Japan to transition towards independent farms and Japanese-run settlements as soon as possible. In order to coordinate this transformation, the Japanese government brokered the merger of three ailing immigration agencies into the Overseas Development Company (Kaigai Kogyo Kabushiki Kaisha, known as KKKK in Brazil and Kaiko among the Japanese). The KKKK would not only recruit and transport migrants, but also extend loans to the diaspora and invest in colonization projects abroad. Between 1915 and 1923, another 15,582 Japanese and Okinawan migrants arrived in Brazil, and over the course of two to five years, most transitioned successfully from wage workers on coffee plantations through periods working as sharecroppers (*meeiros*) or lease farmers (*arrendatários*), until they could acquire a small-scale farm of their own (*sítio*) (Masterson and Funada-Classen 2004: 75).

As Japanese migrants worked hard to transition from wage workers into independent farmers, they generated a very positive image in the eyes of the Brazilian elite. In the words of a plantation owner and congressman for a report on Japanese migrants commissioned by the congressional committee on agriculture, they were not only “disciplined and docile,” but also “very sober, honest, orderly and, above all, industrious without comparison” (Oliveira Botelho 1925, in Tsuchida 1978: 218). Their transition as sharecroppers and lease farmers was enabled above all by the fact that Japanese migrants realized they could use swamps and other lowlands considered marginal for coffee plantations for rice production. “How admirable their farming is!,” remarked the congressman, “in our agricultural properties, swamps are scorned and considered unusable areas, [here] they are the most valuable lands. The Japanese till the swamps painstakingly, draining or irrigating them as the crop may require it” (ibid.: 192-193).²³ Between 1926 and 1939, Brazilian rice production more than doubled, largely due to efforts and agricultural innovations of Japanese migrants in São Paulo (Normano and Gerbi 1943). Japanese migrants were also the first to sustain cultivation of soybeans in Brazil, which had been brought for failed experimental adaptation in 1893 (Shurtlef and Aoyagii 2009). However, the soybean produced were only for their own consumption rather than domestic or international markets (Endoh 2009). It was also with Japanese migrants that commercial tea production was finally successfully established in Brazil. Tea cultivation commenced in 1919 and already by the mid-1920s generated profitable exports. These shifts towards more diversified farming systems began already while Japanese migrants worked in coffee plantation, where they cultivated food crops between the rows of coffee trees. It also protected them and their descendants, called *nikkei* in Brazil²⁴, from being seen as competition to the well-established Brazilian coffee monocultures, and

²³ Even the congressman’s fears that working in swamps/rice paddies could cause and spread malaria were dismissed when he investigated their homes, which he found “irreproachably clean”, and their families, who “looked enviably healthy” (Oliveira Botelho 1925, in Tsuchida 1978: 193).

²⁴ The Japanese term *issei* refers to “first generation immigrant”, and in the US it became common for the Japanese community to use the terms *nissei* and *sansei* to refer to “second” and “third generation” descendants of these immigrants. Until the late 1920s, however, most Brazilians as well as Japanese migrants themselves referred to them *and their descendants* simply as “Japanese”. By the 1930s, the term *nikkei* began to be used to distinguish Japanese-Brazilians from both the immigrant generation and also from Japanese-Americans in the US. At the Pan-American Nikkei Conference in São Paulo

also enabled them to supply a wide array of food and other agroindustrial crops to the fast growing cities and industries of São Paulo (Tsuchida 1978).

A conjunction of factors in 1924 caused a renewed impetus for Japanese migration to Brazil that became increasingly associated with a cotton boom and growing trade and investments articulated with the Japanese textile industry. Japan was facing a post-war depression and a major earthquake displaced thousands, the same year when the São Paulo state government ended its subsidies for immigration, and the US also completely banned the entrance of the Japanese due to growing xenophobia. The Japanese government understood it had to avoid similar restrictions in Brazil to sustain outmigration as a “political decompressor” at home, so it initiated a policy of “prosperous coexistence” for its diasporic communities, resolving to send not only surplus labor abroad but also capital investments for the mutual benefit of its emigrants and their new homeland (Endoh 2009). The “sojourner mentality” of the migrants did not disappear immediately, but the KKKK did take up all travel costs from Brazilian governments, and expanded efforts to acquire land in Brazil on which to establish colonization projects, as well as its extension of subsidized loans and even technical assistance to migrants who were already establishing their own independent production. In 1927, the Japanese government also unified all colonization associations into a Federation of Immigration Cooperative Societies, which created the Brazil Colonization Corporation (Brasil Takushoku Kumiai, or BRATAC) to facilitate purchasing land for colonists in Brazil, establishing cooperatives, and investing in agroindustrial processing and infrastructure at their colonies.²⁵ Between 1924 and 1935, Japanese emigration to Brazil reached its zenith with a total of 141,732 individuals making the voyage across hemispheres, settling primarily on over 219,000 ha purchased by BRATAC and the KKKK. It was during this period as well that Japanese immigrants and *nikkei* began organizing themselves into cooperatives, at first independently and soon with support from the Japanese consulate in São Paulo, the KKKK, and BRATAC (Tsuchida 1978; Masterson and Funada-Classen 2004).

The first, largest, and most influential was the Cotia Agricultural Cooperative. Cotia was only a village 30km west of downtown São Paulo when Japanese immigrants began to settle there and produce potatoes and other vegetables for sale in the growing metropolis, as well as coffee and cotton for domestic industries and export. It became one of the earliest hubs of the Japanese community in Brazil, and even after a century of urban expansion, Cotia sustains the production of several labor-intensive, high-value crops such as vegetables, fruits, and flowers, marking it as São Paulo’s current the peri-urban edge.²⁶ The Cotia Agricultural Cooperative began in 1927, when 83 members came together to strengthen their commercialization of potatoes (Saito 1964). In less than ten years, the cooperative had already expanded to neighboring municipalities and included about 2,000 members, making it the largest agricultural cooperative in Brazil at the time. By 1934, there were about fifty more *nikkei* cooperatives and trade associations in Brazil, which the Japanese government’s Colonial Ministry organized into a Central Association for Japan-Brazil Trade Unions (Endoh 2009). This widespread and state-supported cooperativist movement became the fulcrum of the economic success of Japanese immigrants and *nikkei* in Brazil, as well as their articulation with the Japanese government

in 1985, the term *nikkei* was formally adopted to describe all Japanese descendants in Brazil regardless of their generation, and I follow this practice when referring to Japanese-Brazilians in Brazil as the “nikkei community” (Lesser 1999: 127).

²⁵ BRATAC supported the colonization initiative not only by acquiring farmland, but even engaged in the construction of roads and railways to its colonies, and subsidized the establishment of agroindustrial processing enterprises and commercialization cooperatives. In order to sustain such large-scale investments, BRATAC also required that migrants contribute the equivalent of \$798 USD for the down payment and operational capital of their own settlement, which excluded poor migrants from the emigration project, but also reassured the successful economic establishment of these colonies with households that already had relatively more resources (Tsuchida 1978; Masterson and Funada-Classen 2004).

²⁶ Cotia currently hosts Latin America’s largest Buddhist temple, and its importance for the *nikkei* community remains as the founding place and headquarters of their most important agricultural cooperative.

and agroindustrial sector's interests, especially after the crash of coffee prices in 1929 and the onset of the Great Depression. During the 1930s, Japanese migrants shifted en masse from coffee to cotton as their primary cash crop, making the bottom-up efforts of Japanese migrants dovetail powerfully with initiatives of the Japanese government and private agroindustrial and trading corporations to encourage international migration and trade in cotton and textiles.

Cotton production in Brazil before the 1920s was concentrated in the plantations of the northeast, but with the fast industrialization of São Paulo state in the southeast (where textiles represented 31% of the state's industrial output in 1920), the state government began to encourage the cultivation of this crop through agricultural extension and subsidies. Between 1930 and 1940, the contribution of São Paulo to the national cotton output mushroomed from 10% to 70%, and over 43% of this amount was in the hands of Japanese migrants and *nikkei* (Tsuchida 1978). This was a result of a concerted effort by the Japanese government to provide technical assistance for its community to grow cotton (through its consulate staff and state-owned colonization companies), and the private initiative of major Japanese textile companies that set up subsidiaries in Brazil to finance Japanese and *nikkei* cotton growers, purchase and process (gin) their harvests, and export it back to Japan. The scale of this transformation was astounding: São Paulo state did not export any cotton before 1932, and Japan also did not import any cotton from Brazil before that time, but by 1939, Japan was Brazil's largest market for cotton exports, and 80% of that amount came from São Paulo state alone. By the end of that decade, joint-ventures between BRATAC, Japanese agribusiness companies, and *nikkei* cooperatives established three cotton gins, two rice mills, two silk factories, a cottonseed processing facility, coffee processing facility, sugar mill, and dozens of schools, hospitals, and warehouses operated by *nikkei* cooperatives in their settlements (Tsuchida 1978: 258, 309-310).

This dramatic transformation was also the result of trade disputes between Japan and the British on cotton and textile trade with India in 1932, and raised alarm in the US and UK that Japan's growing emigration, trade, and investments in Brazil amounted to "almost feverish attempts" to displace US and European influence in the region, and secure "raw materials having a distinct relationship to heavy industrial or military necessities" (Normano and Gerbi 1943: 17). The military significance of the cotton/textile agroindustrial sector and its imperial connections—depicted brilliantly in Beckert's *Empire of Cotton* (2014)—was exacerbated through its articulation with silk production, which was just becoming a strategic resource for the production of parachutes that were radically transforming warfare at the time. A US report about *The Japanese in South America* commissioned during the height of World War II noted that the "Japan Cotton Trading Company is engaged not only in cotton trade [in Brazil,] but also in the silk industry; and it is pioneering in tea culture... They produce 46% of the cotton, 57% of the silk, and 75% of the tea [and] they control a substantial part of the food supply of the city of São Paulo" (ibid.: 39). The report also highlighted that this Japanese dominance over Brazilian cotton exports "happened despite the fact that Japanese cotton growing in São Paulo supplied to an ever increasing extent a raw material for Brazilian manufacture in competition with one of Japan's most important export industries" (ibid.: 53). Originally written before Brazil entered the war on the side of the US and its allies, the report raised the troubling concern: "To what extent was the Japanese trade drive in Latin America, and more in particular the minutely planned combination of industrial investments and colonization in Brazil, part of a program of war preparation?" (ibid.: 57). This got to the heart of a sharp turn of Orientalist xenophobia against the Japanese in Brazil, whose "model minority" characterization became increasingly embroiled with discourses of "yellow peril" (Takeuchi 2002, 2008).

Indeed, by the 1930s the economic success of the Japanese settlers and the rise in nationalism all around the world began to generate concerns among Brazilians about the increasingly prosperous *nikkei* community in their midst. Tsuchida (1978: xvi) argues that even during this period "the anti-Japanese movement in Brazil was devoid of economic discrimination," which does reflect a contrast

with Peru and the United States where Japanese were forbidden from owning property, but most other researchers are less sanguine about this fact (e.g. Lesser 1999; Masterson and Funada-Classen 2004; Takeuchi 2002, 2008; Endoh 2009). After all, once Japan invaded Manchuria (northeastern China) in 1931 and began large-scale colonization efforts, Brazilian elites began to be concerned that Japanese immigration might be motivated by (or articulate with) Japan's imperialist ambitions. The growing power of Japanese immigrants in Brazil became particularly evident when the Cotia cooperative, which already supplied half the potatoes to the metropolis of São Paulo, began to expand into distribution, and "Brazilian middlemen of Spanish and Italian descent organized a boycott that failed when the CAC [Cotia Agricultural Cooperative] stopped selling to nonmembers" (Lesser 1999: 111). While the directors of Cotia and the Japanese consulate dismissed accusations this was a political or diplomatic issue, but simply "a conflict between potato producers and merchants" (ibid.), the ability of the Japanese government-supported Cotia cooperative to outmaneuver São Paulo's produce wholesalers and establish its own distribution system evoked a powerful backlash against Japanese immigration and the *nikkei* community. The Vargas administration that had come into power through a coup in 1930 became increasingly fascist and authoritarian along the decade, when it developed a campaign of *Brasilidade* (Brazilianness). In 1934 it imposed immigration quotas, which targeted the Japanese above all, then in 1937 it began closing down *nikkei* schools in their settlements, and in 1939 it prohibited the use in print or speech of any language other than Portuguese. These restrictions targeted all foreigners, and even though Germans and Italians constituted a larger and perhaps even more influential diaspora in Brazil, it was the Japanese who were the most conspicuous targets of "hysterical search for fifth columnists" (Normano and Gerbi 1943: 57). Hundreds of Japanese immigrants and Brazilian-born *nikkei* were arrested, accused of spying or sabotage, and the Cotia and all other *nikkei* cooperatives and businesses were placed under government administration (Takeuchi 2002, 2008).

What made Japanese immigrants and *nikkei* in Brazil especially vulnerable to this xenophobic backlash and wartime crackdown was the longer history of Orientalist xenophobia and the contemporary fact that Japanese settlements and communities remained largely isolated from the rest of Brazilian society (except, of course, through their commercial exchanges). The "sojourner mentality" of this first wave of Japanese migrants meant they made no significant efforts to assimilate into Brazilian society, but made strong efforts to maintain their own language and culture—especially in the education of their children—imagining they would soon return to their homeland. Although the Japanese government formally encouraged the assimilation of its emigrants into their "adopted countries", it nevertheless funded these Japanese-language schools and cooperatives that enabled the *nikkei* community to continue (and thrive) largely separated from the rest of Brazilian society (Endoh 2009). The most eugenicist arguments that emerged against further Japanese immigration during the 1930s focused especially on their presumed unassimilable Otherness, and reheated all previous Orientalist discourses of racial inferiority and the dangers these "yellow cists" pose to the "health" of the Brazilian nation (Schwarcz 1999; Masterson and Funada-Classen 2004). Nevertheless, with the exception of a few hundred individuals living near the port of Santos, the *nikkei* community in Brazil was not subjected to mass relocation, internment, or deportation (as was the case in Peru and the US). Some argue that such measures were not seen to be necessary since the *nikkei* community was primarily rural, and so it was not considered much of a threat to Brazilian industries, cities, or government power in the southeast. The flipside is that they were so important for the provision of food to São Paulo and other cities in the southeast that mass internment or deportation would risk disrupting domestic food supplies. Moreover, there is some evidence the Brazilian government actually feared the *nikkei* community was actually well armed and supported by the Japanese empire, so a military backlash was considered a major risk in case of mass internment or deportation (Normano and Gerbi 1943; Lesser 1999; Masterson and Funada-Classen 2004).

This relative disjunction between the *nikkei* community and the rest of Brazilian society in a time of hysterical anti-Japanese xenophobia also produced one of the strangest episodes in the history of East Asian diasporas in Brazil. The clandestine circulation of Japanese-language newspapers in the isolated rural *nikkei* communities and the xenophobic backlash from the rest of Brazilian society promoted the rise of secret societies that defended Japanese nationalism and even convinced thousands of immigrants and *nikkei* in Brazil that Japan had not lost, but won the war in 1945. The most powerful of these secret societies, Shindo Renmei, even went as far as assassinating members of the *nikkei* community who publicly accepted the defeat of Japan in the war. It is estimated they were responsible for sixteen assassinations and at least another thirty violent attacks, hundreds of death threats, and the destruction of numerous farmsteads in 1946 alone. Needless to say, these incidents further exacerbated anti-Japanese sentiments in Brazil, but with the crackdown on the terrorist organization, and a major campaign by the KKKK and the Japanese consulate promoting the “Brazilianess” of the *nikkei* community, wartime tensions subsided and the “model minority” aspect of Orientalism gradually regained terrain from the “yellow peril” discourse (Guimarães 1981; Lesser 1999; Endoh 2009).

This shift back to “model minority” racial forms in Brazilian sentiments towards the *nikkei* took place with the onset of the so-called Cold War, in which the victory of the communists led by Mao Zedong galvanized the Brazilian elite, and generated a new set of “yellow peril” discourses about the Chinese. In turn, as Brazil and Japan reestablished diplomatic relations in 1952 and migration recommenced, “model minority” forms of racialization were reproduced as before the war (Maeyama 1972; Reichl 1995). Over 33 thousand arrived in Brazil by 1960. Migration then slowed down to 25 thousand during the 1960s, and reduced even further along the following two decades. The majority of these migrants were actually Okinawan peasants who, once again, only became “Japanese” once they arrived in Brazil. Some fifty-four thousand of them emigrated by 1988, almost half following relatives who had migrated prior to the war (Mita 1994; Lesser 1999). The main factor driving this Okinawan outmigration was the confiscation of 25% of all farmland by the US military in the immediate aftermath of its occupation of Okinawa, followed by a fast boom-and-bust of military construction that left tens of thousands unemployed by the late 1950s (Masterson and Funada-Classen 2004). In contrast with the pre-war wave of migration, the vast majority of these new migrants considered their move permanent, and settled into well-established communities of Japanese-Brazilians. Thus, they were much more willing and able to assimilate into Brazilian society, which in turn helped dispel previous “yellow peril” racial forms of the war period (McDowell 1980; Page 1994).

5. Yellow Perils and Model Minorities

In contrast with these large pre- and post-war flows of Japanese migrants – and the “model minority” discourse that gradually developed around them – Chinese migration to Brazil recommenced slowly from or through Taiwan and Hong Kong after 1946, when Brazil negotiated a cultural exchange program with the Guomindang (KMT) government, and a relatively small number of migrants also arrived from Macao during the 1950s and 1960s (Dore 2000; Veras 2008). Migration from mainland China was largely curtailed by the Communist regime, however, as the so-called Cold War began to take shape and the Brazilian government remained solidly under the influence of the new military and commercial hegemon in North America. Thus, the Communist victory in mainland China caused the Brazilian diplomatic delegation to flee to Japan in 1950, and then two years later to transfer itself formally to Taipei, Taiwan, where it maintained formal ties with the Guomindang/Republic of China (ROC) government (Biato Junio 2010). There was another small wave of migrants from Taiwan to Brazil during the 1970s, when the KMT government in Taiwan lost

its seat at the UN to the Communists on the mainland. Some of these Taiwanese migrants would come to play important roles as brokers and consultants to the agribusiness professionals who flocked to Brazil later in the 2000s. However, without any substantial migration from mainland China to Brazil during the 20th century, Brazil-China agroindustrial partnerships would need to construct new connections and launch efforts to counter the longstanding Orientalist xenophobia against the Chinese, and particularly the new forms of sinophobia that emerged during the so-called Cold War. Again in dialectical opposition to the (capitalist, modernizing) Japanese, the Chinese would come to embody the “yellow peril” of the age: the Maoists, hardline Communists, uncompromising in their efforts to destroy “Western civilization” (Couto e Silva 1981, cited in Oliveira 2016). This particular form of sinophobia would become so politically charged that Chinese agribusiness professionals would no longer be trusted even for arms-length commercial relations.

Meanwhile, as the *nikkei* expanded soy production, Euro-Brazilian commercial farmers also took it up as a cover crop to replenish depleted soils, and then supply the budding vegetable oil industry. Between the 1940s and 1954, soy production grew 10-fold in Brazil, from around 10,000 to 100,000 metric tons per year (Shurtleff and Aoyagi 2009), and the country entered a period of rapid economic growth and massive social upheaval. But it was the cotton production that had grown under the joint efforts of Japanese agribusiness investors and *nikkei* cooperatives that would attract the first agribusiness professionals from the Communist regime in China to Brazil. In the next chapter, I return to the cultivation of Brazil-China agroindustrial partnerships, which for the first time was no longer led by landed and merchant elites, but a new class of socialist intellectuals and communist cadre. Yet the racial forms of “yellow peril” characterized by unassimilable Otherness and political-military aggression that were associated with the Japanese during World War II were not only dispelled by the assimilation of the *nikkei* as “model minorities”, but dialectically shifted towards the Communist Chinese, composing one of the most challenging foundations to contemporary Brazil-China agroindustrial partnerships. As peasant mobilizations for land and worker strikes intensified in Brazil, often organized by the Communist Party, center-left “national developmentalist” politicians and intellectuals gained ground, and became key brokers of Brazil-China agroindustrial partnerships. A central part of their efforts to assemble Brazil-China agroindustrial (and other) partnerships turned around combating the specific form of sinophobia that was emerging during the so-called Cold War, and although the “model minority” racial form associated with the *nikkei* in Brazil would not become a model for China-booster in Brazil, it did set the terms which would be pursued: namely, the *depoliticization* of relations with (Communist) China, particularly in agribusiness trade.

Chapter 3

Cold War Politics and Depoliticization: The faltering foundations of Sino-Brazilian agroindustrial partnerships, 1956 – present

1. The Nine Red Hearts and Anti-Communist Hysteria: 1956 – 1974

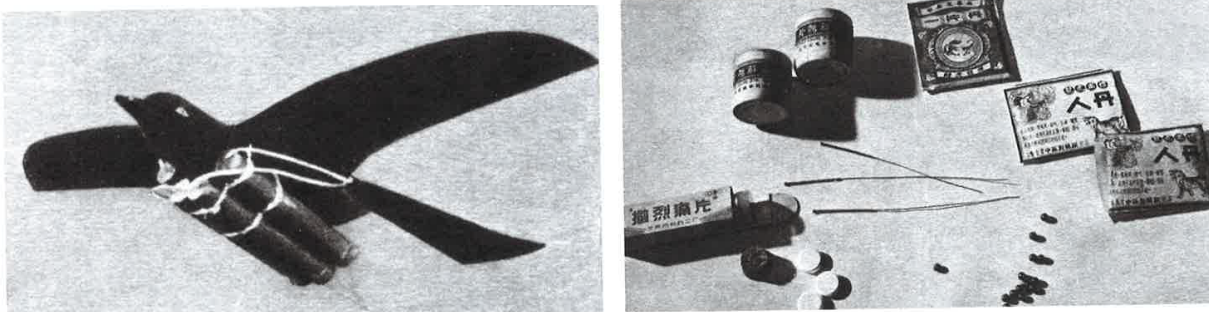
Soon after midnight on April 3rd, 1964 – merely 48 hours into the Brazilian military coup against the democratically elected, center-left government of João Goulart in Brazil – a squadron of policemen and secret service agents marched into a tall residential building in a middle-class neighborhood of Rio de Janeiro and banged loudly on the door of the four-bedroom apartment where the Xinhua journalists Ju Qingdong and Wang Weizhen were living since 1961. Two other Chinese men were in the apartment as well, Su Ziping, an economist with the CCPIT, and Ma Yaozeng, a cotton classifier with Chinatex (more on them and their companies below). The residents refused to open the door and telephoned their colleagues in another building nearby before the policemen broke into the apartment with machineguns drawn. For the next four hours, the Chinese men were handcuffed, punched, kicked, and severely beaten with machineguns and the crowbar used to break open the door. Some policemen kept the machineguns pointed at their heads and backs while others rummaged through the apartment and confiscated several documents, telegrams, cameras, pamphlets, books, cash, and many personal items. When dawn came, the four were taken from the apartment – alongside their Brazilian maid who was arriving on site at that moment (she was never charged, but kept for a questioning session that lasted 21 days). At that same time, a second squadron went to another residential building several blocks away in search of the five additional Chinese men who completed the CCPIT and Chinatex delegations in Brazil at that moment. Wang Yaoting, the leader of the Chinatex delegation, was able to send a telegram to his company’s commercial office in Switzerland before the policemen burst into the apartment to confiscate documents, cash, and personal belongings, and violently arrest him alongside his four other companions (the Chinatex translator Song Guibao, along with the leader of the CCPIT delegation Hou Fazeng, his colleague Wang Zhi, and translator Zhang Baosheng). All nine Chinese men were taken to a military prison where they continued to be beaten, tortured, and interrogated by the Brazilian secret service (with the support and participation of an agent/interpreter from the Guomindang/Republic of China in Taiwan) for the entire next day. The nine Chinese political prisoners were held incommunicado for over a month before being charged with espionage and “subversion”, sparking the first international human-rights scandal of the 25-year military dictatorship in Brazil, and paralyzing Brazil-China trade and political relations for a decade. Another 4,000 “suspected communists” were arrested in Brazil that week, but for the Brazilian military, orchestrating their arrest and subsequent trial of these specific nine Chinese men was essential for their attempt to justify the undemocratic coup, as it supposedly served as clear evidence of an international communist plot for revolution in Brazil by the “hard line Maoists” despite the movements towards *détente* with the legal Communist Party of Brazil domestically and with the Soviet Union and the Soviet bloc abroad.¹

The accusation against the nine Chinese businessmen and journalists hinged on such trumped up charges that it is difficult to imagine how they could have been taken seriously without noting the

¹ The bulk of the narrative in this section is derived from Guedes and Melo (2014), the first and only in-depth account of “the case of the Nine Red Hearts” in Portuguese. All information therein was triangulated with the authoritative history of the Brazilian military regime by Gaspari (2002), and relevant files from the Supreme Military Court, a copy of which is kept in the personal archives of justice G. A. Lima Torres, rapporteur of the case, and also coincidentally my grandfather.

strength of “yellow peril” discourses and deep sinophobia of the moment: acupuncture needles and herbal medicine were dramatically construed as assassination tools (which also hearken to the earlier exoticism of sinophobia), and a picture of a bird-shaped firecracker used during the lunar new year was hysterically alleged to be a blueprint for an airborne bomb (Figure 1). When these failed to convince, KMT and Brazilian secret service agents planted a makeshift handgun and a forged letter in the car of one of the nine. The charge of espionage was eventually dropped due to lack of evidence, but they were still convicted of “subversion” and held in prison until a massive international pressure campaign forced the military dictatorship to deport them about a year later (April 17, 1965). The nine men were certainly committed communist cadre, but they were not dangerous spies and there was no plot between Chinese and Brazilian communists—all nine were there legally at the formal invitation of the Brazilian government itself: Wang Yaoting and his comrades from Chinatex were there to purchase cotton, Hou Fazeng and the others from the CCPIT were there to organize an exposition of Chinese products for commerce with Brazil, and the two journalists had been legally residing and working in the country for about three years. The men became national heroes in China, celebrated as the *Nine Red Hearts turned towards the Motherland*² (Zheng 1965, Figure 2), and the circumstances leading up to and following their arrest forcefully illustrate some key themes of Brazil-China agroindustrial relations since that time: the challenges (still) faced by Chinese agribusiness professionals operating in Brazil due to (shifting forms of) sinophobia and limited mutual knowledge, the closely intertwined agribusiness and political goals of the Chinese state towards Brazil, the importance of journalists, translators, and the prominence of leftist Brazilian intellectuals in enabling commercial relations with the PRC, the mercurial policies and attitudes of the Brazilian state towards China, and the underlying pragmatism of diplomats and agribusiness professionals in both China and Brazil that eventually restored commercial and diplomatic relations between the two countries.

Figure 1. “Evidence of terrorist plots and tools for assassination”: acupuncture needles, herbal medicine, and picture of a firecracker



Source: Zheng (1965: viii).

Above all, this narrative illustrates the most powerful moment in which specifically sinophobic forms of Orientalism transformed from the 19th century deliberations about the (imagined) submissiveness of Chinese laborers and early 20th century eugenicist discourses of racial inferiority (that contrasted the Chinese not only with Europeans, but more specifically with the Japanese), to more militaristic concerns that blended anti-communist hysteria with the “yellow peril” racial form that was momentarily associated with Japanese imperialism during World War II. As I will proceed to argue in this chapter, this moment was critical in the dialectical transformation of the racialization of the Japanese towards “model minorities” who excel through their hard-work and thus could be trusted

² 九颗红心向祖国

commercial partners and even assimilated in a joint effort towards “modernization” in Brazil, in sharp and direct contrast with the communist Chinese who were seen as more than just unassimilable Others: they became untrustworthy partners even for commercial relations, since those were portrayed as mere covers for the political goal of spreading communist revolution.

Figure 2. The Nine Red Hearts on trial at the Supreme Military Court in Rio de Janeiro



Source: National Archives, reproduced in Guedes and Melo (2014). Note how the Portuguese-speaking CCPIT translator, Zhang Baosheng (first from right), whispers translations to Wang Yaoting, head of the Chinatex delegation and, informally, leader of the Nine Red Hearts.

In the next three subsections, I examine this attempted reapproximation of Brazil and China during the so-called Cold War through the efforts of socialist intellectuals, journalists, and cotton merchants in the state-owned trading company Chinatex became undone by the anti-communist hysteria that propelled the right-wing military coup in Brazil in 1964. The arrest and political imprisonment of nine Chinese boosters, brokers, bureaucrats, and businessmen was vital for the justification of the coup, which both halted diplomatic and commercial relations with China for a decade, and set the terms for the “conservative modernization” of the Brazilian countryside, whereby modern technologies were overlaid on colonial patterns of land distribution and labor exploitation (Graziano da Silva 1980; cf. Moore Jr 1966). Although my narrative is based almost entirely on the first and only journalistic account of the event in Portuguese (Guedes and Melo 2014), my contribution is distinctive for embedding it in the broader argument of this chapter (alongside the previous and subsequent chapters that compose Part I of this dissertation). That is, my narrative innovatively highlights how this event produced a new form of Orientalist sinophobia that was dialectically contrasted with the consolidation of Brazilian imaginaries about Japan and “the Japanese” (particularly

Japanese-Brazilians, or *nikkei*) as trusted commercial partners for a joint effort towards (capitalist) “modernization”, the subject of my examination in section two. In that section, I draw not only on secondary literature, but also on extended interviews with key *nikkei* agribusiness professionals, multiple media sources, and several government and corporate reports to construct an account of the role of these Brazil-Japan agroindustrial partnerships in a process of global agroindustrial restructuring. In particular, I demonstrate how these Brazil-Japan agroindustrial partnerships (produced in dialectical opposition to the sinophobic exclusion of Brazil-China agroindustrial partnerships during the height of the so-called Cold War) made a powerful and strategic contribution to the boom of soy production in Brazil that would then generate most agricultural exports to China and consequently attract most Chinese efforts at agribusiness investments in Brazil since the 2000s.

Then, in section three, I trace the return of Chinatex (whose agribusiness professionals were embroiled in the key events examined in this first section) to Brazil in the early 2000s, when the Chinese state-owned trading company shifted its focus from cotton to soybeans, and incorporated a Brazilian-born transnational agribusiness professional to become the first to successfully bypass the chokehold of trading companies from the Global North on international soybean markets, exporting directly from Brazilian cooperatives to China. Drawing on extended interviews and informal conversations with its key protagonists and numerous other actors familiar with the case, government and corporate reports and documents related to these negotiations, and extensive research of media sources, I demonstrate how this first partnership for direct exports of soybeans from Brazilian producers to China became embroiled in a convoluted crisis that amplified Orientalist discourses of the Chinese as untrustworthy business partners, and led to the drastic collapse and foreign take-over of the Chinese soybean processing industry in 2004—dubbed the “Battle of the Beans” in Chinese media. Finally, I conclude this chapter in section four with a brief evaluation of the evolving political economy of Brazil-China agroindustrial partnerships and its interrelations with the shifting sinophobic discourses, produced and contested by transnational agribusiness professionals above all, which constitute the faltering foundations of contemporary Chinese agribusiness investments in Brazil.

1.1 The Brazil-China Cultural Society, Xinhua and the key role of journalists and translators

After its founding in 1949, foreign policy of the PRC prioritized trade that could bolster reconstruction after decades of war and revolution, and obtaining formal recognition by other countries that still recognized the ROC government in Taiwan in order to assume the Chinese representation at UN (particularly on the Security Council). Journalist delegations were one of the only instruments for the PRC to seek formal recognition and diplomatic relations with countries outside the socialist bloc. The state-owned and CPC-affiliated Xinhua News Agency³ sent its first mission to Brazil in 1959, the same year that Brazilian communists – with journalists like João Etcheverry, Amarílio Vasconcellos, and Apparício Torelly (known as Barão de Itararé) playing a leading role – founded the Brazil-China Cultural Society (Sociedade Cultural Sino-Brasileira). This was the first institution of boosters and brokers for Brazilian relations with the PRC. It was formally associated with the Chinese People’s Association for Friendship with Foreign Countries, a Communist Party-created NGO established by Zhou Enlai in 1954 to facilitate commercial and cultural exchange with countries the PRC sought to develop diplomatic relations. The Cultural Society organized expositions, public talks, and the publication of books about the PRC in Brazil, often in association with the Brazilian Press Association (Associação Brasileira de Imprensa – ABI). Some of its most prominent and prestigious members were congressmen from the Brazilian Labor Party and the Communist Party

³ Its name means “New China” News Agency, 新华通讯社.

of Brazil, but it was the journalists and intellectuals who undertook most of the work facilitating transnational exchange (Figure 3).

Figure 3. Barão de Itararé (Torelly) deposes in favor of the Nine Red Hearts



Source: Braz/CPDoc JB, reproduced in Guedes and Melo (2014). Foreground, left to right: Torelly, Wang Yaoting, Hou Fazeng, and Zhang Baosheng (note that Zhang is sitting behind the two leaders of the “nine” to translate the proceedings for them both). Background, left to right: Justice G.A. Lima Torres, the civilian on the bench and rapporteur of the case, and the other military justices.

The Cultural Society sponsored three more Xinhua missions to Brazil between 1960 and 1962, and its journalist members Torelly, Etcheverry, and Vasconcellos played fundamental roles in facilitating the work of Xinhua journalists in Brazil during that period. This extended all the way from receiving them at the airport and arranging apartment rentals and other daily life favors, to accompanying and helping them obtain the necessary permits to work in Brazil with several government bureaucracies, and supporting them in court after they were arrested in 1964. Torelly, for example, was summoned to depose at their trial and spoke strongly against the arrest and false charges brought against them (Figure 5), and his coordination with Xinhua and the All-China Journalists Association played an instrumental role in establishing and expanding the international pressure campaign for the release of the nine Chinese political prisoners in Brazil (Guedes and Melo 2014).

But it was the communist journalist Vasconcellos and his wife Raquel Cossoy who became especially close to the Xinhua journalists who lived in Brazil from 1961 until their arrest in 1964 and deportation the following year. In return for all his favors, Vasconcellos was hosted in China and obtained in April 1963 a formal authorization from Xinhua to receive the agency’s Spanish-language cables daily, translate them into Portuguese, and distribute or sell the material in Brazil. This first Xinhua office in Brazil was short lived, however, operating for only about seven months until the military occupied its office on the same day they arrested the Nine Red Hearts and Vasconcellos fled with his wife into exile. They travelled through Uruguay and Chile, and ultimately settled in China

from 1965 to 1969. During those years of Cultural Revolution in China, this Brazilian couple was one of the few foreigners who maintained regular contact with the upper echelons of the CPC leaderships, including Mao Zedong himself. Their spent almost the rest of their lives in a troublesome exile and died feeling betrayed by the new leadership that emerged around Deng Xiaoping during the late 1970s (Guedes and Melo 2014).⁴

The dearth of translators – a consequence of the very limited migration flows of the past – has been a constant challenge for the boosters, brokers, bureaucrats, and businessmen who attempt to establish political and economic relations between China and Brazil. Of the two Xinhua cadre stationed in Brazil during those formative years, only the assistant Ju Qingdong spoke Spanish, and he only started learning Portuguese upon his arrival in Brazil. Even with this limited set of language skills, Ju was instrumental to much more than their journalistic work, as he accompanied the work of his colleagues in other delegations to Brazil during the same period not only to report on them, but also to facilitate with translation. The Chinatex delegation (discussed below) was only able to field a Mandarin-English translator (Song Guibao), and the CCPIT delegation (also discussed below) was the only group during those formative years that included a translator fluent in Portuguese, Zhang Baosheng. At 25 during the time of their arrest, Zhang was by far the youngest in all the three delegations. Yet his language skills enabled him – despite the tragic incidents of 1964 – to participate in almost all of the most important moments of Brazil-China relations during the rest of the 20th century. For example, none of the other eight arrested in 1964 were able to return to Brazil except for Zhang, who accompanied vice-premier Kang Shi'en in May 1979 to sign the maritime commerce agreement with Brazil (the first commercial treaty to facilitate direct trade between the countries in modern history), and then visited Brazil again in 1990 as general director of Latin America and Caribbean at the Ministry of Foreign Affairs (*ibid.*; cf. Biato Junior 2010).

Other translators would also rise as key brokers of Brazil-China relations, working as consultants, organizing business and government delegations, and even founding institutions to boost and broker commercial relations and investments between both countries. The example of Paul Liu and Paulo Guey Chien will be discussed in the next chapter, and as will become evident in the sixth chapter, rare language skills were also instrumental for the insertion of a few key Taiwanese-Brazilian brokers in the negotiations and implementation of major agribusiness investment projects in Brazil after 2008 (*viz.* the Chongqing Grain Group's soybean misadventures in Bahia state, and the Shandong Guanfeng palm oil misadventures in Pará state). The fact Taiwanese migrants to Brazil would become trusted brokers for investments by agribusiness professionals from the PRC is a remarkable transformation from the period of the so-called Cold War, when Taiwanese migrants in Brazil were recruited to spy on and actively undermine the early efforts of the PRC delegations. The Brazilian secret service had been tracking every move of the Nine Red Hearts in Brazil, but it was the KMT/ROC staff in Brazil who first accused them of being spies and “subversives”. KMT/ROC agents not only participated actively as in the torture and interrogation of the Nine Red Hearts, but even went as far as forging an incriminating letter and deliberately mistranslating papers seized with the nine PRC delegation members to incriminate them in the military court.

As seen in the earlier efforts to broker the coolie trade in Brazil, and as will be examined in greater detail in the next chapters, the work of boosting Brazil-China agroindustrial partnerships

⁴ Vasconcellos and Cossoy left China in 1969 for Chile, where Salvador Allende was launching the first socialist government in South America. They were forced back into exile in China after the CIA-backed military coup in 1973 unseated Allende. After the death of Mao and the end of the Cultural Revolution, however, Vasconcellos and Cossoy remained linked to Hua Guofeng and soon lost much of their political standing with the new leadership around Deng Xiaoping. They fled China in 1979, fearing they might be poisoned: Vasconcellos became very ill after visiting a chemical factory during those years, and died of leukemia two years later after returning to Brazil, when the military loosened restrictions and declared an amnesty for political prisoners and exiles (Guedes and Melo 2014).

required extensive and sustained “public relations” efforts to counter the multiple forms of sinophobia that had been accumulating in complex layers over the years. While earlier efforts to broker tea and coolies were entirely led by the landed, commercial, and bureaucratic elite, who saw the Chinese increasingly as a commodity (i.e. docile labor) after the tea project collapsed in the previous century, at this moment during the Cold War such efforts were led primarily by communist intellectuals and journalists, and articulated (albeit mostly ideologically) with working class movements in Brazil for socialist reforms or, in the eyes of the most optimistic or pessimistic (depending on their position in the political spectrum), communist revolution. These leftist journalists and intellectuals in Brazil, and their vital work of language and cultural translation alongside their Chinese counterparts, laid the foundation upon which future boosters, brokers, bureaucrats, and businessmen would promote closer political and economic ties between Brazil and China—but in doing so, they would also be forced to shift the “yellow peril” racial forms of the Chinese as dangerous communists during the Cold War to less threatening, but still Orientalist forms of racialization, as seen in the next sub-section.

1.2 Brazilian boosters, the CCPIT, and the mercurial attitudes of Brazilian state agents towards China

The first unofficial delegation of Brazilian bureaucrats went to the People’s Republic of China in 1956, led by the judge Osny Duarte Pereira. He was not communist, but described himself as a “national-developmental” who promoted land redistribution, agrarian reform, and other significant structural reforms that were being fought for by landless peasants and workers. Even before his visit to China, he authored some of the first Brazilian books about the PRC. The first, entitled *We and China* (Pereira 1960 [1956]), was a thick two-volume historical account of China and its relations with Brazil, in which Pereira underscored the similarity between both countries before the communist revolution, particularly in terms of the conservative role played by the landed elite, “comprador” merchant elites, and corrupt bureaucrats to “deliver the country to imperialists” and foreclose “national development”. The communist revolution was not necessarily lauded by Pereira, however, but described as result of a “terrible catastrophe” that could also fall upon Brazil if it did not undertake agrarian reform and other measures to enable its “national development” (ibid.) His second book, *Today’s China* (Pereira 1957), was travelogue and description of Chinese governmental institutions in which he attempted to assuage fears about the “yellow peril” of the Communist regime in China by describing his personal experience and observations. Even more clearly than in his first book, however, it was clear that Pereira did not advocate for Brazilians to adopt communism, but rather to establish diplomatic and commercial relations that could benefit the “national development” of both countries, noting this would not undermine but strengthen Brazilian (capitalist) industry.

Tempering sinophobia with economic interests for “national development” became the pragmatic compromise between leftists desiring socialist solidarity and the right-wing political and economic elites. This compromise began in 1961, when the newly elected president Jânio Quadros—an eccentric politician without deep ties to the major political parties at the time—launched a “new independent foreign policy” seeking to expand Brazilian commercial ties with the Socialist bloc and the major non-aligned countries (Fausto 2006). Hearing that a commercial delegation from mainland China was visiting Cuba, Quadros invited them to extend their Latin America tour to Brazil as well. The delegation was led by Chen Nanhan, president of the China Council for the Promotion of International Trade (CCPIT), who seized the opportunity to delivered an official invitation from the vice president of the Communist Party of China (Tung Pinghu) for the Brazilian vice president to visit China. The invitation was accepted, and soon vice president João Goulart was making arrangements for the first official government delegation from anywhere in Latin America to travel to the PRC (Biato Junior 2010).

Goulart was in the Brazilian Labor Party (PTB), the main vehicle for “national developmentalist” and socio-democratic reforms at the time, and distinguished himself as a vocal booster of improved diplomatic and commercial relations with China and the Soviet bloc. Despite his personal interests, however, Goulart was precluded from signing any official government-to-government accord during the visit to China, as his government did not yet officially recognize the government in Beijing. Only a commercial agreement was signed between the Bank of Brazil and the People’s Bank of China on August 21, 1961. Among the Chinese bureaucrats negotiating the terms of the agreement was Wang Yaoting, the Chinatex official who hoped it would facilitate the cotton exports he would once again seek in Brazil in 1964 prior to his arrest (Guedes and Melo 2014).

The 1961 delegation Goulart led to China became deeply embroiled in the polarization of Brazilian society between a rising leftist movement and a violently reactionary military and capitalist elite. President Quadros was losing political support, and planned to renounce while his vice president was not only distant, but in communist China of all places, foreclosing his succession so that Quadros could be reinstated by popular demand with increased powers (Bandeira 1979). At that moment when the Cuban revolution was becoming openly communist and the Cold War tensions heightened in Latin America, virulent anti-communist rhetoric accrued to the already racist anti-Chinese discourses inherited by the Brazilian elite from earlier debates about immigration. This deepening of sinophobia, particularly in the manner it added a concern that Chinese businessmen might be *untrustworthy*, and their commercial endeavors mere masks for the communist regime’s political aims, would become a central challenge to the cultivation of closer Brazil-China relations until today. (As will be discussed in the following chapters, it plays a fundamental role in the 2010 restrictions on acquisition of farmland by foreigners that significantly shapes contemporary Chinese agribusiness investments in Brazil.) The political uncertainties and tension of that moment in 1961 generated a constitutional crisis, and it was only two weeks later that Goulart was able to return from China and take office. By then, however, right-wing politicians, pressured by the military and business elite, had passed a constitutional amendment reducing the power of the president by creating a parliamentary system (Bandeira 1979; Fausto 2006). For the next three years, the development of diplomatic and commercial relations with China would be stubbornly resisted by right-wing politicians and bureaucrats, and even curtailed by the concerns harbored by Goulart and his administration that further relations with the communists in China would scuttle his attempt to roll-back the right-wing backlash against him.

In 1962, the vice-president of the CCPIT led a second Chinese commercial mission to Brazil. Its six members were not received by president Goulart, but only by middling officials of the Bank of Brazil (Guedes and Melo 2014). They visited companies in Rio de Janeiro, São Paulo, Paraná and Rio Grande do Sul, and attempted to export cotton and sugar. They failed to export cotton because of their inexperience with the very large Brazilian market, since at that moment the small amount of cotton available for export was located in the northeast of the country, where the CCPIT delegation did not visit. They failed to export sugar, however, more due to interference from US agribusiness traders than to their own inexperience or unwillingness from Brazilian exporters: in order to make up for curtailed imports from Cuba in the aftermath of the communist revolution there, and in order assure that Chinese and other buyers from the Soviet bloc would not further destabilize markets they previously dominated, US agricultural trading companies bought all sugar exports from Brazil above international market prices before the CCPIT delegation could strike any deal. The CCPIT officials also sought to begin arrangements for an exposition of Chinese products in Brazil, agreed upon during Goulart’s troubled visit the year before. But now with limited support from Goulart himself, the CCPIT was only able to secure the Brazilian government’s commitment to host another mission the next year (*ibid.*).

The third CCPIT mission to Brazil arrived in June 1963 under the leadership of Hou Fazeng, with the translator Zhang Baosheng, and two other cadres. Guedes and Melo’s (2014) account of their

efforts to organize the commercial exposition of Chinese products and culture in Brazil reads like a Kafkaesque novella: suspicious and xenophobic bureaucrats were unwilling to process requests and provide information at every turn, and frequently sent them on “wild-goose chases” claiming they needed different forms or prior approval from other bureaus and politicians. Even when the low- and mid-level bureaucrats they engaged were personally willing to collaborate (i.e. do their jobs without orientalist xenophobia or anti-communist hysteria), they were often halted by their superiors who did not want to advance Goulart’s “communist policies”, or did not want to risk destabilizing his regime by providing evidence to right-wing critics that Goulart was a “communist sympathizer”. Although Zhang Baosheng was fluent in Portuguese, the CCPIT relied on a handful of Brazilian communist politicians and intellectuals (all of them associated with the Brazil-China Cultural Society) to get anything done at practically every turn. They were finally able to secure all permits to hold the exposition, but not in São Paulo’s prominent Ibirapuera park or in the erstwhile capital of Rio de Janeiro as they originally desired. Instead, they were only able to find sufficient political support in Niterói, across the bay from Rio de Janeiro, a working-class city where the Brazilian Communist Party was founded forty years earlier, and where Goulart’s Labor Party still had strong sway.

They were already completing the necessary customs paperwork to bring the goods for the exposition when they were arrested. The fact they were barely even able to organize a simple exposition of commercial products shows how exaggerated the charge of espionage and “subversion” against them really was, and how their work relied on the efforts of a handful of Brazilian communists and sympathizers to boost the positive potential of their engagement, and broker all the necessary bureaucratic procedures with the Brazilian government. Among these Brazil-China boosters was the lawyer Danilo Santos, who helped them prepare customs arrangements for the exposition, and secured the *pro bono* engagement of the prominent civil rights lawyer Sobral Pinto to defend them in court after they were arrested. Danilo Santos would go on to become president of the Brazil-China Cultural Society and secretary-general of the China-Latin America Federation of Friendship Associations (Guedes and Melo 2014). Again, these early collaborations between Brazilian and Chinese boosters, brokers, and bureaucrats were distinguished from all earlier efforts at establishing Brazil-China agroindustrial partnerships since they were not led by landed and merchant elites.⁵ They also became the foundation for the future work of leftist boosters, brokers, bureaucrats, and even some businessmen from Brazil who would capitalize on the closer ideological ties between the Workers’ Party and the Communist regime in China during the 2000s. At that moment, however, even those who boosted closer Brazil-China relations through the lens of “socialist solidarity” or, much more prominently, “south-south cooperation” for “national development”, would do so primarily in alliance with domestic elites. The most obvious examples of this discourse were evident in the seminars between the Workers’ Party and the Communist Party of China to promote bilateral trade and investments (Berzoini et al. 2010), but they were also evident in the sustained efforts of Brazilian Communist Party and Workers’ Party officials to boost a more favorable image of the PRC in Brazilian media throughout the decades (e.g. Pomar 2009). Thus, the attempt to deconstruct the “yellow peril” racial form the Chinese had taken on in Brazil during the height of the Cold War would be forced off the rail of socialist internationalism, and onto the plane of transnational capitalism (much as in the Pacific Rim and the US since the 1990s, cf. Ong and Nonini 1997; Mitchell 1997; Liu 1997).

⁵ Although Goulart did not represent the interests of the landed elite, proposing agrarian reform as the main point of difference, he was himself from a large-scale landholding family in Rio Grande do Sul. Similarly, others in the PTB and other “national developmentalist” parties and movements in Brazil would often hold ambiguous positions or waver regarding significant reforms that could tilt the political terrain towards socialism.

1.3 Chinatex and role of agricultural trade in the establishment of Brazil-China relations

In 1956, Wang Yaoting was a rising trade manager in the China Grocery Export Corporation, when he travelled to Brazil in the first commercial visit to the country by a businessman and official from the new communist government in China. He was a seasoned cadre from Hebei who participated in the Long March, and his company was a central government SOE established in 1952 to trade in cotton, wool, yarn, fabrics, clothes, and light industry products. In 1961, it would merge with the China Natural Silk Corporation⁶ to become the China Textile Import and Export Corporation, known then and to this day as Chinatex.⁷ As will be shown below, Chinatex continued to pioneer partnerships with Brazilian agribusinesses when it shifted emphasis to soy during the early 2000s. Wang Yaoting's goal in Brazil already in 1956 was to purchase cotton for export to China. He reached out to the Cotton Society of Northeastern Brazil (Sociedade Algodoeira do Nordeste Brasileiro-Sanbra), the main non-Japanese associated cotton exporter in Brazil at the time, which already composed one of the earliest pillars of the transnational Bunge conglomerate in Brazil. But without any direct commercial shipping or currency exchange agreements between the countries, Wang was unable to arrange a deal (Guedes and Melo 2014).

During the 1950s and 1960s, Chinatex was one of the most important and powerful among the 15 central government SOEs of the time. The textile industry was central to Chinese agriculture, industry, and foreign trade (Alpermann 2010).⁸ Cotton, wool, and silk accounted for over 20% of exports to the Soviet Union, its largest market and most critical ally. And although China's domestic production of cotton was recovering rapidly after the devastation of war, more and more imports were required to supply the growing domestic textile industry as well. During that period, the main suppliers of cotton to China were India, Pakistan, Burma, and to a lesser extent Egypt and Syria. Much like Japanese efforts in previous decades, securing regular exports of cotton from additional producers like Brazil was of strategic importance for the Chinese government, particularly in the aftermath of the tragic Great Leap Forward and devastating "three difficult years" (1959-1961). Unlike the Japanese, however, Wang Yaoting did not have an extensive diasporic community into which he could tap for their own produce, or even for support with his commercial mission. Given this lack of diasporic connections, Chinatex had to turn to government-to-government relations to seek a foothold in Brazilian cotton exports. It was no coincidence, then, that among the group of government and business officials assembled in 1961 for the technical meetings that established the first commercial agreement between the Brazil and the People's Republic of China was Wang Yaoting, the cotton trader who visited Brazil before, and had by then risen to deputy director of Chinatex and the joined the Central Committee of the Communist Party in China (Guedes and Melo 2014).

Wang Yaoting returned to Brazil on January 15, 1964 to attempt once again to purchase cotton. This time, negotiations with Sanbra advanced much further. A shipment of cotton was negotiated, but the completion of the deal became snagged by currency problems: Sanbra was demanding that Chinatex cover port fees ahead of time, but financial regulations in Brazil and currency-exchange controls precluded the company from transferring the necessary funds even in US dollars from their European office. Wang Yaoting then contacted the Xinhua journalist Wang Weizhen, who he befriended earlier in Brazil and was then visiting family in China over the Lunar

⁶ Taken over by the East China Military and Political Management Committee in Shanghai in 1949, and reestablished as a central government SOE in 1951.

⁷ 中国中纺集团公司, usually abbreviated to 中纺

⁸ In addition to the authoritative account of the cotton and textile industry in China by Alpermann (2010), see also Beckert's (2014) masterpiece on the formation of transnational cotton markets and their critical importance for imperialism (British, US, and Japanese) and state-making in China, India, Brazil, and several other places in the Global South.

New Year holidays, and asked him to bring the additional amount needed in cash. Wang Weizhen did so, but before Wang Yaoting was able to complete the deal, they were arrested and the cash confiscated. The fact large sums of money were found in their apartments became part of the Brazilian military's "proof" the nine Chinese men were there to finance and organize a communist revolution in Brazil (Guedes and Melo 2014). Yet it was only evidence of how convoluted Brazilian bureaucracy was for new entrants in general, and particularly for merchants from the PRC who did not have well-established financial mechanisms to trade in Brazil, much less significant diplomatic support and diasporic connections that could have helped them operate in Brazil (as remains the case today).

As one of the Chinese government's most important international trading firms, Chinatex was also of their key instruments to advance the international pressure campaign for the release of their four employees and the other five Chinese political prisoners in Brazil. They mobilized business connections with other commodity traders in Switzerland, who in turn expressed concern the new military regime in Brazil could pursue further authoritarian and nationalist policies that would harm international commercial interests in Brazil. When the Brazilian consul in Geneva reported to the Ministry of Foreign Affairs that the Chinese campaign is effectively "discrediting us before the commercial and financial institutions," the tone of the military regime's approach to the case began to change (Guedes and Melo 2014: 124). The charge of espionage was dropped for lack of evidence, and Justice Lima Torres (who is also, coincidentally, my grandfather) voted for their acquittal, stating "the evidence against the accused are not sufficient to characterize the crime of subversion" (ibid.: 163). Even despite this vote of "not guilty" from the *rapporteur* of the case, the three military justices on the court voted to convict the nine political prisoners, sentencing them to ten years of prison for "subversion". The international pressure campaign became even stronger, and about one year after their arrest, the Brazilian government decided to deport—but not pardon—the nine red hearts. This froze all political and commercial relations for years, until business interests began to call for commercial relations once again in the early 1970s. Just as significantly, it foreclosed any significant transformation of the "yellow peril" racial form attributed to the Chinese at that time as untrustworthy and dangerous communists. Instead, guerrilla movements, particularly the "Maoist hardliners", became the boogymen of the military regime in Brazil, even though their relations with China even during the height of the Cultural Revolution were more idealized and imagined than concrete, much to the dismay of Brazilian Maoists who expected much more support (Gaspari 2002, 2004; Pomar 2009).

In 1971, a poor sugar harvest in Cuba (which had become one of China's main suppliers) prompted the Chinese government to seek alternative sources, and Brazilian exporters seeking to capitalize on the retraction of Cuban exports sought exception permits from then-president Médici to export sugar to China. The Minister of Industry and Commerce recalls the conversation with the president in the following terms: "I put the issue to president Médici. I said we had the capacity to attend the request of the Chinese, who were still suffering great need at that moment. Médici stopped and starred at me [dubiously], then I said: 'President, commodity has no ideology'. He ended up accepting my arguments and we made the sale" (Oliveira et al 2013, in Guedes and Melo 2014: 183). Then in 1973, petroleum and agricultural commodity prices went through one of their most spectacular shocks, partially due to the fact that US agricultural trading companies began large-scale exports to the USSR, and the US imposed an embargo on further exports (Morgan 2000). That same year, the US and China established liaison offices to pave the way for the reestablishment of diplomatic relations (in the aftermath of Nixon's visit to China the year before), thereby releasing much of the Cold War tension that kept Brazil's own government in distrust of the People's Republic of China.

Three Brazilian delegations went to China during the early 1970s: the first was basically an individual endeavor, and the second was slightly more substantive, organized by the Brazilian Exporters Association, but neither had any commercial success. The third one, described in a

travelogue by one of the Brazilian journalists who participated in it (entitled “China Today: The Possible Pragmatism”; Araripe 1974) was nominally led again by the Brazilian Exporters Association. But it was a much more politically-oriented visit, largely organized by Danilo Santos, who had been one of the closest supporters of the CCPIT delegation in Brazil ten years earlier, and included the Brazilian consul to Hong Kong in an “unofficial” capacity as advisor to the head of the Brazilian Exporters Association (Biato Junior 2010). The Chinese government officials understood the informal overtures of the Brazilian booster and diplomat, and followed up through their embassy staff in other countries that already had diplomatic relations with the PRC (particularly Greece, which established relations in 1972). These unofficial initiatives by Brazilian diplomats began to push the Ministry of Foreign Affairs internally to boost for the transfer Brazilian recognition from the ROC in Taiwan to the PRC (ibid.). Moreover, these unofficial delegations brought back news that the Chinese were interested in importing sugar, cotton, soybean oil⁹, and some industrial products from Brazil, but they required government-to-government support for establishing commercial relations (Araripe 1974).

Figure 4. “China Today: The Possible Pragmatism”



Source: Araripe 1974

⁹ Between 1954 and 1969, soy production grew 10-fold again in Brazil, crossing the threshold of 1 million metric tons (Shurtleff and Aoyagi 2009), but the boom in soy production and exports from Brazil was just getting underway during the 1970s (Figure 4, Chapter 1). Chinese interest in soy oil imports was momentary, as it remained a net soybean exporter until 1995.

The Brazil-China Cultural Society capitalized on journalist accounts of that delegation to portray a less threatening image of the PRC as a fundamentally “nationalist” regime. Thus, the communist authoritarianism could be suitable for China with its ancient Confucian culture, they argued, but it would not serve (and thus should not be feared) as model for Brazil. Its “national development,” they argued, could in fact benefit from a “pragmatic” approach towards “friendship” with China (Araripe 1974). The image selected for the cover of that influential travelogue illustrates such attempts to descalate the “yellow peril” racial form of sinophobia characteristic of the Cold War by assembling earlier tropes of Oriental docility and submission, and the “model minority” racial form that Brazilians already had for the Japanese: a young Chinese girl with a red bow in her hair looking up from a school desk, framed within a star (Figure 4). The leftist Brazil-China boosters were increasingly joined by the more pragmatic Brazilian sugar and cotton exporters, then by some of the directors of the state-owned petrochemical and steel industries in Brazil, and the country’s powerful infrastructure construction conglomerates, arguing that establishing diplomatic relations with the PRC could potentially open up important new markets for their exports and services. Finally, with the transition from the hardliners in the military regime to a more pragmatic faction under general Ernesto Geisel in 1974, these Brazilian boosters, bureaucrats (diplomats), and businessmen finally convinced the top-brass of the military regime to accept the establishment of diplomatic relations with the PRC.¹⁰

2. The Japanese Occupation and Global Agroindustrial Restructuring: 1974 - 2000

The reestablishment of diplomatic ties between Brazil and China in 1974 did not lead to fast developments in commercial or political relations (Biato Junior 2010), particularly when contrasted with the powerful increase in Japanese agricultural and industrial involvement in Brazil in the last quarter of the 20th century. The ten years in which Chinese migration, trade, and governmental exchanges were halted in the aftermath of the case of the “nine red hearts” was both the period when China turned inward with the Cultural Revolution, and also when the conditions were laid for renewed Brazil-Japan partnerships in capitalist modernization projects. Japanese immigration to Brazil recommenced in 1952, and the Japanese immigrant community became largely upwardly mobile through the expansion of rural cooperatives and migration to the cities, where *nikkei* became increasingly incorporated through higher education into urban professional jobs. The “model minority” racial form gained ground among Brazilian imaginaries of the Japanese and Japanese-Brazilians in dialectical contrast with the “yellow peril” of the Communist Chinese. This enabled the Japanese and Brazilian governments to establish a very influential agricultural development program (PRODECER), which contributed significantly to the expansion of agribusiness across the Cerrados of Brazil – and it was both opposed as a “Japanese invasion” or “occupation” of Brazilian countryside, and celebrated as a successful model for international cooperation for agricultural development. While the previous moment of strong Nipo-Brazilian agroindustrial partnerships centered in private investments and cotton production among smallholders, the PRODECER was instrumental for a government-created boom of large-scale soybean production in Brazil. Driven by the burgeoning incorporation of soybeans as the major source of protein for livestock feed¹¹, the soy boom restructured the global food and agricultural regime to make Brazilian agroindustrial exports to China

¹⁰ I only summarize this process here since it has already been described at great length by Brazilian diplomats themselves, and with much more nuance than I could provide, particularly in the exhaustive work of Biato Jr. (2010).

¹¹ First in the US during the 1940s and 1950s, then Europe and Japan during the 1960s and 1970s, and finally Brazil during the 1980s and China during the 1990s, cf. Oliveira (2016a) and Oliveira and Schneider (2016).

one of the world's largest and most strategic commodity flows since the 2000s. In the aftermath of the 2008 crisis, Japanese trading companies would quietly and quickly acquire several Brazilian soybean production and trading companies (see the short description in chapter 7, section 4 on COFCO and other companies). For about five years, they were outmaneuvering a new wave of Chinese agribusiness investors making grandiose announcements in agricultural production, many of which failed spectacularly. It was only after 2014 that Chinese agribusinesses executed major transnational take-overs soy, seed, agrochemical, and other sectors with strong operations in Brazil. During this period, Japanese investments, building on a history of stronger Japanese-Brazilian agroindustrial cooperation, proceeded faster and more successfully than Chinese-Brazilian agroindustrial cooperation (placing Japanese agroindustrial investors in Brazil in recent years alongside the still predominant corporate interests from the North Atlantic to form what I term the "Global North") because the ruptures of the Cold War—namely, the US occupation that expelled Okinawan peasants, and the severing of Brazil-China commercial and diplomatic relations after the military coup of 1964—produced a burgeoning class of *nikkei* boosters, brokers, bureaucrats, and businessmen (mostly men) during the second half of the 20th century with growing transnational agroindustrial (and other business) expertise, and stunted the emergence of such a class between China and Brazil until much later.

This began as Japan reemerged as an economic powerhouse after World War II. Japanese immigrants and their descendants in Brazil began to be "linked to international capital in ways that changed identity construction," but which were nevertheless "constantly implicated in a web of xenophobia and xenophilia" (Lesser 2007: 1, xxx). The majority of immigrants that arrived during the 1950s and early 1960s were still peasants and agricultural workers, but unlike the pre-war period there were increasingly more significant number of migrants with higher educational background and technical skills. Moreover, most no longer saw their migration as temporary, but sought to establish roots and assimilate (McDowell 1980; Page 1994). This migration flow slowed during the 1960s, and basically ended as the Japanese economy outpaced the Brazilian during the 1970s, when the few migrants became primarily well-educated business managers and investors (Masterson and Funada-Classen 2004). By then, the *nikkei* community in Brazil was already expanding primarily through natural increase (births minus deaths). From a total of 250,000 Japanese (including Okinawan) migrants since 1908, the population of Japanese descendants grew to about 750,000 by 1980 (Tigner 1981; Mita 1994), and over 1.6 million at present.¹² Increasingly large numbers of these second- and third-generation *nikkei* obtained higher education and shifted from working in cotton and vegetable farms to the urban economy, especially in the São Paulo neighborhood of *Liberdade* (Liberty).¹³ That has been the largest "Japanese" city outside Japan since 1960, and now "there are more Nikkei in the State of São Paulo than in the rest of the world combined!" (Lesser 2007: 3). The growing visibility of the economic success of post-war Japanese development and the upper mobility of Japanese immigrants and their descendants in Brazil still evoked certain xenophobic reactions, but even those would be increasingly framed in terms of Japanese (and Japanese-Brazilian) business and social success that could outcompete Brazil and Euro-Brazilians, rather than previous Orientalist notions of racial inferiority, unassimilable Otherness, or political-military aggression.

In the Cold War period, as the "yellow peril" racial form swung drastically towards the Communist Chinese, the *nikkei* community in Brazil became increasingly associated with the stereotypes of hard-working, well-disciplined, and well-educated "model minority." They were particularly overrepresented in the universities of São Paulo since the 1960s and 70s, where they made up 10% of the students but barely 2% of the state's population, and focused especially on engineering,

¹² According to the 2010 census of the Brazilian Institute of Geography and Statistics (IBGE).

¹³ For a good description of this neighborhood's appearance, activities, and residents during the 1990s, see Henkin (1999).

business administration, medicine, and the exact sciences. By 1988, an astounding 17% of students at the elite University of São Paulo were of Japanese descent, and Euro-Brazilians commonly joked that in order to gain admission to the university, they needed more than just good grades, “it was also necessary to ‘kill a Japanese’” (Masterson and Funada-Classen 2004: 245; Lesser 2007). This also led to notable overrepresentation of Japanese-Brazilians in those particular liberal professions, and cast *nikkei* university students in a positive light in the eyes of many in the military dictatorship, which favored such “productive” fields over social sciences and humanities “that seemed to lead students to non-productive dilettantism or, even worse, political activism” (Lesser 2007: 9-10). Ironically given this growing “model minority” racialization of Japanese immigrants and their decedents, and the anti-communist hysteria over the few Chinese living in Brazil during the Cold War, the large presence of *nikkei* in the Brazilian universities also produced dozens of radicalized students who—unlike the “nine red hears” before—actually joined revolutionary movements during the height of the armed resistance to the military dictatorship in the late 1960s. In a high-profile case, an armed communist group kidnapped the Japanese consul in São Paulo to exchange for one of their own imprisoned militants, a *nikkei* known as “Mário the Jap.”¹⁴ However, many more among the Japanese-Brazilian community who began to participate enthusiastically in Brazilian politics during the 1960s and 70s took up government positions with the National Renewal Alliance (Aliança Renovadora Nacional – ARENA), the pro-dictatorship party, and used their position to further boost the image of the Japanese as hard-working and well-disciplined members of Brazilian (and capitalist) society.¹⁵

These efforts were quite effectively harnessed by the Brazilian elite and government to boost economic ties with fast-growing Japanese industries. “Educated Nikkei,” Lesser shows, “became important members of the regime’s policy-making apparatus” (2007: 11). Delfim Neto, the very influential minister of finance from 1967 to 1974—who would become one of the key spokesmen of the “China threat” discourse that produced a strong backlash against Chinese “land grabbing” in Brazil since 2010 (as will be shown in chapter four—even assembled a “Japanese Team” of *nikkei* technocrats to boost international trade and “reduce investor apprehension” (ibid. 12). The number of Japanese companies operating in Brazil jumped from 45 in 1960 to 537 in 1976, and by the end of the 1970s Japan already ranked as the third-largest direct investor in Brazil. These ranged from steel and shipyards to forestry, light manufacturing, and food processing, and were well favored by the Brazilian hyper-nationalist military government because they lacked the neo-imperialist baggage towards Latin America associated with the United States, and largely accepted minority partnerships in collaboration with Brazilian industrialists (ibid.; cf. Evans 1979). It was in agricultural development, however, that Brazil-Japan collaboration became most powerfully articulated with the shifting terrain of Orientalist xenophobia/xenophilia, and also the far-reaching agroindustrial and geopolitical restructuring of the last quarter of the 20th century.

The strong Japanese immigrant base since the early 1900s and strong cooperativist movement among them had already produced a broad class of small-scale *nikkei* commercial farmers in the highlands of São Paulo and Paraná states, and wholesale brokers in the country’s main produce market of São Paulo. By 1978, Japanese-Brazilians were responsible for 70% of the wholesale brokerage of produce in the city of São Paulo, and small-scale *nikkei* commercial farmers had a virtual monopoly

¹⁴ Brazilian police files from this period include hundreds of *nikkei* names. Certainly not all were leftist militants, even if many were involved in nonviolent leftist political activity. Several militants interviewed by Lesser recall “a strong presence in the student movement and later in the urban guerrilla movement,” and he estimates that about thirty *nikkei* were active participants in the armed struggle against the dictatorship in São Paulo state (2007: 75).

¹⁵ This included Maçao Tadano in Mato Grosso state, who would participate in the negotiations to lift the Chinese embargo on the first direct large-scale exports of soybeans from Brazil in 2004 (discussed in the next section). In 1970, the Japanese-Brazilian community included a federal congressman, three deputies to the state legislature, eleven mayors, seventeen vice-mayors, twelve city council presidents, and over two hundred city councilmen in São Paulo state alone (Lesser 2007: 11).

on tea and strawberry production (95% and 90% of the national total respectively), and were also the leading producers of peppers (82%), silk cocoons (80%), and potatoes (71%), and responsible also for about half of all other vegetables and eggs at the national level. The cash crops they produced shifted from the pre-war period, however, as their share of national cotton production fell to 14%, and coffee to 9%, while they harvested about 60% of all soybeans in Brazil produced at the time (Tsuchida 1978). This rise in Japanese-Brazilian soybean production was especially significant for what was to come in the last quarter of the 20th century, and powerfully shaped by the strategic association between the bottom-efforts of *nikkei* agricultural cooperatives with the top-down agricultural development cooperation efforts of the Brazilian and Japanese governments since the 1970s.

The Cotia Cooperative was the largest among very few Japanese-Brazilian cooperatives that survived World War II, when it already had three thousand members. It continued to grow very fast in the three post-war decades as new Okinawan immigrants became incorporated and new generations of its previous members began to move to neighboring states and establish local affiliates. Another *nikkei* cooperative that survived the critical war years was from Juqueri, just north of the metropolis of São Paulo. Until then, it only had 93 members, but with the new inflow of Okinawan migrants and the expansion of *nikkei* agricultural families to other parts of São Paulo and Paraná states, it began to grow very rapidly alongside Cotia. In 1954 it changed its name to the Sul-Brasil (South-Brazil) Central Agricultural Cooperative to reflect its growth and decentralization, driven largely by supplying the fast-growing chicken and egg markets of the southeastern cities of São Paulo, Rio de Janeiro, and Curitiba (Saito 1964). The economic security and rising incomes these cooperatives provided their members was the most important foundation for the upward mobility of Japanese-Brazilians in the post-war period, and also served as key point for political articulation of the *nikkei* community with the governments of both Brazil and Japan (Saito 1964; Masterson and Funada-Classen 2004).

As with Cotia's success during the war period before, this political collaboration was established through a complex mixture of consent and no small amount of coercion. In 1969, the military dictatorship's nationalist hardliners seized power with the leadership of general Médici and launched what became known as the "Brazilian Miracle" period of 10% average yearly GDP growth, which was also the "Years of Lead" when censorship, political persecution, torture, assassinations, and other violent repression of pro-democracy and socialist movements became most pervasive (Fausto 2006). The newly appointed mayor of São Paulo effectively conscripted Fábio Riodo Yassuda, then executive director of the Cotia Cooperative, to serve as Secretary of [Food and Agricultural] Supply for the municipal government. Fábio Yassuda, who was born in Brazil to Japanese immigrants and obtained a degree in agricultural engineering from the most prestigious agricultural university in Brazil in 1939¹⁶, had become indispensable for Cotia's post-war administration. So he and the rest of the Cotia directors only accepted his release to public office after a colonel told some of them that "he would either be prosecuted or would go into the government" (Fernandes 2011: 4), and they feared their cooperative would be shut down otherwise.¹⁷ Yassuda accepted the appointment, but was soon unexpectedly picked up by a colonel and driven in an unmarked car to an airbase where political prisoners were interrogated, tortured, and imprisoned. His fear was only dissipated by the surprise to find there general Médici himself, saying:

¹⁶ The Luis de Queiros Superior School of Agriculture (ESALQ) at the University of São Paulo (USP).

¹⁷ When a journalist asked him almost forty years later if he agreed with the military regime, Yassuda said "No, but afterwards I began to agree. You have to understand what the dictatorship in Brazil was at that time," and explained several ways in which he did not favor the state-led modernization project of the military, but preferred instead the privatization of state-owned enterprises (Mituti Jr. 2008).

I want to tell you right away because I don't have much time: I was elected president of the republic last night and I am forming my government. I want to invite you to be my minister of agriculture. I know you don't like or want to accept public office, and that you were forced by mayor Maluf [to join the São Paulo municipal government]. Here I want to say the same thing: you may not refuse. You are being invited to provide services to the revolution.¹⁸

Fábio Yassuda related that the military regime wanted the Ministry of Agriculture to prioritize production and exports of coffee, cocoa, sugarcane, cereals, and meat products, while simultaneously capitalizing on his expertise in Cotia to expand rural credit and commercialization services in the countryside. Yassuda still attempted to reject the appointment by saying that rural credit and commercialization policies actually extrapolated the duties and capacities of the Ministry of Agriculture, but the top-brass of the regime insisted and simply shifted his appointment to the Ministry of Industry and Commerce, making him the first Japanese-Brazilian member of a Brazilian federal cabinet. He tried to quit at the end of his first week in office, but president Médici would not allow it. So he attempted to expand public credit for the countryside, but began to face a smear campaign from US and European banks and insurance companies who did not want to lose market share in Brazil to the public banks. That pressure mounted with anonymous xenophobic critiques from within the military regime itself, until president Médici accepted his resignation four months into his term (Mituti Jr. 2008; Fernandes 2011).

Back at the helm of the Cotia Cooperative, Fábio Yassuda would be tapped again by the military regime for cooperation in 1973 when a conjuncture of factors destabilized international grain markets and encouraged major soybean and grain importers—particularly Japan, which relied heavily on the US for soybean and other agricultural imports—to join with emergent soybean and grain exporters—especially Brazil—to expand production for international markets (Morgan 2000, Patel 2013; Oliveira 2016a). The Brazilian federal government was already investing heavily in agricultural research through the creation of the National Company of Agricultural Research (EMBRAPA), including a branch devoted specifically for the development of commercial agriculture in the Cerrado region (Embrapa-Cerrados, est. 1971) and for soybean research and development in particular (Embrapa-Soja, est. 1975), devising significant interventions in the pH and nutrient availability of the soils that rendered it profitable for the intensive production of soybean varieties adapted to the Brazilian climate (CPAC 1975). Funding for that program came from the federal government's Development Program for the Cerrado (POLOCENTRO), which also financed road improvement, rural electrification, grain storage units, land clearing, production, commercialization, capital goods acquisition, and harvest expenses in the Cerrado (Jepson et al. 2010). However, rural credit and extension services for new settlements of in the Cerrado region was still an important bottleneck for the Brazilian government's top-down efforts to expand commercial agriculture, and that was exactly where the Cotia Cooperative's bottom-up efforts to expand to the Cerrado regions of Brazil enabled them to harness Japanese government collaboration for financing agricultural development projects that fit with the new “pragmatic” foreign policy of the Brazilian military regime.

In 1973, the Minas Gerais state government donated about 61,000 ha of public land in its “underdeveloped” Cerrado region for the establishment of four agricultural settlements in partnership with the Japanese International Cooperation Agency (JICA), which provided subsidized credit and technical support through its overseas development assistance program. The project, called Program of Directed Settlement of the Alto Paranaíba (PADAP), also included construction of transportation,

¹⁸ Fábio Riodo Yassuda's account of president Médice's words in Mituti Jr. (2008). In truly Orwellian fashion, the military regime and its supporters referred to their coup of 1964 as a “Democratic Revolution” against the threat of Communism hysterically ascribed to the palliative reforms of the democratically elected center-left government of João Goulart.

energy, and communication infrastructure, and involved the participation of Fábio Yassuda and other directors from Cotia since the very beginning: they were the ones primarily responsible for selecting the area for the project, and for the recruitment of 80% of its participants (San Martin and Pelegrini 1984; Pires 2000). The program launched successfully, and so the following year, when general Geisel assumed the presidency and appointed the secretary of agriculture of Minas Gerais responsible for PADAP to the position of minister of agriculture, the latter brokered a commitment by Japan's prime minister to expand the PADAP model into a region-wide agricultural development program, which would be called the Japanese-Brazilian Cooperation Program for the Development of the Cerrado (PRODECER) (Hollerman 1988; Yoshioka 1992). At that moment, however, there were no studies or concrete proposals about how that program would operate, nor was there an organization that could implement it. So even though the joint public pronouncement made during the Japanese prime minister's state visit to Brazil in 1974 announced almost 3 billion USD in Japanese investments in Brazil (highlighting joint-ventures for mining bauxite and aluminum, and expanding the wood pulp industry), the section pertaining to agricultural cooperation limited itself to the declaration of "the *future possibility* of associating private Brazilian and Japanese capital for the establishment of agricultural enterprises in Brazil" (Yokota 1997: 152, emphasis added; Cray 1974). This concern *not* to announce a program or investment project until all details are worked out was underscored as one of the most fundamental differences between Japanese and Chinese investors in Brazil by Mitsutoshi Akimoto, the *nikkei* vice-president of CAMPO, the Japanese-Brazilian joint-venture that was created to manage PRODECER when it was launched in 1979:

The behavior and personality [of Chinese and Japanese investors] are very different... The deal with the Japanese is like building a pyramid, you begin at the base and gradually build up the project. The Brazilian [and Chinese] way is absolutely the reverse, its from top-down. It begins with the idea of one or two people, who just put it on a sheet of paper and announce it, and only afterwards begin to delegate all the tasks needed to make it happen. The Japanese, on the other hand, begin by going through all the thousands of details, and only when it is all set up do you seal the deal [and make a public announcement]. It took us five years to elaborate PRODECER before it was launched.¹⁹

Indeed, between 1973 and the end of 1979, more than 20 delegations from JICA and other organs of the Japanese government were sent to Brazil to elaborate all the details of the program (Yokota 1997), which included accompanying the progress of PADAP and collaborating with the Cotia and Sul-Brazil cooperatives for the identification of new regions for settlement and the selection of participants as well as agronomists and others with technical expertise who could join the project.²⁰ The PADAP project was especially successful at expanding soybean production into the Cerrado region of Minas Gerais: in the first five years of the 1970s, Brazilian soybean production grew 10-fold to reach 10 million tons (Shurtleff and Aoyagi 2009). In order to accelerate soy production and control exports of this increasingly important commodity, the Japanese officials at first envisioned modeling the PRODECER on their pre-war experiences with direct colonization of the Korean peninsula and northeastern China (Manchuria), where Japanese banks and infrastructure companies collaborated in the construction of railroads from sites of mineral deposits to a port, and agricultural experts and trading companies monopolized finance and procurement for soybeans along the railroad for export

¹⁹ Personal interview with Mitsutoshi Akimoto, Brasília, October 17, 2014. San Martin and Pelegrini (1984) actually report that 29 technical missions from Japan travelled to Brazil in for the establishment of PRODECER between 1978 and 1979 alone, but this figure may be exaggerated given the journalistic character and critical position of their research on the topic.

²⁰ Personal interview with Mitsutoshi Akimoto, Brasília, October 17, 2014.

(Hiraga 2016). And in fact, this was not the first time that the Japanese government had proposed this form of large-scale colonization and agricultural development project for central Brazil: already in 1961, the Japanese Ministry of Foreign Relations made such a proposal for then-president Goulart, but the Joint General Staff of the Brazilian Armed Forces vetoed the project (San Martin and Pelegrini 1984). Despite the more open and pragmatic foreign policy of the Brazilian military regime the following decade, the Japanese bureaucrats elaborating the PRODECER still had to contend with the nationalist concerns of the Brazilian government:

Geisel said that if the goal [for the Japanese government] was to diversify its agricultural suppliers, and Brazil produced more than enough for domestic supply, then it would export the surplus and contribute to regularizing the international market. There doesn't need to be then a need to designate a certain percentage [of the production from the PRODECER settlements] for export to Japan. Nor would Japanese trading companies receive any preferential treatment, as I was asked all the time by critics.²¹

But of course, whether and how much of a surplus there would be depended entirely on the particular crops that would be produced, as critics were quick to point out. As long as the project focused on vegetables and staples of the Brazilian diet like black beans, it would contribute primarily to the domestic market, but if it encouraged soy production instead—as the Japanese and Brazilian governments intended—then its contribution would be primarily export-oriented.²²

Once all political and technical terms of the project were finally defined in 1978, Brazilian and Japanese public-private partnerships established holding companies that created a joint-venture named Agricultural Promotion Company (CAMPO) to coordinate the implementation of the PRODECER project.²³ The Brazilian part (BrasAgro) controlled 51% of CAMPO, while the Japanese holding (JADECO) controlled the remaining 49%. “But as in all joint ventures, there is no predominance of one part over another,” the company’s vice-president Akimoto explained to me, “rather there is co-management, co-responsibility, and co-participation. The president is appointed by the Brazilian part, and vice-president by the Japanese, and the other directors and consultative counsel are selected half-and-half.”²⁴ CAMPO’s responsibilities began with the acquisition of the areas for establishment of two large-scale agricultural companies and three directed settlements of small-scale farmers, who would receive credit to finance their own acquisition of the area, “unlike other rural credit schemes available in Brazil at the moment,” Akimoto proudly pointed out. CAMPO also coordinated with cooperatives (particularly Cotia) for recruiting participants and technicians for directed settlements—80% would be appointed by the cooperatives, and 20% selected by CAMPO itself—as well as

²¹ Ibid.

²² These critiques were strongly articulated by the Catholic church through its Pastoral Commission on the Land and even its National Council of Bishops of Brazil. In addition to San Martin and Pelegrini (1984), see also the news reports in *Folha de S. Paulo* (12/07/1980: A19) and *Estado de S. Paulo* (25/09/1980: 20).

²³ In September 1978, the Japan-Brazil Agricultural Development Cooperation holding company (JADECO) was founded in Tokyo. The Japanese central government controlled the investment instrument through JICA, which held 50% of the stocks, and the remainder was sold to 46 private Japanese companies with operations in Brazil, such as Mitsubishi, Mitsui, and all the major banks. At the same time, the Brazilian government coordinated the creation of its own holding company named Brazilian Company of Agroindustrial Participation (BrasAgro) in Belo Horizonte, the capital of Minas Gerais state. Mirroring JADECO, BrasAgro was controlled by the Brazilian government through its state-owned enterprises (not only the Bank of Brazil and the National Bank for Economic and Social Development-BNDES, but also several state government development banks and state-owned agroindustrial companies), but also included small investments by dozens of private Brazilian and Japanese-Brazilian companies. Personal interview with Mitsutoshi Akimoto, Brasília, October 17, 2014; triangulated with the information from San Martin and Pelegrini (1984) and the CAMPO website.

²⁴ Personal interview with Mitsutoshi Akimoto, Brasília, October 17, 2014.

disbursement of subsidized credit from JICA for the management of production and commercialization in the settlements for the first five years. At that point, the settlement would be “emancipated” by CAMPO and managed autonomously by its own cooperative.

“The conditions for participating in the project were to be a Brazilian-born or naturalized citizen, having agriculture as their primary economic activity, and residing in the area of the project or in neighboring municipalities,” Akimoto explained, “the goal was to enable rural-rural migration, and fixing the population in the countryside.”²⁵ Of course, it also served the political interests of the Brazilian state in reducing political pressure for land and wealth distribution in the southeast of the country, as well as contributing to the “pacification” and commercial integration of the Cerrado hinterlands, spaces hitherto considered “empty” or contested with indigenous peoples and other “unruly” *sertanejos* or country folk. Moreover, it also served the Japanese government’s geopolitical interest in accelerating the expansion of Brazilian agricultural production for export, above all with the contribution of soybeans to international markets (Hollerman 1988; Estevam 2004; Aragusuku 2010; Oliveira 2016a).

“It took five years to prepare everything for the PRODECER, but when the project was ready the implementation was very fast,” Akimoto bragged²⁶, as that point illustrated the positive contrast he wanted to show with the Brazilian and Chinese practice of making grandiose announcements which then languish for years before implementation. The first phase of PRODECER, launched in 1979, involved an investment of 60 million USD that covered 64,300 ha across three municipalities in western Minas Gerais state and benefitted 133 families—the majority of them *nikkei* from the Cotia Cooperative. At first there were also two agricultural companies operating with wage labor, one established with 5,000 ha by two Brazilian businessmen from Minas Gerais, and another established with 10,000 ha by Japanese-Brazilian investors from São Paulo, with financial support from CAMPO itself and three major banks. However, the “Japanese” practice of not announcing the program publicly ahead of time backfired spectacularly in this case, since the PRODECER was brought to the spotlight only when a congressman from the opposition party obtained a copy of the 1979 project proposal by JICA, alongside a very negative critique of the project elaborated by the Brazilian government’s Institute for Applied Economic Research (IPEA). On April 17, 1980, that congressman denounced from the floor of the plenary that the recently announced but still barely known project was a “Trojan horse” of a Japanese “state-owned company” (actually, JICA is an international cooperation agency) for the “internationalization of 60 million hectares of the Brazilian Cerrado [until 1990] to supply the Japanese market... with fantastic quantities of grains, especially soy, sorghum, maize, and wheat” (quoted in San Martin and Pelegrini 1984: 18-19). The denouncement became an instant scandal, generating several news reports questioning and challenging the supposed “Japanese invasion” and proposed “occupation” of the Brazilian countryside (Figure 5). Even the press secretary of the federal executive noted, without providing any evidence, that the project could be articulated with a plan for the migration of 10 million “Asians” to Brazil (ibid.), unearthing Orientalist fears that date back to the discussions of drawing “coolies” to replace African slave labor.

When Brazilian and Japanese government officials announced the PRODECER project once it was launched in 1979, some of its more enthusiastic Brazilian boosters like the president of the Minas Gerais Development Bank and some officials in the Ministry of Agriculture even declared (in a very “un-Japanese” manner) that the project could grow to 500 thousand or 1 million hectares in the future (ibid.: 37). But when the story became a scandal in 1980, both Japanese and Brazilian government officials began to deny there was any truth to the accusations of a Japanese government-sponsored “occupation” of the Brazilian countryside. So in September of that year, another opposition

²⁵ ibid.

²⁶ ibid.

congressman called for an investigation of the JICA project. “The creation of the BRASAGRO and JADECO holdings to form CAMPO was the manner found by Japanese capital to evade the Brazilian legislation that forbids foreigners from acquiring more than a quarter of the area in any municipality. Associating themselves with Brazilians [like this], they can buy even the entire national territory,” that congressman accused at the moment he called for the investigation (ibid.: 33).²⁷ When summoned to give testimony to congress in December that year, the minister of transportation confirmed that the government was launching a large-scale infrastructure project to facilitate the flow of agricultural commodities for export, but attempted to disconnect it from the JICA document that included the figure of 60 million ha for agricultural development until 1990. The minister of agriculture also sought to separate PRODECER from the more scandalous projections found in the JICA document, saying that “the creation of CAMPO predates this study by JICA” (ibid.). Finally, the Brazilian president of CAMPO himself assured congress that he “never read and didn’t know about this JICA study,” and that his company would only implement this “pilot project” over 64,300 ha in Minas Gerais, and its function will be terminated thereafter (ibid.: 35-36).

Figure 5. “Cerrados: A Japanese Occupation in the Countryside”



Source: San Martin and Pelegrini (1984)

²⁷ This restriction on acquisition of farmland by foreigners was imposed in 1971, and it is discussed at greater length in the next chapter.

With these assurances from the Brazilian government, public pressure against the PRODECER subsided, but a discussion lingered about the asymmetric commercial and investment relations growing between Brazil and Japan: while Japan was increasing investments that target natural resource extraction and exports from Brazil, “these raw materials feed the concentration of ultra-modern industries that process and re-export them with the label ‘*Made in Japan*’” (ibid.: 116). As will be shown in the next chapter, this conjunction of a hysteria over an “invasion” of the Brazilian countryside and the increased dependence and relative “deindustrialization” of the Brazilian economy would play out once again in the 2000s, but with Chinese agribusiness investors and manufacturing exports replacing the Japanese. The Japanese government was very sensitive to this concern, since Japanese economists already raised noted that the fast expansion of Japanese investments in Brazil could raise protectionist concerns as early as 1973 (Hollerman 1988). After the backlash against the JICA study in 1980, and the conclusion of the first stage of PRODECER in 1982 with the “emancipation” of the two agricultural companies to their private investors and the three directed settlements to their cooperatives, CAMPO initiated an evaluation of the project. In terms of bringing new areas of the Cerrado into commercial production, both companies and settlements were very successful. But the Japanese minister of agriculture issued a scathing critique of the the agricultural company model during the first phase, since the large-scale of their operations and reliance on wage-labor instead of cooperated small-holders challenged the positive characterization of “development assistance” they wanted to highlight in the project to avoid further criticism.²⁸ “The companies didn’t require that employees remained fixed in the countryside like the directed settlements. They [settlements] provided much more social benefits, and encouraged the establishment of other activities too like doctors, liberal professionals, commerce, services, etc.,” explained CAMPO’s vice-president Akimoto to me. “So for the second phase and beyond, we determined to only do directed settlements.”²⁹

The second phase of PRODECER was launched in 1985 with an investment of 375 million USD, this time expanding from Minas Gerais to four other states (Goiás, Mato Grosso, Mato Grosso do Sul, and Bahia). The earlier estimates of expanding to 500,000 ha were reduced to financing the acquisition of 205,700 ha by 545 families organized across 17 municipalities. The settlements in Mato Grosso do Sul and Bahia were still dominated by *nikkei* from the Sul-Brasil and Cotia cooperatives, which by that point had expanded to 10,704 and 14,470 members respectively. Two of them who participated in the PRODECER settlement in Bahia—Wilson Fujita³⁰ and Marcelo Noguchi³¹—would grow to become some of the largest landowners and soy producers in that state. Later in 2009 when Chinese agribusiness investors would arrive in western Bahia looking to acquire 200,000 ha of farmland to plant soy, Wilson Fujita was himself in the process of doubling his landholdings in the region. Consequently, as president of the Irrigation Association of Bahia (the region’s most powerful agribusiness association by the 2000s), he led the region’s demand for the re-imposition of restrictions on foreign acquisitions of farmland that protected him from incipient competition with Chinese investors. By 2012, he was already planting about 46,000 ha of soy, 30,000 ha of cotton, and 7,000 ha of corn in the region, and planning to develop another 6,000 or 8,000 ha per year in the 46,000 ha portion of a highly disputed farm with dubious land titles.³² Western Bahia was not the only case where

²⁸ San Martin and Pelegrini (1984) go further in their analysis, suggesting that the Japanese government preferred dealing with the more dispersed *nikkei* cooperatives they could control, rather than private agribusiness companies.

²⁹ Personal interview with Mitsutoshi Akimoto, Brasília, October 17, 2014.

³⁰ Pseudonym

³¹ Pseudonym

³² Information triangulated between interviews with Mitsutoshi Akimoto, executives at AIBA, and local Church-related NGO members who spoke on condition of anonymity, since they have been contesting the illegal land grabs of the 400,000

PRODECER directed settlements gave rise to large-scale soybean agribusinesses (which would both attract and repel Chinese investors later in the 2000s). The major agribusiness hub of Lucas do Rio Verde in northern Mato Grosso state also began as a PRODECER settlement during its second phase during the 1980s, and the PRODECER project in Cristalina, Goiás state, also became instrumental in the diffusion of new soybean varieties adapted to the Cerrado soils and climate.³³ By the completion of the second phase in 1990, Brazilian soybean production had more than doubled since the establishment of PRODECER to slightly over 23 million metric tons (USDA 1991).

Despite its agricultural success, however, the second phase of PRODECER began to encounter significant financial challenges associated with Brazil's spectacular debt crisis during the 1980s. Financing for new directed settlements were provided by JICA's Overseas Development Assistance program with very low 2.25% APR, while credit for expansion of the previous settlements was provided by the Japanese Export-Import Bank on a slightly higher basis, and both were matched by Brazilian public finance as well, and passed on to the program beneficiaries at about 6% APR. "But as the program sought to finance everything from the land to machinery acquisition and production, when interests increased alongside runaway inflation during the 1980s, we faced a tremendously difficult period," recalls CAMPO's vice-president Akimoto.³⁴ At the completion of the second phase in 1990, preparations for a third phase remained stalled due to runaway inflation and unmanageably high interest rates. In 1994, both Sul-Brazil and Cotia cooperatives could no longer sustain their debts and went bankrupt, dealing a heavy blow to the proposed expansion of the PRODECER. It was only the following year, when the Brazilian government's new currency and financial policy curbed inflation and interest rates that the third phase of the program was launched. This time, when both major Japanese-Brazilian cooperatives had ceased operations, only two or three *nikkei* families were among the 80 appointed for the two directed settlements. This was significantly smaller than the previous phase, involving only 138 million USD investment for the development of 80,000 ha in the regions of Balsas, Maranhão state, and Pedro Afonso in Tocantins state. Notably, both towns have since become major hubs of soybean production (Bernardes and Brandão Filho 2009). Indeed, by the completion of the third phase of PRODECER in 2000, Brazilian soybean production had grown by about 50% to slightly over 34 million metric tons, driven largely by the expansion of production in the areas of Mato Grosso, Mato Grosso do Sul, and Bahia states where PRODECER established its second phase projects, and Maranhão and Tocantins where it launched its third phase (USDA 2001; Bernardes and Brandão Filho 2009; Bernardes and Freire Filho 2006).

Some in the Brazilian government pursued a fourth phase for PRODECER, which would expand the program with an additional 60 settlement projects over 41,000 hectares in the Amazon-Cerrado transition zones of Mato Grosso, Pará, and Rondonia states (Jepson et al., 2010). CAMPO executives themselves had their eyes on the Cerrado region of Roraima state, but the proposed area did not have clear property titles, and was ultimately expropriated for the creation of an indigenous reserve in the late 2000s. Ultimately, the project came to an end after the third phase when the Japanese government restructured its executive branch agencies in 2001, determining that JICA should divest from relatively small-scale holdings like the one that invested in CAMPO, and projects in countries such as Brazil that had already developed significantly during the last quarter of the 20th century. JICA first tried to sell its shares in CAMPO to leading Japanese agroindustrial trading companies like

ha Estrondo estate, in which Wilson Fujita's most recent 46,000 ha are located. AIBA's public pronouncement in favor of restrictions on acquisition of farmland by foreigners was issued with Wilson Fujita as its president.

³³ Personal interview with Alécio Maróstica, coordinator of the PRODECER project in Cristalina, who would also play a key role in attempting to broker Chinese finance for further expansion of soybean production in northern Goiás state between 2009 and 2011. Goiania, March 13, 2014.

³⁴ Personal interview with Mitsutoshi Akimoto, Brasília, October 17, 2014.

Mitsubishi, Marubeni, and Mitsui, but none of them had any interest at that time. “They said they had only participated in the holding for CAMPO as a way to support the government’s project, but they had no interest in increasing their investment in an agricultural development company,” Akimoto explained.³⁵ So JICA turned to the Brazilian government instead, which determined that instead of buying out the Japanese government’s stake, it would also consider divesting from the enterprise as well. “After all,” Akimoto explained, “the main purpose of the joint-venture was to create an anchor for the development of the Cerrado, and that goal was accomplished by then.”³⁶

Nevertheless, the Brazilian and Japanese governments still wanted CAMPO to continue operating and sustain its character of Nipo-Brazilian cooperation, so they encouraged the sale of their participation to Japanese-Brazilian investors. Thus, Akimoto himself organized the other directors and employees at CAMPO to create a holding company that acquired the 50% share of the Japanese holding sold by JICA. At that moment, the Brazilian government considered creating another holding company to attract further investments into CAMPO and transform its primary function from the creation of directed settlements and agricultural development to vertical expansion into warehouses, ports, and trading operations (a business model that was being created at that time by some Argentinian *pools de siembra* and a few large-scale Brazilian soybean farmers such as Blairo Maggi, cf. Fairbairn 2015; Oliveira and Hecht 2016). That project would have transformed CAMPO into one of the pioneers of the segment just before a massive wave of financial investments would pour into Brazilian (and global) agribusiness with the conjunction of the food price and financial crises of 2007 and 2008, but operating logistics infrastructure and trading were “outside our niche of work” according to Akimoto.³⁷

We didn’t have that much experience with logistics and daring to move into the sector... Most of our colleagues entered the company thirty years ago as agronomists, it was a very specific task to develop the Cerrado. So they don’t have much experience with modern management, or even the sense that we are a private company. Instead, they still have that idea that they are public employees, just getting a salary at the end of the month.³⁸

So once the proposal to transform CAMPO from an agricultural development agency into a farm management and trading company collapsed, Akimoto and his colleagues acquired the 14.5% of the shares offered to outside investors in the Brazilian holding (which remains remains under control of the Brazilian government through its public banks).³⁹ They spun-out three subsidiaries that provide agribusiness services now on the open market. One is a biotechnology enterprise that specializes in reproducing seedlings, which wasn’t profitable yet by the time of my interview with Akimoto, but which they “kept up because of our own enjoyment and stubbornness.”⁴⁰ The second is a soil sampling and analysis enterprise, which has already become profitable on its own. The third and most significant subsidiary is an agribusiness consultancy firm, which has operated primarily outside of Brazil. At first,

³⁵ *ibid.*

³⁶ *ibid.*

³⁷ *ibid.*

³⁸ *ibid.*

³⁹ Those shares were held by the Brazilian Organization of Cooperatives, a lobbying association for the interests of its member cooperatives. Once the holding company of the directors and employees of CAMPO bought that share, their total ownership of CAMPO increased to 39%, but it is awkwardly split between minority shares of both Brazilian and Japanese holding companies, which are usually expected to vote as a block on any decision for the joint-venture. To resolve this situation, they have since been attempting to transform the company from a joint-venture into a “regular S.A.” (Ltd.) corporation in which their own holding company would be the predominant stockholder.

⁴⁰ Personal interview with Mitsutoshi Akimoto, Brasília, October 17, 2014.

it was subcontracted by the Brazilian infrastructure giant Odebrecht to undertake the planning and development of irrigation and other agricultural projects in Venezuela, “but after Chavez died, the new government ‘stuffed’ Odebrecht, which in turn didn’t fulfill their payment for us,” Akimoto lamented.⁴¹ It was the afterlives of the PRODECER—touted as “Japan’s most successful foreign agricultural development project” by JICA, and “the most important rural development project of the 20th century in Brazil” by then minister of agriculture Roberto Rodrigues—that provided CAMPO with their most important consulting contract: the ProSAVANNA project in Mozambique.

ProSAVANNA was originally conceived by president Lula as a way to transform the previous “success” of north-south development cooperation embodied in PRODECER into a model for south-south cooperation between Brazilian (and Japanese-Brazilian) agribusiness experts, Japanese financiers, and Mozambique as the development target. That project became extremely contentious, as those who see PRODECER as a success of agricultural development promote its adaptation to the African savannahs, while others who criticize it for contributing to a large-scale and export-oriented agribusiness production model oppose its replication in Mozambique (Deininger et al. 2010; Chichava et al. 2013; Wolford and Nehring 2015; Shankland and Gonçalves 2016). On the one hand, as Akimoto retorted when I raised these critiques in our interview, there are still some settlements established by the program that produce primarily fruits and vegetables for the domestic market (particularly some of the earlier settlements established in Minas Gerais). But on the other hand, it was clear from CAMPO’s collaborations with Japanese and Brazilian agricultural researchers throughout the entire project that developing soybean production for export was central to the project’s mission. Its role in developing soybean agribusiness in the Brazilian Cerrado region should not be overstated, and the executives at CAMPO themselves are proud to have played a role, but admit they merely “helped” and “accelerated” a process that was already taking place and would continue to unfold even without their participation (see Figure 4 in Chapter 1).⁴² Indeed, in its 21 years of operation the PRODECER did establish 758 commercial farmers across over 350,000 ha of the Cerrados, and gave rise to some of the region’s most important soybean farmers and production hubs. Moreover, the program had impacts far beyond the directly benefited farmers, since its infrastructure improvements effectively subsidized private investments by other independent migrants from southern to central Brazil, whose migration dovetailed with farmland concentration and agro-industrial integration that shifted the entire soybean agroindustrial frontier in Brazil (Hecht 2005; Jepson et al 2010; Oliveira 2016a).

Most significantly for the present analysis, the *nikkei* who played a leading role in the implementation of PADAP and PRODECER, through their cooperatives, directed settlements, and ultimately CAMPO itself were able to overcome the “yellow peril” characterizations of Japanese agribusiness investors that last surged in 1980, and propelled themselves very powerfully in both class and transnational ascendance. This was evident in the broad-based success of the *nikkei*-led cooperatives, above all Cotia, which had about 20,000 members across 14 states, and ranked 26th among all Brazilian economic ventures by income, making it by clearly one of the most successful farm cooperatives in all of Latin America before it was extinguished (Masterson and Funada-Classen 2004). It was even more clearly evident in a few among Cotia’s members (like Wilson Fujita and Marcelo Noguchi) who carried on as large-scale family-owned agribusinesses, and the strategic role of the executives and consultants at CAMPO in the tri-lateral Brazil-Japan-Mozambique cooperation project ProSAVANNA. Therefore, by the time China not only ceased being a net soybean exporter

⁴¹ Ibid.

⁴² Halfway through my extended interview with Akimoto, when we began to discuss CAMPO’s role in ProSAVANNA and other international cooperation projects, and engaged in a broader assessment of the company’s role in Brazilian agroindustrial development, he invited a younger *nikkei* to join us, the lead consultant at CAMPO responsible for its international cooperation, who spoke authoritatively as well in his assessment of the company’s history.

in 1995 but became the world's fastest growing and now largest importer of soybean since the 2000s, Japanese (and Japanese-Brazilian) agribusiness professionals had become fully incorporated into the Brazilian agroindustrial landscape and racial imaginary as hard-working and trustworthy transnational businessmen. Indeed, the *nikkei* community became increasingly assertive of the positive meanings and connotations of its "model minority" status as a deliberate strategy to garner social and economic benefits (Tsuda 1999). On the other hand, the new wave of Chinese agribusiness investors that began to arrive in Brazil since the 1990s were still having to struggle with multiple sedimented layers of Orientalist xenophobia as unassimilable Others, untrustworthy communists, and as I will show in the next chapter, dangerous state-directed land grabbers.

However, Japanese agroindustrial trading companies did not immediately move into "origination" of soybeans through establishing and operating their own warehouses, processing facilities, and port terminals in Brazil during the 1990s and 2000s (as exemplified by their disinterest in using CAMPO to launch such ventures). Moreover, with the debt crisis in Brazil during the 1980s and the Japanese recession during the 1990s, trade and investment between both countries reduced significantly. When the recently re-democratized Brazilian government began launching neoliberal reforms along the 1990s that removed restrictions on acquisition of farmland by foreigners, privatized state-owned assets (including agricultural warehouses and port terminals), and facilitated capital flows for foreign investments in Brazil, it was not the Japanese but mainly US and European agroindustrial trading companies like ADM, Bunge, Cargill, and Louis Dreyfus (collectively known as the ABCDs) and seed/agrochemical giants like Monsanto, Syngenta, Dow, DuPont, Bayer, and BASF that swept into the country with full force.⁴³ Until 1995, the ABCDs owned less than 15% of the soybean processing capacity in Brazil, which was controlled primarily by large-scale Brazilian poultry processing companies and cooperatives. Drastic reductions on export duties on whole grain soybeans and the sustained low prices it generated slashed the profits of Brazilian processors and cooperatives, and unleashed a wave of mergers and acquisitions by the ABCDs, which could sustain such conditions as they operate with larger volumes and thin profit margins. By 2005, foreign companies already controlled about 50% of the Brazilian soybean processing industry, and established a virtual monopoly on exports through the chokehold they held on grain terminals at Brazilian (Wesz Jr. 2011; Oliveira 2016a). This effective foreign take-over of the Brazilian agroindustrial processing, trading, and exports—especially of the soybean sector—was particularly strategic given that soy (and cotton) production and processing were deconcentrating from the US and Europe, and shifting to Brazil and China respectively (see Table 1 in Chapter 1).

The renewed entrance of Chinese agribusiness professionals in Brazil after the 1990s, therefore, would become a contest to seek direct partnerships with Brazilian agribusinesses that could bypass the virtual monopoly of the ABCDs, as discussed in the next section. Brazil-China relations leading up to this moment were marked by gradual political-diplomatic approximation, but challenged by a dramatic shift in the insertion of both economies in the international division of labor.⁴⁴ After the reestablishment of diplomatic and commercial ties in 1974, bilateral relations were marked by a gradual—but still very modest in both absolute and relative terms—expansion of trade. Until the end of the military dictatorship in the 1980s, Brazilian government officials and business executives saw

⁴³ I only summarize this process because it has already been explored extensively elsewhere; for a very good journalistic (and also the most ethnographic) account of how agricultural trading companies from the North Atlantic established their global power during the 20th century see Morgan (2000), and among accounts of their entrance into Brazil I especially highlight Wesz Jr. (2011, 2014, 2016). For a broader account of how transnational boosters, brokers, bureaucrats, and businessmen from the US and Europe established their dominant position in Latin America see Dezalay and Garth (2002), and how they did this more specifically on the cotton and textiles sector globally, see Quark (2013) and Beckert (2014).

⁴⁴ I only summarize this period because it has already been deeply and very well explored by Brazilian diplomats, Biato Junior (2010) above all, and several political scientists and economists such as Acioly et al. (2011), Barbosa (2011), et al.

China primarily as a market for Brazilian exports of steel, petrochemicals, and other high-value-added industrial products, while China exported back mainly petroleum (Acioly et al. 2011). During that period, China also became momentarily a net cotton exporter, foreclosing its previous interest in purchasing Brazilian cotton, which attended an increasingly strong domestic demand from growing textile industries (Quark 2013). (It is interesting to note that in May 1984, when Brazilian president Figueiredo visited China, Wang Yaoting from Chinatex was among the officials who received him and his delegation, but no cotton or textile agreements were made; Guedes and Melo 2014.) The most high-profile Brazil-China partnerships pursued during the 1980s were efforts by Brazilian infrastructure construction companies to gain contracts for large-scale dam construction in China, but without success much to their dismay. In pursuit of diplomatic support in the aftermath of the crackdown on the civil uprising of 1989, the Chinese foreign ministry successfully convinced the Brazilian government to establish a “Strategic Partnership” in 1993, which the Brazilians hoped would finally facilitate infrastructure investments and Chinese support for Brazil’s pursuit of a permanent seat in the UN Security Council. Both hopes were frustrated. Moreover, despite efforts by the CCPIT and Brazil’s own trade promotion agency (APEX), bilateral trade also declined due to the “loss of complementarity” between both economies, as China’s industrialization accelerated while the neoliberal reforms in Brazil deepened its focus on agricultural and mineral extraction and exports. China once again began importing larger volumes of cotton, but Brazil would not become an important exporter again until after 2000 (FAOSTAT 2017). In the meantime, burgeoning Chinese manufactured exports began to outcompete Brazilian industrialists, particularly in furniture, shoes, toys, and textiles—which triggered the first, but still relatively composed, concern among Brazilian industrialists over competition with cheap Chinese exports. Meanwhile, Chinese government and business officials began to identify Brazilian agroindustrial and mineral exports—above all iron ore, timber, and soybeans—as their main commercial and investment interest in Brazil, which set the stage for the “new commercial complementarity” that consolidated between both countries since 2000 (Biato Jr 2010: 25-26).

The new wave of Chinese agribusiness professionals seeking direct commercial relations with Brazilian farmers and companies were relatively disadvantaged in comparison with others from the Global North, since they lacked the long-term and more business-friendly perceptions of US and European investors, as well as the broad immigrant base of the Japanese, and the particular history through which the latter overcame some of the most limiting aspects of Brazilian orientalist xenophobia. Chinese migration to Brazil did increase during the 1990s, but those were mostly poor peasants and migrant workers who became incorporated into São Paulo’s urban economy as retailers of cheap Chinese products, centered on the March 25th Street.⁴⁵ However, none of the Chinese agribusiness professionals who I interviewed identified those migrants as a possible asset for the investments they pursued in Brazil, describing very strong distinctions between *huagong* (laborer) and *huashang* (businessmen) patterns of migration. In fact, most actually complained about “those March 25th people”, since their practice of illegal immigration and contraband from Paraguay actually triggered highly restrictive measures by the Brazilian Ministries of Foreign Affairs and Labor when considering visas and work permits for “legitimate” (i.e. upper class) investors from major Chinese agribusiness companies. Moreover, some even complained (usually under condition of anonymity)

⁴⁵ This market is famous for contraband from Paraguay (which did not have protectionist barriers against cheap Chinese products or restrictive immigration policies like Brazil), where Chinese merchants were using their growing control of exports to edge out previous (mainly Arab) wholesalers. For more detailed accounts of 20th century and contemporary Chinese migration to Brazil and its socio-economic dynamics, including its relation with wholesale-retail of Paraguayan contraband and (unlike earlier Japanese migration) its strong urban orientation, see Cassiano (2001), Veras (2008), and Pinheiro-Machado (2011). This description is derived primarily from my own multiple informal exchanges with Chinese migrants in São Paulo and several other state capitals and smaller cities in which I undertook fieldwork from 2009 to 2015.

that certain Chinese immigrants in Brazil hired for translation or other services were crooks who deceived them in ways ranging from overstating their Portuguese-language ability to outright theft of company funds. The rare exceptions were well-educated and middle-class boosters and brokers like Charles Tang, who created the Brazil-China Chamber for Industry and Commerce (CCIBC) in 1988, and others who I discuss in greater detail in subsequent chapters, as they performed the fundamental role of combating sinophobia and brokering bilateral trade and investments. This is a major difference from Chinese migrations to other places where larger and well established diasporic communities exist, enabling a relative “porosity of the border between proletarians and merchants” (Ma Mung 2011: 63; cf. Wang 1992; Suryadinata 1997; Nonini 1997; Cheng 1999; Hu-DeHart 1999, 2005).

When Chinese agribusiness professionals began arriving in Brazil during the late 1990s and early 2000s, pushing forward the resurgence of Chinese capitalism, they lacked the diasporic connections (mainly established around the Pacific Rim) that enabled them to be perceived and welcomed as emergent transnational business professionals. Even where those diasporic connections enabled them to transform the “yellow peril” racial form from dangerous Cold War communists to possible capitalist business partners, as in the US above all, those accounts were still “sensationalized” in manners that “reflect a kind of admiration, to be sure, but they are also prone to exaggeration and betray fear; they can also engender loathing” (Hu-Dehart 1999: 5; cf. Seagrave 1995; Weidenbaum and Hughes 1996; Cheng 1999). Therefore, once China became the world’s fastest rising and then leading importer of agroindustrial commodities, especially soybeans, cultivating trust and overcoming complex layers of sinophobia was the central challenge of its agribusiness professionals.

3. Chinatex and the Battle of the Beans, 1997 - present

In 1997, the Chinese central government not only reduced tariffs and quotas on soybean imports, but also called for the restructuring of its state-owned agribusiness trading companies, including the transformation of Chinatex “from a monolithic, anachronistic body into a dynamic 21st century company” (Chong 2003: 5). The following year Zhao Boya was elevated from cotton trade manager to chairman of the whole group, and tasked with expanding their participation in textile industries and diversifying their trading operations. Similar to the transformations of the BBKA Group under Li Rongjie (which will be detailed in chapter 5), Zhao Boya’s appointment transformed the character of management at Chinatex, promoting to leadership a new generation of economists, industrial engineers, and foreign-educated MBAs who saw themselves more as business executives in a globalizing world than Communist Party cadres enacting state policies. In the first five years under Zhao’s leadership, Chinatex transformed from a trading company into one of China’s leading textile and garment manufacturers, and pioneered the agroindustrial “going out” strategy for cotton production: they expanded their first factory from textiles to garments, acquired another two large-scale textile and garment factories, and acquired four farms in Australia covering 5,000 ha in total to produce their own cotton.⁴⁶ They also hired a German strategic consultant, and acquired a German retailer and Danish fashion design firm to establish their own brand and move into high-fashion and high-profit retail markets at home and abroad (Handelsblatt 2003, Chong 2003). By 2003, 30% of the company’s revenue was coming from its industrial rather than trading operations (ibid.). However, the

⁴⁶ In 2003, their three factories accounted for 200,000 spindles, 2,000 weaving looms, and produced about 15 million pieces of garment per year. They began acquiring farmland in Australia in 1996, specifically in Moree, New South Wales (Chong 2003). However, the company halted that strategy of expansion in Australia after their efforts to “go out” for soybeans in Brazil began to overtake the company’s priorities during the 2000s. For more on the recent transformations of the cotton and textile industry in China, see Alpermann (2010).

most significant transformation was its diversification into soybean trading and, eventually, processing. In that process, Chinatex led the first effort by agribusiness professionals from China and Brazil to establish *direct* trade in soybeans that bypasses the ABCDs, which placed them at the very heart of what came to be known as the “2004 soybean crisis” and the ensuing “Battle of the Beans” that still shapes Brazil-China relations and global agroindustrial restructuring to this day.

With its entrance into the WTO, the Chinese government had committed to opening up its cotton and textile trade to private domestic companies and foreign corporations, thereby sacrificing the monopoly position Chinatex held for fifty years. The SOE would still maintain a strong position in the cotton market, but it needed to diversify its operations to survive. Thus, Zhao established the Chinatex Grains and Oils Co. subsidiary in 2000, and tasked that team with procuring soybeans in China’s northeastern provinces. But seeing the rapid expansion of soy imports unleashed by the reduction of tariffs, he also tasked them with researching opportunities for “going out” to originate soy abroad. Shan Weijian⁴⁷ was in the first team that Chinatex Grain and Oils assembled and sent to Brazil in 2003, and then became the head of the subsidiary there.

We have a long history in trading, so even though we had not worked with soy before, we know those mechanics very well. I was there for one year right after we began procurement in northeast China (2001-2002). At that time, soy was still very important in China, and the government was trying to protect the sector [i.e. encouraging SOEs like Chinatex to purchase domestically to sustain prices]. We procured soybeans directly from producers, middle [sized] trading companies, warehouses, even railway stations. There were many models. Chinatex is a state-owned company, so we are very strong financially and have a good reputation, credibility. We can get soybeans from producers on credit or cash. We are never short of cash, so the origination business was very profitable in China. We didn’t have a [soybean] crushing plant at that time, so our concern was the margin [between farm-gate and crushing industry price], because if we don’t crush, we cannot get the profit from the crush-margin, only trading.⁴⁸

Given this dependence on trading for its grain and oils business, Chinatex recognized it would need to import soybeans as well since Chinese markets began to be flooded by cheap US, Brazilian, and Argentinian soybean exports in order to remain profitable and expand.

We did import CIF⁴⁹ from 2001 to 2003, and saw it was a good business. So we decided in 2002 that if we buy FOB⁵⁰ from America (sic) and Brazil is even better. We did research and found that the US is fully developed, not easy [for new entrants] to find opportunity there. Argentina was in crisis. But Brazil was not yet mature, and suppliers are quite diversified, so there was a lot of opportunity. The ABCDs do most of the international [shipments], but there are also [large-scale] individual [farmers] and cooperatives. So we determined that we should

⁴⁷ I use a pseudonym even though he granted me informed consent to be identified in my research, and he is publicly identified by his position in Chinatex in multiple journalistic reports.

⁴⁸ Interview with Shan Weijian, director of Chinatex Brazil, São Paulo, June 12, 2015.

⁴⁹ CIF contracts are when the buyer only pays for the cargo’s “cost, insurance, and freight” and takes responsibility at the port of destination, while the seller takes responsibility for origination, loading, and shipping at the port of origin. This usually meant that a Chinese buyer like Chinatex would purchase from the ABCDs who had warehouses and ports in the US, Argentina, and Brazil from which they could “originate” soybeans (or from Japanese sogo shosha who purchased from them or other smaller exporters in Brazil for resale to China and elsewhere).

⁵⁰ FOB contracts are “free on board”, when the buyer takes responsibility for the cargo already at the port of origin. This enables a buyer like Chinatex to purchase directly from Brazilian cooperatives or trading companies with access to a port.

go to Brazil. But when we did research, we found that Brazil is very difficult – totally different from China. The logistics is the bottleneck, especially the port.⁵¹

It was through their oligopoly on Brazil's main soybean shipping ports that the ABCDs retained their dominance in exports from the country. Brazilian farmers could very well want to sell to Chinatex or other buyers, and the latter could even offer better terms and prices. But without being able to operate a grain terminal of their own, the whole deal was a moot point. Recognizing that soybeans were rapidly becoming one of the most important agroindustrial commodities in international trade, driven almost entirely by rising Chinese demand and booming supplies from Brazil, the ABCDs attempted to block direct commercial relations between Chinese and Brazilian agribusinesses.

At that time (2002), it was very hard. The big trading companies refused to sell soy to Chinatex in Brazil. They said, “you go back to China, we will sell it to you there, but here no.” We had difficulty even if we chartered a vessel and offered to buy FOB, we still could not find a seller. Individual producers didn't have the capacity and the confidence, even though we have [similar] demands from each other [i.e. bypassing the ABCD oligopoly and split the profits captured by the trading companies]. Santos, Brazil's main port, no way. Paranaguá was more or less [because there is a public port beyond the control of the ABCDs]. So the reason we went to Rio Grande do Sul was because of the cooperatives. They are also a big supplier, but the international [trading companies] do not have a monopoly there. They [the cooperatives] have their own port, so they have this ability [to sell directly to Chinatex].⁵²

Shan Weijian and his colleagues were quite savvy in their research, identifying Brazil's southernmost state, Rio Grande do Sul, as the ideal place in which to begin, and at just the right moment as well. After all, soy production in the Center-West and Cerrado region of Brazil was increasingly dominated by large-scale farmers and farm management companies, even where cooperatives from PRODECER and other directed settlement programs had launched the process (Mier y Terán 2016). In southern Brazil, on the other hand, soy production remains largely in the hands of relatively small (i.e. < 300 ha) farmers with a long tradition of commercial operations and cooperativism (Vennet et al. 2016). A wheat farmers' cooperative (Cotrijui) inaugurated a grain terminal at the deep-water port of Rio Grande in 1969, and then in 1993 united with another 18 regional cooperatives to create the Cooperativa Central Gaúcha Ltda. (CCGL), an umbrella organization established to simultaneously bail-out many cooperatives that had become dangerously indebted during the 1980s (like Cotia and Sul-Brasil discussed above), and also modernize and scale-up the cooperatives' milk processing capacity, and expand their logistics operations, especially at the port.⁵³ When Brazilian public ports were being privatized in 1999, the CCGL purchased the neighboring grain terminal from the state-owned oil company Petrobras, bringing their total storage capacity to 500 thousand tons at the port, and expanding their loading capacity from one to three ships simultaneously (Figure 6).⁵⁴ At the moment that Chinatex arrived in Rio Grande do Sul looking for partners interested in bypassing the ABCD chokehold on Brazilian soybean exports, therefore, the CCGL was one of the only actors in Brazilian agribusiness with capacity to cooperate.

⁵¹ Interview with Shan Weijian, director of Chinatex Brazil, São Paulo, June 12, 2015.

⁵² Ibid. For more on the history of Rio Grande Sul, including its agricultural cooperatives, see Pesavento (1997).

⁵³ Cotrijui is the common name for the Cooperativa Regional Triticola Serrana Ltda., and the grain terminal they constructed in 1969 is called Terminal Marítimo Luiz Fogliatto (TERMASA). Information available at the CCGL-Log website, the subsidiary responsible for its logistics operations (<http://www.termasa.com.br/>).

⁵⁴ This second grain terminal is called Terminal Graneleiro S.A., or TERGRASA.

“We thought it was a great idea,” said the president of the federation of cooperatives that includes CCGL in Rio Grande do Sul state about the proposal to make direct exports for Chinatex, “but the interlocution is difficult,” added his executive director.⁵⁵ In very practical terms, no one at the new Grain and Oil operations at Chinatex could speak Portuguese⁵⁶, and none of the executives at the cooperatives could speak English (much less Mandarin), “and there is still hardly any people doing this exchange” they added.⁵⁷ Thus, the connection between Chinatex and CCGL would have been impossible without the intermediation of Liones Severo (Figure 7), a bombastic soybean broker from Rio Grande do Sul who spoke pretty good English and became the key Brazilian booster of direct sales to Chinese buyers during the early 2000s. “The cooperatives had a meeting, raised his name to be the interlocutor, and it was approved,” explained the chief executives of the cooperatives involved in making the sales through CCGL.⁵⁸ “That is when he [Severo] entered the game,” and they emphasized, “he had the the trust of the Chinese, and we trusted him to organize the partnership.”⁵⁹

Figure 6. The CCGL grain terminals at the Rio Grande port



Source: CCGL

The emphasis on the need to cultivate trust also betrays the underlying *suspicions* that still curtail direct commercial relations between Brazilian farmers and cooperatives and Chinese agribusinesses like Chinatex. Discussing proposals for the cooperatives to purchase agrochemicals directly from China (through Chinatex, complementing their desired soy exports), the cooperative executives reiterated the suspicion they face from their members: “Do you think the farmer would leave the security of dealing with a known company like Monsanto, Basf, or Syngenta, to say ‘I will buy it from the cooperative that gets it from the Chinese?’ Ihhh... they squint their eyes [‘like Chinese’] and make

⁵⁵ Personal interview with the president and executive director of the Federation of Agricultural and Livestock Cooperatives of the Rio Grande do Sul State (Fecoagro/RS), Porto Alegre, June 23, 2015.

⁵⁶ Brazil’s participation in cotton exports had almost disappeared during the 1990s and were only starting again during the early 2000s (Osakwe 2009), and everyone among the “old guard” at Chinatex that had experience in Brazil in previous decades had retired by that point, forcing the company to begin its soy operations in Brazil from scratch.

⁵⁷ Personal interview with the president and executive director of the Federation of Agricultural and Livestock Cooperatives of the Rio Grande do Sul State (Fecoagro/RS), Porto Alegre, June 23, 2015.

⁵⁸ *ibid.*

⁵⁹ *ibid.*

this dubious face.”⁶⁰ The deal could only be brokered, therefore, through someone who they and the farmers knew for several decades, such as Liones Severo, and who boosted the direct exports to China.

Liones Severo had worked in the sector his whole life, and taught himself English while working as trader and broker in the ports of Rio Grande and Paranaguá.⁶¹ That enabled him to join the Italian agroindustrial conglomerate Ferruzzi S.p.A. in 1988, where he managed soybean trading and orchestrated the infamous corner on the soybean market at the CBOT in 1989. “That year I made 26 million [USD]”⁶², he bragged to me referring to the company’s gains in the infamous scheme, but failed to elaborate on the denouement of the tale: while he projected himself from an unknown soy broker from southern Brazil into an internationally (in)famous soybean trader, Ferruzzi faced countless law suits and shut down in 1993. “In the end, Ferruzzi... crashed and burned into bankruptcy, most suits were dismissed, some traders got a nice prize years later in a class action suit, and Cargill and the CBOT executives moved on” (Ashburn 2014). Liones also moved on to manage soybean origination and trading at MatoSul, “the Cargill of Mato Grosso do Sul” as he described the Brazilian grain trading company.⁶³ “There I made 18 million [USD]” for the company, Liones boasted⁶⁴, before it was acquired by Cargill itself in 1997. Those experiences not only set him apart as one of the soy brokers in Rio Grande do Sul with the most prominent profiles, but also gave him a clear understanding of the strategic necessity for Brazilian soybean agribusinesses to establish direct partnerships with Chinese buyers to bypass the ABCDs.

Figure 7. “The Eagle” who builds trust and celebrates honesty in Brazil-China agricultural trade



⁶⁰ Personal interview with the president and executive director of the Federation of Agricultural and Livestock Cooperatives of the Rio Grande do Sul State (Fecoagro/RS), Porto Alegre, June 23, 2015.

⁶¹ Personal interview with Liones Severo, Porto Alegre, June 22nd, 2015.

⁶² *ibid.*

⁶³ *ibid.*

⁶⁴ *ibid.*

Source: Photo by the author, Porto Alegre, June 2015. In his second book, the entire second half of which is entitled “The Eagle and the Dragon” (Severo 2011), Liones reiterates the heroic account of how his trading expertise, courage, and *gentleman* ways (written in English) enabled the business success of Chinatex in Brazil during the critical year of 2004, which is also the subject of his entire first book (Severo 2004). Interestingly, both books lack any mention of the “red soybean” incident described below. In the emotionally charged conclusion of the second book, he describes how Zhao Boya gave him that wooden sculpture, “saying that for the Chinese, the eagle is the symbol of *honesty* and the *nobility* of man. I felt surprise and emotion at that moment, complemented in everything that I wanted and thought to be” (Severo 2011: 123, emphasis added). Note the charts behind him, showing the monthly price of soybeans (left) and soy oil (right) at the CBOT from 1968 to 2010, with clearly noticeable spikes starting in 1973, and culminating in the 2007–2008 moment of record high prices.

We are kind of hostages to the US... Brazil will be the greatest food supplier in the world, that is uncontestable because of our natural resources and vocation. But we don't have a sufficient understanding of this importance... Soy is the most important commodity in the world, and there are people all over the countryside looking to buy. But Brazilians don't sell the soy, it is bought [from us].⁶⁵

That analysis dovetailed perfectly with the common understanding of Chinese agribusiness professionals that “South America produces soybeans, China buys soybeans, and the US sells soybeans”, placing the transnational trading firms from the Global North as the dominant players that control the prices, profits, and flows of this agroindustrial commodity chain (Yan, Chen, and Ku 2016; Oliveira 2016a). And when the first Chinatex delegation arrived in Rio Grande do Sul looking for information and possible commercial partners, Liones Severo delivered that analysis with his distinctive swagger that inevitably includes bragging about his longstanding success trading soybeans, and his pet-theory that soybean market prices can be accurately predicted through analysis of four-year cycles.⁶⁶ Their first conversations in a hotel in Porto Alegre went so well that Liones was invited to China the following month to negotiate an employment contract. Interestingly for my narrative, he highlights in his own book that overcoming sinophobia was a major obstacle even for him to take on the “Chinese deal” that he now boasts so exuberantly about: “Our trip to China culminated with the realization that it was prejudiced underestimation that deprived us [Brazilians] for many years from coming to an exceptional solution for the future of Brazilian agriculture” (Severo 2004: 15).

Upon his incorporation into the Chinatex team in Brazil, the 5-person delegation returned to Brazil, rented a large house in São Paulo that they converted partially into office space, and organized their first direct (FOB) shipment that same year. Liones pre-paid for 60 thousand tons of soy from various cooperatives that integrate the CCGL, but since they did not have a letter of credit of their own to secure the financial arrangements for chartering a vessel and taking out the insurance for the shipment, Liones arranged for the sale to be intermediated by Coimex, a medium-sized Brazilian trading firm that was rapidly expanding their soybean operations as well. That first shipment in 2003 went smoothly, and secured Liones Severo's position in Chinatex. “As pioneers [among Chinese

⁶⁵ *ibid.*

⁶⁶ Severo not only shared enthusiastically all these tales and theory with me in our interview, but also wrote about them in similarly bombastic terms in two books, whose titles translate to *Soy: Why we made the Chinese deal?* (Severo 2004) and *How to profit dealing in soy* (Severo 2011). In these books, he brags about participating in the first exports of soybeans from Brazil during the 1960s, the first Brazilian exports of soy to Russia in the 1980s, and claims to be “individually responsible for the largest volume of Brazilian soy ever negotiated in global markets,” and “known in every international soybean market”, in addition to being responsible for the first direct soybean exports from Brazil to China through Chinatex (*ibid.*). With the exception of this last fact, I cannot confirm all the other claims. They are probably embellished but mostly true.

agribusinesses] we didn't know how to operate in Brazil, how to hedge this month, that month," explained Shan Weijian⁶⁷, so they learned by working under the direction of Liones Severo. "He taught us a lot about the Brazilian soybean market. He was like a professor at the beginning, telling Chinatex how to do [this] business."⁶⁸ The successful export of that first vessel in 2003 gave them all confidence to expand their operations, and so they began to work around the clock to negotiate far larger acquisitions from CCGL during the daytime, and obtain approvals from the headquarters of Chinatex in Beijing during the night. By April 2004, they had pre-paid for the purchase of 550,000 tons of soybeans to be exported in 10 ships during that and the following few months.⁶⁹

That move sounded the alarm and evoked strong reactions from the ABCDs in Brazil. "In those days, I was absolutely hated" by the ABCDs, Liones recalled and sneered.⁷⁰ "They would call me and my brother [who took over their brokerage firm while he was an employee at Chinatex] to say 'you will never do business with another company if you continue to work with Chinatex?'"⁷¹ Shan Weijian also remembers that period as marked by strong resistance from the ABCDs: soybean farmers and cooperatives "were afraid of selling to Chinatex because they feared punishment by the big trading companies. They [trading companies] also finance them," and farmers feared the ABCDs would withhold finance or raise interest rates.⁷² In addition, they would tell Brazilian farmers that the letters of credit that Chinatex proposed through the Bank of China were not reliable, "so a lot of Brazilian suppliers felt we are not trustworthy."⁷³ The directors of the cooperatives confirmed this.⁷⁴ Ultimately, it was Liones Severo who secured mutual trust between the CCGL and Chinatex. "The Americans (sic) told us that the Chinese are untrustworthy," Severo explained, "and told them the same thing about us. It took great effort but we got the Brazilians to understand that the Chinese are not as bad as the United States says."⁷⁵ And of course, that trust became consolidated once Chinatex demonstrated in practice its financial capacity to pre-pay for their purchases, and also provide credit below market prices for subsequent operations, giving the CCGL executives enough confidence to face the ABCDs.

When we came, [said Shan Weijian] we provided them more channels. We can provide much lower finance than the trading houses, I compared, I know how much interest they charge the producer. We provide them much lower! ... But only after they saw that Chinatex is a secure buyer [after the first shipment], they felt confident. Only the middleman companies don't like

⁶⁷ Interview with Shan Weijian, São Paulo, June 12, 2015.

⁶⁸ *ibid.*

⁶⁹ Interviews with Shan Weijian and Liones Severo, São Paulo and Porto Alegre, June 2015. Pre-paying was an unusual operation, since most farmers delivered a portion of their harvest to cover the amount pre-financed by trading companies, and received payment for the remainder only after delivery. After these first operations, Chinatex sought to pre-finance with cheaper credit than the ABCDs, rather than pre-paying for deliveries.

⁷⁰ Personal interview with Liones Severo, Porto Alegre, June 22nd, 2015.

⁷¹ *ibid.*

⁷² Personal interview with Shan Weijian, São Paulo, June 12, 2015. The financial power of the trading companies over soybean farmers and cooperatives is also exercised through their unequal access and power at the commodity exchange boards. Brazilian farmers and cooperatives don't have the financial capacity to participate directly in the CBOT, so they hedge domestically at the Paranaguá exchange. But even there, "the big trading houses squeeze us, when we try to sell, the *tradings* undercut our price. Only if you have 2 or 3 million [USD] can you hold your own there." Personal interview with the president and executive director of the Federation of Agricultural and Livestock Cooperatives of the Rio Grande do Sul State (Fecoagro/RS), Porto Alegre, June 23, 2015. Shan Weijian also remarked on the same dynamic in order to underscore the beneficial role that Chinatex played when it entered Brazil to break the oligopoly of the ABCDs.

⁷³ Personal interview with Shan Weijian, São Paulo, June 12, 2015.

⁷⁴ Personal interview with the president and executive director of the Federation of Agricultural and Livestock Cooperatives of the Rio Grande do Sul State (Fecoagro/RS), Porto Alegre, June 23, 2015.

⁷⁵ Personal interview with Liones Severo, Porto Alegre, June 22nd, 2015.

that. What is their function? Chinatex is a trading company too, it has been trading for 60 years, so we know the trading business. What is trading about? Don't let end buyer and seller know each other, try to block that. It is beneficial for local supplier [and overseas buyer as well], only the middlemen are not happy. So we can see why don't welcome us.⁷⁶

However, when the first shipments of 2004 began to be loaded by Chinatex at the CCGL port in Rio Grande, it was not simply resistance from the ABCDs that would derail their operations, but a far more complex problem of pesticide contamination that affected all exporters from southern Brazil at that moment, and a rapid fluctuation in international soybean markets – which triggered the “2004 soybean crisis” that fundamentally restructured the sector (Bo 2014).⁷⁷ Until then, the Brazilian government had not approved the use of transgenic crops, but some farmers in Rio Grande do Sul had already been smuggling Monsanto's glyphosate-resistant (Roundup Ready, or RR) transgenic soy seeds from neighboring Argentina for at least four years. President Lula had just taken office, and environmentalist and leftist social movements hoped he would not only sustain restrictions, but even declare a moratorium on transgenic seeds. But he succumbed to pressure from the agribusiness lobby and arranged a compromise that legalized the commercialization and exports of transgenic soy exclusively in Rio Grande do Sul state (where the bulk of the smuggled transgenic seeds were being planted), even while holding off on approval at the national level.⁷⁸ By that time, farmers in Rio Grande do Sul who were hesitant to plant transgenic soy without legal sanction had already purchased 80 thousand tons of conventional soybean seeds, and once the approval was announced they switched *en masse* to transgenic seeds instead. The conventional seeds they had stored became worthless then, and once harvest began in early 2004, many disposed of their unused seeds in the midst of their harvested grain (Maschio 2004). But such seeds are coated with a mixture of pesticides and herbicides to protect them before planting and germination, and marked with a red color to distinguish inedible seeds from edible grain. So when these shipments began to arrive in China, the central government's customs and quarantine agency (AQSIQ) rejected them, and issued a temporary embargo that threatened the export boom that was just beginning. These events articulated with shifting signals from the USDA about US anticipated harvests to create a perfect storm in international soybean markets that drove prices to record heights in early 2004, and then brought prices crashing down in the middle of that year when the embargo was lifted, but note before taking down also most Chinese soybean importers and processors, and tarnishing president Lula's initial attempt to pivot towards China as his major foreign policy and economic strategy.

The attempt to leverage the Chinatex exports politically in Brazil was first rehearsed by the governor of Rio Grande do Sul. On April 8th, Zhao Boya and the other top executives of Chinatex visited Brazil and were received by him in Porto Alegre to celebrate the “first” direct shipments of soybeans from Brazil to China.⁷⁹ They were poised to become one of the main success cases to boost the renewal of Brazil-China relations during the planned exchange of state visits by presidents Lula and Hu Jintao later that year, and a model for further Brazil-China agroindustrial partnerships. But at

⁷⁶ Personal interview with Shan Weijian, São Paulo, June 12, 2015.

⁷⁷ Similar but less dramatic fluctuations also affected other agricultural commodity markets, such as cotton, which also shook up the operations of Chinatex and accelerated the restructuring of the textile industry in China towards greater foreign control of production and trade (Alpermann 2010; Quark 2014).

⁷⁸ This was done through the Provisional Measure 113 of March 27, 2003. For more details on the different social forces pushing for and against this measure, and the broader political struggles around transgenic soybeans in Brazil at the time, see Castro (2006), Jepson (2002), and Jepson et al. (2008).

⁷⁹ It was actually the second direct shipments that were being launched at that moment, given that Chinatex had already exported a single vessel in 2003 as a trial run. Nevertheless, the political meeting required more fanfare than accuracy about such details; see the report by the Rio Grande do Sul state government (2004).

the end of that same month, when their ships began to arrive in China, they were rejected at customs and the entire plan for high-level political promotion collapsed. Noble (which was also just launching operations in Brazil, and would eventually become incorporated into the leading Chinese agribusiness trading company COFCO) also had one of its ships detained, and ADM, Cargill, and Louis Dreyfus, alongside three smaller trading companies from southern Brazil (Trevisan, Biachini, and Libero) that were sharing vessels, all had their deliveries to China suspended until sanitary inspections could be concluded (Trevisan 2004; Zafalon 2004). The Brazilian Embassy staff was alerted by the Chinese central government of their “zero tolerance” policy on contaminated shipments of foodstuffs, and the Brazilian bureaucrats began to scramble to figure out how to resolve the crisis. At that same time, Chinese companies began to default on their contracts, and several executives of the ABCDs and other agribusiness professionals in Brazil began to speculate that the entire “red soybean scare” was a mere fabrication of the Chinese government to rescind contracts without suffering negative consequences at arbitration. Some Brazilians didn’t want to admit the farmers contaminated shipments deliberately, and that the government failed to restrict those exports and destroy the unused conventional seeds according to legal regulations. It was much more convenient for them to shift the blame onto the “untrustworthy” Chinese, and their “politically motivated” efforts to protect their own companies that had “simply made mistakes in the market”.⁸⁰

The Brazilian and Chinese governments held more than six meetings to discuss the topic in the first month shipments were embargoed, but before a political resolution was secured, Chinatex and the other companies had to figure out how to handle their shipments, some already on their way to China, others being loaded, and several more already contracted and scheduled. Many like Cargill simply redirected their detained ship from China to Hong Kong or other ports where they could be accepted (Trevisan 2004). Chinatex also redirected one of their embargoed ships to Vietnam. Shan Weijian told me they only managed to dispose of some shipments by giving a discount to their buyers⁸¹, and (as Severo elaborated) by “making an agreement with the Chinese government that we would pay for the cleaning,”⁸² which was apparently done mostly for show, just enough to enable the shipments to be unloaded in China and the customs officers to say they did their job.

We hired a quality control company to take a barge to the ship out in the ocean so that we didn’t have to pay for the dock. They would open the hull and spend the day manually cleaning out the top [of the cargo]. Then we hired cleaners again when they made a stop in Hong Kong, and a third time upon arrival in China. Can you imagine that, “one thousand” little Chinese hand picking “red soybeans” in the hull of the ships? Of course, we had to do it even though everyone here said China was at fault, because what is prohibited in the point of origin is prohibited in the destiny too. You can’t send poison. There is some tolerance for sabotage or error. But maybe just in one ship, not ten, twenty, all of them. After the first ships were detained in China, it was the Secretary [of Sanitary Inspection] at MAPA [the Brazilian Ministry

⁸⁰ This view was expressed in media reports such as “Setor de soja da China suspeita de quebra contractual” (China soybean sector suspected of breaking contracts), *Folha de S. Paulo* 06/06/2004; and it was also related in my interviews with Shan Weijian, Liones Severo, Tao Zhu (a pseudonym for the director of Sanhe Hopeful’s foreign investments, even though he granted me informed consent to be identified in my research; personal interview, Beijing, July 14, 2013), and Ruben Shue (a pseudonym even though he granted me informed consent to be personally identified in my research), who was the representative of the Brazilian futures exchange BMF in Shanghai, and official translator of the Brazilian government during negotiations over the soybean embargo and other trade and political agreements that year; personal interview, São Paulo, June 12, 2015.

⁸¹ Personal interview with Shan Weijian, São Paulo, June 12, 2015.

⁸² Personal interview with Liones Severo, Porto Alegre, June 22, 2015.

of Agriculture] that blocked our next ship from leaving because it was contaminated. We resold that one from the ocean to ADM. They don't even care, and took it to Europe anyway.⁸³

The negotiations between the Brazilian and Chinese government that June were very intense.⁸⁴ After six preliminary meetings, the Brazilian government sent a 10-member delegation to Beijing to draw up an agreement to lift the embargo. Brazilian officials at first attempted to convince their Chinese counterparts that the contamination was within the legal parameters of domestic law and international contracts, but the Chinese officials insisted on enforcing their “zero tolerance” policy. Tension was heightened by the fact that the Secretary of Sanitary Inspection at the Brazilian Ministry of Agriculture, Maçao Tadano, was of Japanese descent, which inspired the distrust of the Chinese bureaucrats, even though Tadano himself was born in Brazil and spent his whole life involved in Brazilian politics through nationalist right-wing political parties in Mato Grosso state and Brasília.⁸⁵ After 11 hours of negotiation, a resolution was reached when both sides agreed on deliberately vague terms for a Memorandum of Understanding in which the Brazilian government promised “to eliminate the contamination problem” after a certain date later that month, which the Brazilian side interpreted as guaranteeing that shipments would be “within legal parameters”, and the Chinese side interpreted as “zero contamination”. Once that agreement was settled, AQSIQ began to allow the unloading of shipments that were “cleaned” by Chinatex and the other companies, and lifted the embargo the following month. Thus, between redirecting their shipments, “cleaning” their cargo, and negotiating ways around the restrictions, Chinatex was able to fulfill all its contracts that year with significant financial losses, but it managed to survive the crisis.

Most other Chinese companies at that time, however, succumbed to the price volatility generated by the “red soybean” incident, and its articulation with USDA reports and CBOT fluctuations. That January, the USDA reported record soybean shipments to China (USDA 2004a), then in February it reported “tight domestic supplies” (USDA 2004b: 3), and in March it reported weather problems that revised down its projected harvest and exports from Brazil (USDA 2004c), all driving prices to record heights. Chinese buyers – and Chinatex with their 10 ships pre-paid in Brazil among them – made contracts when prices were abnormally high not only at the point of origin, but also with their clients (soybean processors, livestock feed producers, and edible oil refineries and distributors). Then once the first shipments contaminated with “red soybeans” began to be detained in late April and AQSIQ imposed a temporary embargo on Brazilian soy imports, prices jumped to even greater heights. After the frantic month of negotiations with the Brazilian government, the embargo was lifted at the same time the USDA reported that instead of “tight domestic supplies”, record harvests were projected for the US that fall as well, causing prices to tank by the time payments came due for contracts arranged earlier in the year (USDA 2004d). Liones Severo accused the USDA of orchestrating the price volatility by deliberately underreporting the expected US soybean harvest and not factoring the legalized exports of transgenic soybeans from Rio Grande do Sul until shipments began in the middle of the year. “They lied about the harvest, just like they lied about the weapons of mass destruction in Iraq,” he accused, “it was convenient for them, because the US trading companies

⁸³ *ibid.*

⁸⁴ This narrative was reconstructed from my interview with Ruben Shue, São Paulo, June 12, 2015.

⁸⁵ Maçao Tadano was born in Brazil in 1940 to Japanese immigrants, obtained a degree in agronomy, served in the Mato Grosso state government as Secretary of Agriculture, Secretary of Industry, Trade, and Tourism, and representative of the state legislature, then served as federal congressman for Mato Grosso from 1983 to 1987 on the far-right Liberal Party (PL) and Democratic Social Party (PDS, which was the continuation of the military dictatorship's ARENA party), and then worked as an agribusiness policy staffer until his appointment to the Ministry of Agriculture in 2003, where he served as head of the Department of Phytosanitary Inspection, and chief of staff to the Minister (FGB n.d.). He has since retired from government work, but he still does consulting and official translation on occasion.

knew the real conditions of the harvest and so they could hedge, but the others were cast out on their own.”⁸⁶ Whether or not there was a conspiracy between the USDA and the transnational trading companies from the Global North that dominate the CBOT to break the Chinese soybean sector, it was certainly the case that the volatility worked in their favor.

Many Chinese buyers preferred to default on their import contracts rather than take the loss.⁸⁷ Chinatex was one of the few that did not break any contract but absorbed its losses in the price volatility and the extra expenses associated with the “red soybean” incident, to which it was far more exposed than other Chinese companies that purchased shipments loaded in other parts of Brazil.⁸⁸

That year we suffered heavy losses. 100 million RMB. But we earned our reputation that year because we fulfilled our contracts and never defaulted, like some other companies... Since then, the big trading companies, the ABCDs, their attitudes changed. They still would not sell directly to many Chinese buyers [in Brazil], but they accepted our challenge to reduce their risk of exposure [to defaults by Chinese buyers]. After all, they wanted to continue selling to China, but needed to find a reliable buyer. So they began to accept selling to us even in Brazil.⁸⁹

This short-term loss was beneficial to Chinatex in so far as it earned a good reputation with the ABCDs, but the “red soybean” incident also cost them the trust from Brazilian cooperatives, which never again orchestrated such direct large-scale shipments. The directors of the cooperatives admitted their own members contaminated the shipments, but added “no one in the world is good, much less the Chinese!” Facing uncertainty with Chinese companies and regulations, they concluded: “Chicago [Board of Trade] it’s not perfect, but it’s the standard, and represents an impartial forum for us... ‘outside’ of Chicago [setting prices and contracts through direct sales], who will be the arbiter if contracts become disputed again,” they asked rhetorically.⁹⁰

Chinatex became limited to buying mainly from the ABCDs thereafter, but it also avoided the fate of most Chinese companies that did default on their contracts. The ABCDs took their case to the Grain and Feed Trade Association (GAFTA) in London, which found in their favor, and the Chinese trading companies were required to fulfill original contracts at substantial losses (Oliveira and Schneider 2016: 178). A Chinese Academic of Science study estimated that Chinese companies overpaid for this soy by a margin of at least 1.5 billion USD (Wen 2008). The immediate result was that many Chinese soybean importers and processors were forced into bankruptcy, including half of all soy oil refineries, creating an opportunity for transnational agribusinesses to further penetrate the sector. While transnational companies controlled less than 10% of total soybean crush capacity in China until then, the ABCDs together bought over 70% of the shutdown Chinese processors, and the Singapore-based Wilmar agribusiness trading company significantly increased its market share as well (PRL.org 2009). When the dust had settled from GAFTA’s ruling and all defaults and bankruptcies

⁸⁶ Personal interview with Liones Severo, Porto Alegre, June 22, 2015.

⁸⁷ Tao Zhu, the international director for Sanhe Hopeful Grain and Oil Co., another major soybean processing and importing company in China, observed that until then, Chinese soybean traders and processors were not used to relying on commercial contracts, but rather on personal connections, or *guanxi*, between suppliers, regulators, and distributors. “So many of those guys did break contract [in 2004], and it was only afterwards they started to realize that they cannot do that, that they have to follow the contracts even when there is a loss.” Personal interview, Beijing, July 14, 2013.

⁸⁸ Chinatex fulfilled its cotton import contracts in 2004 at great loss as well, as a less dramatic but parallel price volatility affected the international cotton market, while the majority of new Chinese entrants on the cotton trade defaulted. Chinatex already had the reputation of respecting the “sanctity of contract” in the cotton trade before, and that reputation was even further consolidated among international cotton traders after 2004 as well (Quark 2013: 149).

⁸⁹ Personal interview with Shan Weijian, São Paulo, June 12, 2015.

⁹⁰ Personal interview with the president and executive director of the Federation of Agricultural and Livestock Cooperatives of the Rio Grande do Sul State (Fecoagro/RS), Porto Alegre, June 23, 2015.

had been completed, foreign firms controlled 80% of soybean crushing and 60% of soy oil refining in China. This meant that the same transnational corporations controlling soybean exports from the US and Brazil to China also became the major importers controlling the flow of soy into China (Oliveira and Schneider 2016: 178). Therefore, if Chinese and Brazilian soybean agribusinesses were already feeling that they were being held “hostage” by the ABCDs before the critical year of 2004, that sentiment became substantially stronger thereafter. Referred to as the “Battle of the Beans” in Chinese media, this crisis dovetailed with the collapse of domestic production, and ushered an era of foreign domination in China’s soy industry (Lan 2010; Bo 2014; Yan, Chen, and Ku 2016). In turn, this propelled the Chinese government to launch efforts to regain control of the domestic soybean processing sector, strengthen its state-owned agribusiness enterprises, and “go out” for agroindustrial investments that could provide them greater security especially in soybean imports—a demand that gained even more strength during the subsequent moments of price shocks and volatility between 2007 and 2013.

After 2004, commercial operations for Chinatex became relatively easy in Brazil, even though they no longer sourced directly from CCGL, but purchased soybeans instead from regional trading companies throughout the country, or as “paper” (i.e. grain elevator receipts) at the port and commodity board of trade in Paranaguá, which they could exchange for shipments loaded by the ABCDs themselves in any of their port terminals in Brazil.⁹¹ In 2005, they exported 18 ships with almost 1 million tons of soy to China, then in 2006 they shipped 30 vessels with 1.6 million tons, expanded their exports to 2 million tons in 2007, and 2.6 million tons in 2008.⁹² Since direct exports outside of the CBO’s prices and contracts were foreclosed, Chinatex began searching for investment opportunities that could position them to originate their own soybeans in Brazil, avoid future problems with transgenic or contaminated soybeans, and expand into soybean processing in China.

Shan Weijian’s first strategy was to broker a deal with the Paraná state governor, Roberto Requião, who was leading at the time the opposition to the continued legalization of transgenic soy in the rest of the country. In 2005, he arranged a letter from the president of Chinatex Grain and Oil to governor Requião declaring that his company would invest in the construction of a new grain terminal in the public port of Paranaguá, in exchange for guarantees from the state government that the terminal would operate exclusively with conventional, non-transgenic soybeans.⁹³ That proposal was welcomed by the governor, who charged that the “red soybean” incident happened because of “the uncontrolled situation resulting from the privatization of Brazilian ports,” and that if those exports depended on the public port of Paranaguá instead, “we would not have gone through the shame that Brazil suffered in China.”⁹⁴ While it was a very clever way to advance the company’s interest by granting them strategic control and windfall profits from price premiums in non-transgenic exports, it created a rift between Shan Weijian’s investment attempts and Liones Severo’s commercial operations. This tension between both men only worsened with time. “Weijian just causes trouble,” Liones Severo complained to me in our interview, “that letter caused a lot of ill feeling” among their commercial partners.⁹⁵ Moreover, Chinatex needed more than a small team of soybean traders in order

⁹¹ Personal interview with Shan Weijian, São Paulo, June 12, 2015.

⁹² Personal interview with Liones Severo, Porto Alegre, June 22, 2015.

⁹³ Folha de S. Paulo 13/06/2005; Escandiuuzzi 2005.

⁹⁴ Folha de S. Paulo 06/06/2004.

⁹⁵ Personal interview with Liones Severo, Porto Alegre, June 22, 2015. Severo’s dislike for Shan Weijian was palpable, charging that he “didn’t and still doesn’t know anything” about soybean trading, and alleging he arranged that letter from the president of Chinatex to governor Requião in order to obtain personal kick-backs from an operator in Paranaguá that sought to control the niche market of conventional soybean exports. My own sense was not that Shan Weijian was seeking personal gains from the deal, but rather that it reflected the different priorities and considerations between the more

to put that proposal into practice, so Shan Weijian sought to incorporate Coimex, the mid-sized Brazilian trading company that they had done business with since 2003. “We thought Coimex was ideal. It had a good model, strong procurement, their own warehouses, and a very good logistics team,” Shan Weijian told me.⁹⁶ After signing a Memorandum of Understanding for the acquisition and starting the process of due diligence, however, Shan Weijian found that Coimex was heavily indebted due to its recent expansion into soybean trading, and therefore the price that Coimex executives were asking was much higher than what Chinatex was willing to pay. The deal with Coimex collapsed, and without being able to move forward with their proposed investment in Paranguá as well, Chinatex backtracked on its requests for exclusive operations with conventional soybeans.⁹⁷

Shan Weijian continued to search for possible investment opportunities in Brazil during 2006, which included preliminary negotiations with several mid-sized Brazilian trading companies (such as Camera, AFG, and Caramuru), and even a few transnational companies that were also entering Brazil at that time, including Noble and Nidera (which would be incorporated by COFCO, China’s leading state-owned agroindustrial enterprise, in 2014). No negotiation flourished, as several companies set their price beyond the reach of Chinatex (such as Noble and Nidera) or would not accept basic terms for shared management in joint-ventures or incorporation. Meanwhile in 2007, Zhao Boya and the other executives at the Chinatex headquarters in Beijing began to negotiate a company-wide merger with Olam, a transnational agribusiness trading company headquartered in Singapore. Olam was a truly transnational enterprise established in 1989 by a team of executives from Singapore, India, Hong Kong, and the UK. It specialized in trading cocoa, coffee, cashew, sesame, rice, and teak wood between Africa, Central Asia, the fast growing markets in East Asia, above all China itself. In Brazil, they began originating cashews in 2002, and saw their possible merger with Chinatex as a strategic way to move into the soybean business by establishing its foothold in the fastest growing export and import markets. The partnership would involve an investment of 13.5 million USD by Olam for acquisition of a 35% stake in Chinatex Grain and Oil, with an option to expand its stake in the joint venture to 45% within two years of its establishment for an additional 7 to 8 million USD (Olam 2007a, 2007b). It would also involve the establishment of “a 50:50 joint venture with Chinatex for trading and processing domestic cotton in China, and a preferential purchase agreement for imported cotton” (ibid.). While the soybean joint-venture represented both companies’ aspirations to gain a strategic foothold in an emerging new market for them, the cotton joint-venture was a deal that would have protected Chinatex’s traditional leading position in China’s cotton trade from Olam itself. After all, Olam began dealing in cotton in 2005 and rapidly became one of the five largest exporters to China, bringing it into direct competition with Chinatex (by 2007, Chinese imports accounted for about 40% of the international cotton market, and Chinatex alone was responsible for 10% of that total). Under the proposed joint-venture, Olam would supply at least 30% of Chinatex’s annual imports on a competitive basis, and Chinatex would “augment existing managerial capability by bringing in senior level global industry talent” (Olam 2007c; cf. Quark 2013).

The effective merger between Chinatex and Olam would have positioned them extremely well in the cotton trade just as agricultural commodity prices began a dramatic spike in 2007, and ahead of the curve in creating new channels for the soy sector, since it was only after the 2008 food price and

complex interests of Chinatex in growing through investments in ports and acquisitions of Brazilian soybean trading companies, and Severo’s much more narrow concern with trading alone.

⁹⁶ Personal interview with Shan Weijian, São Paulo, June 12, 2015.

⁹⁷ *Gazeta do Povo* 12/05/2006. Coimex also had a lot in the port of Santos, where they intended to build a grain terminal of their own. After they were unable to reach an agreement for the sale of the company to Chinatex, however, they were forced to sell that lot, and then divested from soybean trading entirely. Ironically, that lot was purchased by Noble, which consolidated its position as one of the fastest growing soybean exporters from Brazil, and made it one of the strategic targets of COFCO’s global-level mergers and acquisitions in 2014, as discussed in further detail in chapter 7.

financial crises that a massive wave of transnational investments, mergers, and acquisitions was unleashed over soy production, processing, and trade (as discussed in further detail in the next two chapters). However, the deal collapsed due to the conjunction of personal difficulties in Brazil and political problems in China. While Shan Weijian felt that Olam's managers in Brazil would make good collaborators⁹⁸, Liones Severo and the head of Olam in Brazil clashed in every way possible:

I was in the discussions too, but it was too complicated. It began already when I made my presentation on the Brazilian market for the Olam delegation, and on my PowerPoint I put the flags of China and India for Chinatex and Olam. The guy [an executive from Olam's Singaporean headquarters of Indian descent] became furious, and said that 'we are not Indian, we are British'. Then his manager [in Brazil] began to challenge me on my account of the market, saying 'we are going to be Cargill in Brazil.' You need 4 billion [USD] to even begin that, so the guy was totally clueless... They didn't have the proper dimension of the [soybean] trading business, so I had a major problem with the CEO of Olam here in São Paulo... So I told Chinatex, 'if you do the joint-venture with Olam, I'm out.'⁹⁹

At that time, the Chinese trading team and executives at Chinatex Grain and Oil were still gaining experience on international soybean markets, and Olam did not in fact operate on the soybean markets at all. So both counted on Liones Severo's expertise to continue leading their soy trading operations. As Shan Weijian explained, "Olam had experience in cashew, so they knew the mechanics of trading in Brazil, but they needed experts [in soybeans]. We could provide these experts, since we had a very experienced Brazilian professional [i.e. Liones Severo], very well known in the Brazilian soybean market."¹⁰⁰ Without Severo, therefore, their proposed joint-venture would risk being stillborn. Moreover, Chinatex and Olam wanted to springboard from this joint-venture in soybean trading to set up and/or acquire soybean processing assets in China. They envisioned beginning with a 50:50 partnership for the construction of a soybean crushing and vegetable oil refinery complex at Rizhao, Shandong province, and expanding crush capacity to 2 million tons in the next 3 to 4 years (Olam 2007c). However, the Chinese central government determined in 2007 that it needed to regain control over the soybean processing sector that was being rapidly de-nationalized in the aftermath of the 2004 crisis, and issued new regulations in 2008 that prohibited further foreign direct investments in the sector, and required that any joint-venture must limit the participation of foreign investors to minority shareholders (Petry and O'Rear 2008; Oliveira and Schneider 2016). "Once foreign companies were not allowed to get into crushing, we stopped that joint-venture discussion," explained Shan Weijian.¹⁰¹ After that moment, Olam decided to bow out from the "battle of the bans" entirely and consolidate its market shares in cotton, cocoa, coffee, nuts, and expand its strong position in rice.¹⁰²

With the dramatic rise in agricultural commodity prices in 2007 and 2008, Chinatex began to pivot from foreign investments in soybean origination to domestic investments in processing. The company was invited to participate in the construction of a new grain terminal in the port of São

⁹⁸ "[Olam] is a very important trading company. They began cashew origination in Brazil in 2002, and their business was already very strong [by 2007]. We visited their head office in Natal, they told us their business model of pre-finance and processing. We thought their management is good, and fit our strategy." Personal interview with Shan Weijian, São Paulo, June 12, 2015.

⁹⁹ Personal interview with Liones Severo, Porto Alegre, June 22, 2015.

¹⁰⁰ Personal interview with Shan Weijian, São Paulo, June 12, 2015.

¹⁰¹ *ibid.*

¹⁰² In late 2010, Olam and the French-based Louis Dreyfus agroindustrial trading giant "entered into negotiations which, had they succeeded, would have created the largest rice exporting company in the world. However, the merger talks collapsed in February 2011" (Murphy et al. 2012: 18).

Francisco do Sul in 2007 but decided against joining the project.¹⁰³ The company still announced its interest to invest in the port of Paranaguá again in 2007 and 2008 (Machado 2007; Paraná 2008), but none of those negotiations flourished either. Shan Weijian continued to have talks with regional Brazilian trading companies that could provide Chinatex with warehouses for its own origination of soybeans, and a logistics team with which to launch investments in port terminals, in exchange for cheaper credit and a strong demand. Meanwhile in Beijing, the central government's new regulations on the soybean sector not only to limited additional foreign investments, but also provided cheap credit and fiscal incentives to strengthen and encourage domestic companies—especially state-owned enterprises like Chinatex—to make heavy investments of their own in soybean processing (Petry and O'Rear 2008; Oliveira and Schneider 2016). Chinatex had already begun renting the soybean processing facilities of the Bengbu Huayuan company in Anhui province since 2007, then in 2008 and 2009 they rapidly acquired seven soybean crushing and vegetable oil refinery companies in Guangdong, Liaoning, Fujian, Jiangsu, Sichuan, and Shandong. For the construction of their proposed large-scale soybean crushing and vegetable oil refinery facility in Rizhao, the central government brokered a joint-venture with Sinograin (the state-owned China Grain Reserves Corp.). That same year, year Chinatex became the largest soybean importer into China (at 4.2 million tons, accounting for 10% of the country's total imports), and matched COFCO for third place in vegetable oil refinery of its own. The chairmen of the state-owned Beidahuang Jiusan (93) soybean processing giant, and the private Sanhe Hopeful Grain and Oil Company “were all shocked” by the revelation that Chinatex joined them among the country's leading soybean importers and processors in merely two or three years (Tang 2010). “If Chinatex were privately-owned, it would have been impossible for its shift from a traditional trader to a giant oil processor to take place” (ibid.). Less highlighted but still mentioned in the same report, however, is the fact that this rapid expansion of soybean trading and processing was also undertaken through proactive recruitment and incorporation of transnational agribusiness professionals, above all from the ABCDs themselves (ibid.).

In the aftermath of the global financial crisis, Chinatex continued to expand its domestic soybean crushing capacity even further as part of the Chinese central government's domestic stimulus efforts. Together with other domestic companies, they added a total of 15 million metric tons (mmt) to their crush capacity between 2009 to 2010 alone, more than double the 7mmt added by transnational investors in their joint-ventures in China during the same period (Oliveira and Schneider 2016). The scale of those investments is evident in the contrast with Brazil, where it matches the crush capacity added by all companies in Brazil from 2003 to 2013. By 2013, the central government's protectionist policy and encouragement for domestic investments succeeded in reducing foreign control of the sector to about 60% (ibid.) While Zhao Boya successfully channeled the central government's efforts to transform Chinatex from a cotton and textiles trading company into one of the world's leading garment producer and soybean importer and industrial processor, their expansion became limited by “a serious shortage of qualified employees” (Tang 2010), and a new sinophobic backlash against Chinese agribusiness investments in 2010, as I go on to demonstrate in the next chapter. Although Liones Severo and Shan Weijian failed to establish anything more than a trading office in Brazil, they have certainly been successfully propelling themselves in class ascendance and transnationalization. Shan Weijian's son, for example, studied and lived in Canada for several years, then moved to Brazil to study Portuguese, collaborate with his father, and launch his own private agribusiness trading firm. “I don't want to just deal in soy for some company or another, I want to make my own export business. Exporting something that Brazil doesn't need, like [our mutual friend] Wang Wei's project with donkeys [discussed in chapter 8], or organs that you guy's don't eat, but in

¹⁰³ Personal interview with Shan Weijian, São Paulo, June 12, 2015. The private Sanhe Hopeful Grain and Oil Co. would take up that investment instead in 2010, as discussed in further detail on chapters 6 and 7.

China we have a huge demand,” and he went on to elaborate on a business venture he was assembling with one of his tennis partners.¹⁰⁴ Jet-setting between Brazil, China, and Canada, where they cultivate *guanxi* in the tennis courts and spas of some of the most expensive resorts and hotels of those countries, Shan Weijian and his son are indeed well positioned to profit from and succeed in transnational agribusiness regardless of the political outcome of the Battle of the Beans.

4. The Faltering Foundations of Sino-Brazilian Agroindustrial Partnerships

After the record spike in food prices and financial meltdowns coalesced in the spectacular crisis of 2008, Chinese agribusiness professionals intensified efforts to launch foreign investments that could secure greater control over the production, prices, and flows of agroindustrial commodities—especially soybeans, the key nexus of agricultural and livestock production that accounts for the vast bulk of China’s contemporary agroindustrial imports. Several Brazilian agribusiness professionals recognized an opportunity to orchestrate partnerships that could strengthen their own position vis-à-vis the agricultural commodity traders, input providers, financiers, and state interests from the Global North as well. But the Brazil-China agroindustrial partnerships sought and negotiated since that moment would be cultivated on the faltering foundations described in this chapter: lacking a broad and well established Chinese diaspora in Brazil, there is a dearth of translators and trustworthy brokers, and boosters of Sino-Brazilian partnerships have to overcome not simply lack of mutual knowledge about political-economic conditions and cultural practices, but a sedimentation of multiple forms of sinophobia in Brazil as well. The most recent expression of this sinophobia, which began to develop with the anti-communist hysteria of the so-called Cold War and consolidated in the downfall of the first significant reestablishment of Brazil-China agroindustrial partnerships through the 2004 “red soybean” incident, portrays the Chinese as untrustworthy partners even for commercial relations, since those were imagined to be conditioned by “political” considerations of the Chinese state. Even though Brazilian farmers and traders were themselves responsible for contaminating soy shipments with pesticide-covered seeds, what precluded their cooperatives from sustaining direct exports to Chinatex to bypass the ABCDs was their interpretation of the Chinese government’s “politically motivated” manipulation of sanitary barriers to protect their companies from the “impartial arbitration” of the Chicago Board of Trade.

This characterization of Chinese agribusiness interests as state-led and politically motivated, in contrast with the “purely market” and “business” interests of transnational corporations from the Global North, became expressed most powerfully in the question of acquisition of farmland pursued by several Chinese investors. “Foreign investments are generally welcome and may bring important contributions for the growth of the country,” declared an influential editorial in 2010.¹⁰⁵ “But the ‘business’ changes its meaning when the investment is subordinated to the strategic reasons of a foreign State. In the case of natural resources, and land for agriculture and ranching, correctly evaluating this strategy is a question of [national] security.”¹⁰⁶ In the following chapter, I turn to the production of this specific discourse of Chinese agribusinesses as state-led *land grabbers*, which became the main lens through Chinese investments were perceived and largely derailed after 2010, fundamentally transforming the direction of subsequent Brazil-China agroindustrial partnerships. Brazil-China boosters in turn would seize upon the strategy of *depoliticization* to dismantle this new

¹⁰⁴ Personal conversation with Shan Weijian’s son, São Paulo, June, 2016.

¹⁰⁵ *O Estado de S. Paulo* 03/08/2010: A3.

¹⁰⁶ *Ibid.*

form of sinophobia. Simultaneously, they would also stoke sinomania over fast-growing agroindustrial exports and the hopes that that Chinese agribusiness companies and financiers with deep pockets and “purely economic” interests might provide fresh flows of capital into Brazilian agribusiness. Yet this process was not only political through and through, but also became highly politicized through waves of hysteria over “invasions” by Asian timber companies, cheap Chinese manufactured products, and ultimately Chinese land grabbers. This hysteria both equivocates about the leading “land grabbers” – who are mainly from the Global North, including Japan, and Brazil itself, and who evade negative attention by deflecting it towards the Chinese – and obfuscates the alternative mechanisms (M&As) through which leading Chinese companies actually entered Brazilian agribusiness.

Chapter 4

Land Grabs and Sinophobia: Invasions and Evasions

1. Invasions and Evasions

Chinese investments in Brazil increased dramatically in the aftermath of the 2007-2008 food price and financial crisis, drawing from and contributing to a vision of a more multipolar world order marked by the emergence of the BRICs, countries driven by strong states with a national-developmental ideology that largely counterbalanced the faltering neoliberalism that was bringing the US, EU and the rest of the Global North to its heels. Billions of US dollars were vanishing overnight through defaults and stock devaluations on Wall Street and London, and investors seeking safe, productive, and profitable alternatives for their capital swarmed commodity markets and assets around the world, especially food and farmland since their short-term need and long-term growth were considered guaranteed (Grain 2008; Ghosh 2010; Borras and Franco 2010; Borras et al. 2011; Margulis, McKeon, and Borras Jr. 2013; Fairbairn 2014). Consequently, the broader discourse on “the rise of China” and the BRICs became intimately articulated – especially in places like Brazil – with a worldwide rush for farmland that came to be called the “global land grab”. Of course, concerns over Chinese neo-colonialism, especially in Asia and Africa, predate this moment (Brautigam 2010, 2015; Hofman and Ho 2012; Wu Hongying, in Biato Junior 2010: 363), and as shown in the previous two chapters, many forms of Orientalist xenophobia have challenged the establishment of Brazil-China agroindustrial partnerships since the earliest efforts two centuries ago. Yet the excitement and hysteria over Chinese investments in Brazil climaxed from 2010 to 2013, when the federal government re-imposed restrictions on foreign acquisitions of farmland that were directly targeted at what was perceived as a “Chinese invasion” taking place. This was a major watershed in the history of Brazil-China agroindustrial partnerships, transforming and conditioning where, how, and on what terms Chinese investments came to take place in Brazilian agribusiness. It destabilized direct investments in forest and farmland that had been sought and negotiated at the time by some Chinese companies, and consolidated the strategy of investors up- and downstream from farming itself, particularly through mergers and acquisitions (M&As) of transnational companies undertaken largely without any coordination by the Brazilian government and in a way that completely evaded its renewed restrictions.

Although resistance to the “global land grab” was actually launched by rural social movements, NGOs, leftist intellectuals and politicians that opposed primarily investors from the US and the Global North, their efforts became translated during the Workers’ Party administration into opposition to Chinese investors by its articulation with a “China threat” discourse emanating from Brazilian industrialists opposing “unfair” competition with Chinese manufacturing exports, and agribusinesses, financiers, and state agents from the Global North seeking to curtail burgeoning Chinese competition. A wave of land acquisitions by foreign capital was indeed growing during the commodity boom of the 2000s, and intensified sharply after 2008, but the “China threat” obfuscated the fact that it was still led almost entirely by capital from the Global North, in alliance with Brazilian large-scale landholders and hedge funds who positioned themselves as necessary partners for foreign investors. This sinophobia was stoked in great measure by Brazilian industrialists to (successfully) leverage protectionist policies against Chinese manufactured imports, and oppose the Workers’ Party’s shift in diplomatic and commercial ties from the Global North to China, South America, and the rest of the Global South. The Workers’ Party administration ultimately attempted to address simultaneously the

concerns from leftist social movements and intellectuals about “foreignization of land”¹, and the pressure from the right over the “China threat” to manufacturing. To do so it adopted measures that did curtail some large-scale agribusiness investments, especially from China, but were largely ineffective at halting the main thrust of the land rush unfolding in Brazil, while elite actors from both Brazil and abroad successfully leveraged it to their own benefit. After all, scapegoating “Chinese land grabbers” and imposing protectionist measures on their exports enabled the Workers’ Party administration to claim it was attending progressive and nationalist social demands for protection from transnational agribusinesses, while sustaining its alliance with certain key actors among Brazilian agribusiness, landed, and industrialist elites.

I argue that in order to understand this moment, we must trace its genealogy to the 1990s when a previous round of hysteria over the prospects of ever-growing food imports by China (epitomized by the neo-Malthusian pamphlet and book *Who will feed China?* by Lester Brown 1994, 1995) articulated with a perceived “invasion of the Amazon” by “Asian timber companies”. This convergence produced a peculiarly sinophobic imaginary of the Chinese as land grabbers, that was powerfully resurrected in the aftermath of the 2008 global food price and financial crisis. Prior to the scandal over “Asian timber companies” in the late 1990s, Chinese bureaucrats and business officials had sporadically expressed interest in acquiring farmland in Brazil from which they could export directly to China, ideally utilizing their own labor force, “in order to attend the food supply in China which, sooner or later, would transcend domestic production capacity”, as observed by the Brazilian diplomat Biato Junior (2010: 81, 103). The proposals may have been seen as “inconvenient for Brazil, at least the way they were elaborated, in so far as it permitted the Chinese government to establish ‘control’ over vast areas of Brazil, and also increased the risk associated with the migration of Chinese farmers to Brazil” (ibid.). Nevertheless, they were not then received as scandalous or particularly threatening: the ambassador of Brazil to China from 1996 to 1999 even lamented that the Strategic Partnership of 1993 “fell far short of the rhetoric and expectations. It was said, for example, that Brazil would be China’s breadbasket, and we discussed leasing large extensions of land in the cerrado for the Chinese to farm grains, but nothing concrete happened.”² This all began to change in 1996 when “Asian timber companies” became scapegoats for an unfolding land rush over the Amazon. This scapegoating is intriguing and sinophobic not only because of the Orientalist manner it was expressed, but also because Chinese investments in Brazilian agribusiness remain significantly smaller than those from the Global North, especially in forestry and farmland. Focusing attention on Chinese actors as the central aspect of how the “global land grab” has been playing out in Brazil, therefore, has been disproportionate, and at times disingenuous and deliberately evasive. This is not to ignore or condone large-scale land-based investments by Chinese agribusiness companies in Brazil, but to situate those (largely failed) investments in the proper historical geography of Brazil-China relations and transnational agribusiness investments in Brazil.

In this chapter, I demonstrate how the discourse of “China as land grabber” has been produced internationally and in Brazil, and strategically deployed by different actors for multiple purposes, ranging from social movements resisting agribusiness expansion and curtailment of national and food sovereignty, to large-scale landowners shifting attention from their own land grabs and positioning themselves as necessary partners for foreign investors, and Global North agribusinesses

¹ “Foreignization of land” (*estrangeirização de terras*) is the expression primarily used in the Brazilian iteration of the “global land grab” debate, and it is sometimes combined with the more common expression *grilagem de terras* (the falsification of land titles) that is more closely associated with historical and domestic processes related to, but distinct from, the more recent “global land grab”. For a discussion of the intimate but complex relations between these concepts and processes in Brazil see Zoomers (2010), Sauer (2010), and Oliveira (2013, 2016b).

² Sérgio Duarte, ambassador from Brazil to China (1996-1999), interview with Biato Jr. (2010: 297) on January 25th, 2006.

protecting themselves against emerging Chinese competition. The purpose of this chapter is to demonstrate how Chinese land-based investments *and* the sinophobic discourse of Chinese land grabbing have been assembled in Brazil over the past two decades, how the Brazilian state under the Workers' Party administration attempted to navigate multiple and often conflicting interests in a broad cross-class coalition for national development, which largely made Chinese agribusiness investors into scapegoats, and ultimately how multiple forms of Brazilian resistance to Chinese (and other foreign) land grabs have been in/effective.

My narrative is assembled from the triangulation of (1) extensive research of media sources, particularly the archives of major Brazilian newspapers, (2) multiple government, corporate, think-tank, and NGO reports and documents related to the projects discussed, (3) dozens of extended interviews and informal conversations with key boosters, brokers, bureaucrats, and businessmen involved, and (4) the relevant secondary literature. In section two, I show how international environmental NGOs triggered an Orientalist scandal about "Asian timber companies" launching large-scale land acquisitions and operations in Brazil, which consolidated their market-oriented strategies for international civil society regulations on the timber sector but marginalized more radical socio-environmental struggles within Brazil and narrowed the focus of public debate on the issue of "foreignization" of the Amazon. In section three, I trace the high-profile case of a Chinese timber-sector investor whose misadventures in Brazil channeled the Orientalist concern over "Asian timber companies" during the late 1990s into a more specific sinophobic imaginary of "Chinese land grabbers" during the 2000s. Then in section four, I discuss how the main thrust of sinophobia during the 2000s was actually shifted by the Brazilian manufacturing sector's loss of market share to Chinese exports, and opposition to the Workers' Party-led efforts to deepen political and economic ties with China, while Brazilian agribusiness, petroleum, mining, and construction sectors largely boosted for even more investment partnerships and exports to China. In section five, I show how the opposition to "foreignization" of land increased with the commodity-boom of the 2000s, led primarily by investors from the Global North in the forestry and sugarcane/ethanol sectors, and accurately perceived as such by rural social movements, leftist intellectuals, and Workers' Party officials. Then in section six, I demonstrate how this resistance was opportunistically shifted during 2010 into a much more specific opposition to Chinese investments by an alliance of Brazilian industrialists and right-wing politicians, large-scale landowners, and agribusiness and other corporate and state interests from the Global North. Finally, in section seven, I briefly outline the impacts of these restrictions on "foreignization" of land for Chinese and other foreign investors in Brazilian agribusiness, and the need to examine Chinese investments (as I go on to do in chapter 7) beyond farmland and with particular attention to the differences between the "Dragon Head" enterprises that successfully established profitable operations in Brazil (and around the world), and the "Paper Tigers" that were feared as major land grabbers but which failed to establish themselves or operate successfully in Brazil.

2. Asian Termites and the Foreignization of the Amazon

Timber exports have been central to the colonization and global integration of Brazil (Lery 1990; Dean 1995; Tucker 2007), and although the majority of logs extracted are consumed domestically, the country remains among the leading exporters of tropical timber and wood pulp.³

³ For an overview of the global political economy of the timber sector see Dauvergne and Lister (2011), from which the data in the remainder of this paragraph is derived, and Kröger (2014). For a more specific account of the sector in China, see Robbins (2012), Robbins and Harrell (2014), and Hu et al. (2015), and for an overview of the sector in Brazil see

China is now the world's largest commercial timber importer, world leader in producing wood panels, furniture, and flooring, and second only to the US in paper production. Still, much of the timber processed in China is re-exported to the Global North, which already consumes directly around three-quarters of the world's solid wood and close to two-thirds of its paper. Moreover, a significant quantity of timber "consumed" in the South – especially China – is also shipped as paper packaging and pallets along with myriad manufactured goods exported to the North. These commercial relations have been undergirded by a shift in the timber companies from the Global North themselves, which divested from the North (where forests have been depleted, and environmental regulation and social costs have become significantly higher) and reinvested in the South, capitalizing on far cheaper and poorly regulated exports from the South and establishing supply chain linkages with China.⁴ The growth of Chinese timber imports from Brazil, therefore, must be contextualized in this broader transformation in the global political economy of the sector.⁵ Yet the complexity of this transformation has often been ignored, particularly around narratives of Chinese (and other Asian) land grabs in the Amazon and escalating imports of (often illegal) timber from Brazil.

Chronic cycles of boom-and-bust have characterized the timber industry around the world. Logging companies tend to exploit forests as fast as possible to take advantage of places where environmental regulations are weak and moments when timber prices are high, until stocks are depleted and/or production costs escalate due to increased environmental and fiscal regulations (Dauvergne and Lister 2011). The logging cycle from the 1960s to 1980s already involved timber companies from the US, Europe, and Japan operating in Brazil. Practically unnoticed at the time (and completely ignored in contemporary government, think tank, and academic analyses), the very first Chinese⁶ agroindustrial investment in Brazil occurred already during this period: in 1984, the state-owned China Forestry Group (operating abroad through its subsidiary China International Forestry Engineering Corporation – hereafter CIFEC) acquired a bankrupt Brazilian timber company (Manasa) with extensive forest assets for 1.9 million USD without raising alarm.⁷ However, large foreign investments in the acquisition of local companies and land for timber extraction were perceived to be

Romero et al. (2015) and Kröger (2012). For a more detailed political ecology of forestry and deforestation in the Amazon, see Hecht and Cockburn (2010).

⁴ The top 15 forest and paper companies in the world are all still headquartered in the US, Canada, Europe, and Japan (Dauvergne and Lister 2011: 59). However, Malaysian and Indonesian companies emerged during the last quarter of the 20th century as leading exporters of tropical timber, and more recently Brazilian and Chilean companies have also become major plantation operators and pulp exporters, while Chinese companies are establishing themselves among the world's leading producers of paper and other wood products (ibid. 83ff.; cf. Kröger 2014, 2016).

⁵ "Trade no longer flows primarily along a consistent and direct pathway from producer to consumer. Most products instead move through distributed and multidimensional networks of ever-shifting players and multiple owners along obscure routes that crisscross borders and markets" (Dauvergne and Lister 2011: 6). For a more detailed discussion of the shifting firm-level strategies in the global timber sector, see Lamberg et al. (2006), and Kröger (2016)

⁶ This characterization refers to state-owned or corporate investments, and excludes private investments by individual Chinese, Taiwanese, and Hong Kong migrants to Brazil since the 1800s. A few of those have been identified during fieldwork, mostly relatively small and insignificant, except for an attempted land grab of about 120,000 ha during the 1970s in the same area of western Bahia state that became target of the most high-profile Chinese agribusiness investment in Brazil since 2008 (discussed at greater length in Chapter 5).

⁷ On June 6th, 1984, the China Forestry Group Corporation (中国林业集团公司) established its subsidiary in Brazil, CIFEC Madeiras, Indústria, e Comércio LTDA, as documented by the company registry of the Brazilian Ministry of Finance. That same month it was reported to be engaging in negotiations with the Manasa Group to export 2 million USD in timber (Jornal do Brasil, 17/06/1984, p. 37), and two months later it publicized the acquisition of the two main companies of the Manasa Group, Manasa Amazonia SA and Manasa Compensados da Amazonia SA, for a total of 1.9 million USD (Folha de S. Paulo, 03/08/1984, p. 8). Despite the high value of the negotiations and involvement of a state-owned enterprise from the PRC during the so-called Cold War, both news reports were notably composed. These reports were confirmed in my interview with Wu Zhihua, who participated in the establishment of CIFEC's subsidiary in Brazil and eventually became its director (Beijing, October 25, 2016).

a relatively new phenomenon during the 1990s (Greenpeace 1997, 1999a; Carvalho 2001; MacQueen et al 2003; Tuji 2012; for a critique of this perception see A. Oliveira 2010). Like Manasa, several Brazilian firms established during the earlier period were facing bankruptcy, so they became optimal investment targets for foreign companies that wanted to start operating in the Amazon. They could take over a company's forest lands, sawmills, machinery, warehouses, and management to start processing logs and exporting timber immediately. First NGOs and then the Brazilian government estimated that 2.3 million hectares of the Amazon were acquired by foreign timber companies between 1995 and 1998 alone (Toni 1997; Greenpeace 1997; Barreto, Veríssimo and Hirakuri 1998; Viana 1998).

It is important to note that as much as 80% of all timber extraction from the Amazon during the 1990s was illegal, and most titles for the extensive tracts of land associated with timber companies in the Amazon were fraudulent, yet they were still used for the documentation of alleged forest management plans that provide the appearance of legality (SAE 1997; Viana 1998; Carvalho 2001).⁸ These were needed especially by exporters whose trade flows made them more vulnerable to government inspections (funneling all their timber through ports, instead of fanning it out through roads) and NGO pressure campaigns among consumers in the Global North (Zhourri 2000; MacQueen et al 2003; Cunha 2013). As NGOs and government investigations during the late 1990s revealed (e.g. SAE 1997; Viana 1998; Veríssimo and Lima/IMAZON 1998; Greenpeace 1999a, 1999c, 2000; Carvalho 2001), most land grabbing through falsification of titles, displacement of indigenous peoples, and illegal logging and deforestation was committed by Brazilians themselves, and among foreign companies those from the Global North were by far the largest land grabbers and timber exporters from the Amazon. Nevertheless a confluence of factors created the perception of an "invasion" led by Malay, Chinese and other Asian timber companies, frequently portrayed as "Asian termites" that had already exhausted their own forests and now were coming to deforest the Amazon.⁹ How did this happen?

During the second half of the 20th century, tropical timber exports were drawn predominantly from Southeast Asia, with Japanese trading houses purchasing the largest volumes from a handful of major Indonesian and Malaysian timber companies. Since the 1980s, however, declining stocks throughout Southeast Asia and a growing environmentalist movement there and abroad pushed these companies to search for new sources.¹⁰ Interestingly for our present discussion, all six of Malaysia's largest timber companies are controlled by Chinese immigrants and their descendants.¹¹ Chinese timber extraction also reached its peak in 1995 as domestic resources were becoming depleted, and major flooding and dust storms in 1998 were attributed to rising deforestation. That same year, the Chinese government imposed a logging ban on the Yellow and Yangzi river basins, causing timber

⁸ The congressional investigation on the "Asian timber companies" found that about 6,000 of the 9,000 timber companies registered in the Brazilian Amazon at the time existed merely on paper, and for the purpose of evading environmental, labor, and fiscal regulations, or serving as a "sink" for the debt and fines of real companies (Viana 1998).

⁹ Most often, the term "termites" was used to refer to the estimated 300,000 landless or land-poor Brazilians migrating or settling on the Amazon frontier, and undertaking the vast majority of illegal logging. On occasion, however, the term was applied directly to the Asian timber companies themselves, for example *Veja* 18/06/1997, *O Globo* 08/03/1998, and *O Estado de S. Paulo* 26/09/1999.

¹⁰ Logging in Sarawak, for example, the heart of Malaysia's timber industry, peaked in 1991 (Straumann 2014: 135). For a political ecology of forests and environmentalist movements in Malaysia, see Brosius (1999, 2003a), and in Indonesia, see Peluso (1992) and Tsing (2005). Critical discussions of the Malaysian timber industry are available in WRM/FM (1998), Brosius (2003b), and Straumann (2014), and for further details on their shift to other regions, see Ross (2001).

¹¹ Rimbunan Hijau, WTK, TKS, Shin Yang, and Ta Ann are controlled by families from Fuzhou, while Samling is controlled by a family from Guangzhou (Straumann 2014: 289 n.24; *New Straits Times* 2011; Fach 2011). On the Chinese diaspora in Malaysia, see Suryadinata (1997), Trocki (1997), and Nonini (1997, 2015), and for a discussion of their key role in transnational business formation across the Pacific Rim during the 1990s, see Mitchell (1997) and Ong (1999).

imports to quadruple in the following decade. (These growing timber imports were also articulated with policy prescriptions that promoted domestic production of food crops and imports of non-food agricultural commodities after the 1994 grain price spike within China, which triggered Lester Brown's infamous *Who will feed China?* debates: Brown 1994, 1995). These structural factors coalesced with all major Asian timber companies "going out" to the remaining forests of Southeast Asia, and subsequently to tropical Africa, Central America, and the Amazon (Ross 2001; Lang and Chan 2006; Dauvergne and Lister 2011; Straumann 2014).¹² They were certainly not the only players making this move, but it was the first time that companies from the Global South were threatening the hegemony of firms from the Global North in a process of global restructuring of the timber sector. For better or worse, therefore, they stood out.

The most important way these companies stood out, however, was in their perception as being corrupt and environmentally destructive, having "systematically violated forestry laws throughout their history" (Straumann 2014: 219; cf. Brosius 2003b; Tsing 2005; Dauvergne and Lister 2011). US- and European-based environmentalist NGOs in particular had been focusing their investigations of illegal logging and associated human rights violations on Malaysia, Indonesia, and the operations of their companies elsewhere in Southeast Asia. Prominent among them were the World Wildlife Fund (WWF 1985), Friends of the Earth (FoE 1991), World Rainforest Movement (FoE/WRM1992), and the World Resources Institute (WRI 1997; cf. Brosius 2003a). "Our experience has shown that Asian logging companies are among the leading destroyers of tropical rainforests", stated Greenpeace (1997: 4; cf. Toni 1997) in a very influential report for the Brazilian Congressional investigation on the topic, created as direct result of NGO and press denouncements.¹³ The Environmental Investigation Agency (EIA) and Friends of the Earth (FoE) argued the particularly destructive business practice of these companies stems from the collusion of government elites from Indonesia and Malaysia to Cambodia and Papua New Guinea (FoE 1991; EIA 1996), and the World Rainforest Movement, Forest Monitor, and the Bruno Manser Fund showed that the expansion of the Malaysian timber industry through illegal logging and land grabs at home and abroad was being actively pushed by high officials in the Malaysian government itself (WRM/FM 1998, Straumann 2014).

These US and European environmentalist NGOs did not deny that corruption and environmental crimes were also committed by companies from the Global North, especially in earlier decades. But as the latter were becoming increasingly interested in partnering with NGOs to establish market-based certification schemes and supposedly sustainable forest management plans, a tentative alliance between environmentalists and timber companies from the Global North emerged in their condemnation of destructive loggers from the South.¹⁴ In their account, the greatest risk to tropical forests around the world did not stem from the colossal and growing demand for timber and paper in the Global North, but from Malaysian and other Asian logging companies themselves who "exported their culture of corruption and environmental destruction [and now play] the central role... in the destruction of rainforests around the globe... The former colonial subjects from Borneo have

¹² These companies also expanded operations to Russia, but I limit the discussion here to tropical timber. For a discussion of the dynamics between tropical and temperate forestry, see Dauvergne and Lister (2011) and Kröger (2016).

¹³ The final report of this Congressional investigation, officially "designed to ascertain the acquisition of timber companies, sawmills, and extensive portions of Brazilian land by Asian groups", is cited here as Viana (1998).

¹⁴ After a period of explicit collaboration between 1983 and 1992 on the International Tropical Timber Agreement and the establishment of the International Tropical Timber Organization (ITTO), most international environmentalist NGOs became much more critical of the timber industry represented in the ITTO and ceased collaboration in that forum (Gale 1996). Nevertheless, almost all environmental NGOs from the Global North maintained market-oriented certification schemes as their main proposal for the sector, which were more readily adopted by the timber industry in the North than the South (Tollefson Gale, and Haley 2009).

now become the colonialists themselves and surpass, in their ruthlessness, the example set by Europeans in the past” (Straumann 2014: 223-224, 209).

This discourse was formative for the perception of Chinese and other Asian investments in the Amazon during the 1990s. Drawing predominantly from the EIA reports cited above, and making reference to studies and statements by the WWF, FoE, Greenpeace, and SOS Atlantic Forest, a magazine article entitled “The Asian Invasion” captured the essence of the fear that engulfed Brazil in its punchy opening line: “Huge Asian logging corporations are flocking to the Amazon region, threatening to unleash an unprecedented round of intensive logging” (Tautz 1997: 15). However, this also represented a radical break with the discourses and political strategies of the socio-environmentalist movements of Brazil until then. Most deforestation occurs as a result of fires set for clearing forest to make pasture, and the frontier dynamics that underlie this process are much more intimately related to the territorial development agenda of the Brazilian state and agribusiness elite, rather than the rogue operations of foreign timber companies (Hecht and Cockburn 2010). Illegal loggers were certainly recognized to be a problem, as their incursions often brought *grileiros* (land grabbers) on their heels seeking to convert degraded forests to pasture that could be commercialized, but they were definitely not the priority. The priorities of the socio-environmental movement that emerged in opposition to the military dictatorship in Brazil (1964-1988) were to secure land for sustainable and equitable extraction of forest products by indigenous peoples and traditional communities (e.g. the famous rubber-tappers’ struggle), and dismantle the political and economic power held by the Brazilian elite for almost five centuries. Following the UN Earth Summit in Rio de Janeiro in 1992, however, environmentalist NGOs from the Global North became increasingly involved in Brazil. With access to far larger financial and other resources, they shifted the agenda on the Amazon from a political struggle for socio-environmental justice to a technical-scientific debate in favor of market-based certification schemes for the timber industry (Zhourri 2000; Tuji 2012; Cunha 2013).¹⁵

Beginning with the FoE campaign “Mahogany is murder” (Monbiot 1992; FoE 1994), soon joined by the WWF and Greenpeace with great zeal, saving this specific species and a handful of other highly-prized hardwoods became focus of their efforts when they began operating in Brazil during the early 1990s. After all, mahogany and other highly-prized hardwoods are exported at a far greater rate than other trees of lesser value, and by the 1990s most remaining stands were within indigenous territories or environmental conservation areas. Thus, mahogany could function as a charismatic icon suitable for species-specific moratoria and consumer-oriented campaigns against illegal logging (e.g. Greenpeace 1999c, 2001).¹⁶ Consequently, when these same NGOs that had been tracking timber companies in Southeast Asia noticed their first moves towards the Amazon, they were already there and well prepared to sound the alarm – and with the discourse of an “Asian invasion of the Amazon”

¹⁵ Carvalho and Brussi (2004) demonstrate that the congressional investigation of the Asian timber companies in the Amazon concluded in 1997 brought to a head the tension that had been simmering between agrarian reform-oriented social movements and environmentalist NGOs for over a decade, as the report revealed that the colonization by small-holders in agrarian reform settlements since the 1970s was the clearest proximate factor driving deforestation of the Amazon, while foreign timber companies brought only “a *potentially* large risk to the Amazon forest *if* supervisory initiatives are not taken” (Viana 1998, emphasis added). For a deeper discussion of the structural factors underlying the participation of small-holders in the deforestation of the Amazon, see Hecht and Cockburn (2010), and for a more detailed discussion of the transformations and tensions within the socio-environmentalist movement in Brazil due to the involvement of NGOs from the Global North, see Hochstetler and Keck (2007).

¹⁶ The shortfalls of this strategy soon became evident: while the campaign succeeded in imposing a two-year moratorium on mahogany extraction from Brazil and reduced imports to the UK by 95% in five years, that reduction was completely offset by increased extraction in Peru and increased exports to the US (Gullison et al. 2000; Kometter et al. 2004).

they were able to connect their distinct local efforts into a global campaign against illegal logging and in favor of market-based certification schemes.

It all came to a head in 1996, when it was revealed that deforestation of the Amazon reached a peak the year before. Coinciding with this bad news, Greenpeace and other NGOs began to reveal another series of events that also took place in 1995: the Malaysian timber giant WTK established its subsidiary in Brazil and negotiated for the acquisition of 1.2 or 1.5 million hectares of Amazonian forest, but ultimately their land broker in Brazil was only able to secure/produce documentation for 313,798 ha (still an enormous area even by Amazonian standards), and about half of that turned out to still overlap with the territory of the Deni indigenous people (Viana 1998; Greenpeace 2003). WTK had already been exposed for environmentally destructive practices and land grabs of indigenous territories in Southeast Asia, and all its production in Brazil during 1996 and 1997 was exported to the UK, where environmentalist NGOs had already been actively campaigning to boycott mahogany and illegal timber imports (Greenpeace 1997; Straumann 2014). This made WTK an especially vulnerable target, and its case epitomized the image of aggressive and destructive Asian timber companies now land grabbing in Brazil (Greenpeace 2003). In 1996, WTK completed its acquisition of a Brazilian timber company and submitted a forest management plan for about 205,000 hectares, its Malaysian competitor Samling transferred 320 million USD to negotiate an acquisition in Brazil (that ultimately never happened), the Chinese municipal government-owned company Tianjin Fortune Timber acquired a bankrupt Brazilian timber company (Compensa), and the Japanese firm Eidai (established in Brazil since 1973, and operating as part of the Mitsubishi group until 1993) became the leading timber exporter from the Amazon (Toni 1997; Greenpeace 1997; Viana 1998). When environmentalist NGOs began to provide this information to the press, Brazilian society was galvanized, particularly as the press combined environmentalist concerns with a long-standing Brazilian fear of the “foreignization” of the Amazon.¹⁷

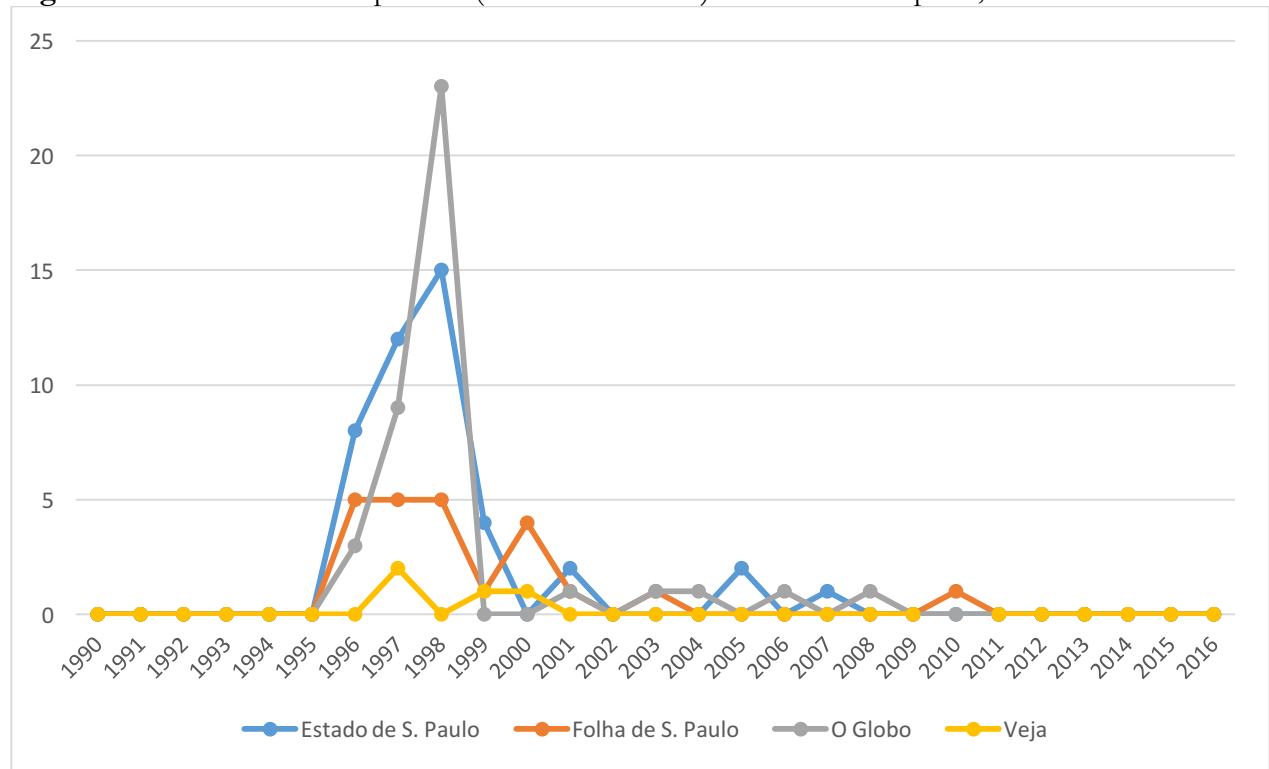
The sudden emergence (and apparent decline) of the public upheaval over “Asian timber companies” (*madeireiras asiáticas*) investing in the Amazon is evident in the digital archives of the weekly magazine and the three daily newspapers with the largest circulation and most influence in Brazil. With the sole exception of two short and very dispassionate reports on CIFEC’s acquisition of a bankrupt Brazilian timber company in 1984, there are no mentions of “Asian timber companies” (or analogous terms and company names¹⁸) before 1996. Then, beginning on May 1st that year, *O Estado de S. Paulo* publishes a full-page report entitled “Asian timber companies invest in the Amazon”, and discussion of the topic mushrooms. By October, the three leading newspapers alone published another 5 articles on the topic, and in response the Brazilian Congress created a special commission and the president himself (through his Secretariat of Strategic Affairs) placed the Asian timber companies under investigation. By the end of that year, another 14 news articles were published with an increasingly scandalous tone. In 1997, when another Malaysian timber giant (Rimbunan Hijau) acquired three

¹⁷ This fear that neighboring countries or more powerful state and corporate agents from elsewhere might seize territory and/or precious mineral and biological resources from the sparsely populated and barely governed Amazon is a longstanding trope in the Brazilian political imaginary (Castro 2003; Castro and Souza 2006; Marques 2007; Klinger 2015). It is often justified with reference to the colonial- and imperial-era border disputes, and the case of Brazilian rubber tree seeds being stolen by the British in 1876. The latter then established rubber tree plantations in Sri Lanka, Malaysia, and Indonesia and thereby ended the Brazilian monopoly on the valuable agroindustrial commodity just when the practice of vulcanization of rubber created a massive global demand for the product (Dean 1987).

¹⁸ I searched the terms “madeireiras asiáticas”, “madeireiras da Malásia”, “madeireiras malaias”, “madeireiras da China”, “madeireiras chinesas”, and CIFEC, Tianjin Fortune Timber, WTK, Samling, Rimbunan Hijau, Jaya Tiasa, KTS, and Eidai. I included all news articles, opinion pieces, interviews, and letters to the editor that mentioned these terms in connection to operations in Brazil, and excluded double-entries when a report was published in both local and national editions of the same newspaper, and when a news article was featured in a short preview on the cover-page.

bankrupt timber companies in the Amazon, Greenpeace intensified its efforts to intercept and blockade illegal timber shipments. Meanwhile, public hearings revealed more details about the investments and operations of the Asian timber companies, and these newspapers and the magazine *Veja* published a total of 28 articles about the topic. Then in 1998 the discourse peaked with 43 distinct reports discussing the “Asian timber companies” and the findings of the Congressional investigation that was just concluded. Thereafter, discussion declined precipitously. Although there were hardly any news reports on the topic, mention of the “invasion” by Asian timber companies still surfaced occasionally in opinion pieces or editorials, demonstrating that the incident from the late 1990s became ingrained in the Brazilian imaginary of the political and ecological risks associated with the “foreignization” of the Amazon (Figure 1).

Figure 1. “Asian timber companies” (*madeiras asiáticas*) in the Brazilian press, 1990 – 2016



Source: Author’s own elaboration from digital archives

This spike in attention to the topic produced a veritable scandal. The first report in *Folha de S. Paulo*, entitled “Plundering the forest”, claimed that “a single Asian company bought 1.5 million hectares in one deal alone”, apparently referring to WTK’s negotiations before due diligence cut their investment down to about one fifth of that amount.¹⁹ On its second report, a very influential cover story entitled “Asians seek dominion of the Amazon,” it informed more accurately that WTK purchased about 300,000 hectares, and explained that if the forest management plan they submitted for about two-thirds of that area were approved, it would be four times the size of the largest in the country until then.²⁰ In that news report, the president of federal environmental agency (IBAMA)

¹⁹ Folha de S. Paulo: “Predação florestal”, 23/08/1996, p. 3.

²⁰ Folha de S. Paulo: “Asiáticos buscam domínio da Amazonia”, 16/09/1996, p. 1. This news article is cited by several academics such as Zhouri (2000) and Cunha (2013).

explained that the presence of Asian timber companies in Brazil was “still modest” and that the government “will not allow them to operate as they have done in other places.” However, these assurances were not sufficient to counter the Orientalist xenophobia stoked by the mainstream press.²¹ Between 1996 and 1998, for example, the newspaper *O Globo* ran headlines such as “Asian threat in the Amazon”, “Malaysians prepare offensive in Brazil”, and “Swarm that devours the Amazon”.²² Moreover, the influential right-wing magazine *Veja* ran three in-depth reports on the topic during 1997, the first one entitled “The attack of the Asians begins: Asian timber companies arrive in Amazonas after leaving trail of destruction in other countries” (Traumann 1997). The scathing report featured a two-page spread picture of WTK’s financial director standing on logs floating on an Amazonian river, and a map entitled “The saga of the termites” depicting with red arrows the “trail of devastation” from Southeast Asia, where forests are said to be “almost entirely destroyed”, to Brazil and three other Latin American countries were the “Asian termites” were seen to be starting to gobble up forests (Figure 2).

Figure 2. The “attack of the Asians” and the “trail of destruction”



Source: *Veja* (June 18, 1997: 58-59)/Editora Abril digital archives.

²¹ The position of IBAMA was also more heterogeneous and complex. Utterly embarrassed by the situation, the head of IBAMA in Amazonas state didn’t brush off but echo the “Asian invasion” discourse: “We had here the Mecca, the promise, the great expectation of the Asian industries,” he testified to a subsequent Congressional investigation, “and so companies from Malaysia and China migrated here... because they imagined that it would be in fact a loggers’ paradise. Here is where they would rescue the losses that their subsidiaries and affiliates were suffering in the rest of the world because of the exhaustion of the product.” CPI – Tráfico de Animais e Plantas Silvestres. Audiência número: 0990/02, 29/11/02, Câmara dos Deputados, Brasília.

²² *O Globo* 03/12/1996; 08/03/1998; “16/03/1998.

Left-wing publications also participated in the discussion, but instead of echoing the Orientalist xenophobia of the mainstream press, they placed it within a broader debate about the injustices and problems stemming from the intense concentration of land in the hand of few individuals and international companies, independent of their nationality. An issue of a leftist Catholic magazine from 1989 detailing the Workers' Party platform on the "agrarian question" cited a study from the Institute of Socio-Economic Studies (INESC) that placed CIFEC at the very top of the list of the largest landowners in Brazil, supposedly owning an astounding 4.16 million hectares, but characterized the company simply as controlled by "foreign capital" (Brasil Urgente 1989).²³ Even in the midst of the Orientalist scare in 1997, a bi-weekly magazine associated with the main labor union in Brazil and the Workers' Party repeated the charge that CIFEC was "the largest landowner in the country" (citing government records from 1987 for the figure of 4.16 million ha), but also identified it simply as a "foreign" company (Quinzena 1997: 13). Moreover, the focus of the article was on the antagonism between large landowners and landless rural workers (in contrast to illegal logging and the "Asian invasion" in the mainstream press), and the cartoon that accompanied it depicted two businessmen in Uncle Sam-style outfits making the following exchange: "And what about the government? Calm down, Brazil is ours!", with Brazil written as in English with a Z (ibid.). Surprisingly, when the Workers' Party-led Congressional investigation reviewed the relevant documents between 1996 and 1997, it determined that CIFEC didn't actually own any land in Brazil at all (Viana 1998). (Wu Zhihua²⁴, who participated in the establishment of CIFEC's subsidiary in Brazil and then became its director, explained to me that the first directors decided against incorporating land assets at the moment they acquired the Brazilian companies, and they never acquired any land of their own since they could source logs from Brazilian loggers more flexibly and focus on exporting them to China.²⁵) Nevertheless, the Orientalist xenophobia percolated from mainstream media through a significant portion of Brazilian (and international) civil society. A staffer to the congressman who led the Congressional investigation reported that within two months after the establishment of the commission, they received "more than 3,000 messages from the whole world supporting the struggle against the 'yellow peril'" (Castro1997).

The Asian timber companies were caught off-guard and attempted to defend themselves as best they could, but without much success. When summoned by Congress for testimony, the president of one of Rimbunan Hijau's subsidiaries in Brazil pleaded: "We are not monsters as reported by the press."²⁶ Evidence emerged that government officials from Pará and Amazonas state had actively boosted for foreign investments in the timber industry, but with the onset of the "Asian invasion" discourse, those same officials sought to distance themselves from the very companies they had wooed with favorable terms and support for investment (Viana 1998). "We have investments in several places," stated Edmund Ting, financial director of WTK, "but nowhere else have we faced as much prejudice as here in Brazil" (quoted in Trauman 1997: 60). Seeing how they were being lumped together with the Malaysian giants in the xenophobic denouncement of "Asian timber companies", Wu Zhihua, the Chinese director of CIFEC, did not hide his frustration: "We have been here for so many years that no one remembered that we are Asian... Now we are being bombarded from every direction" (quoted in Exame 1998). Indeed, with inspections and oversight over the Asian timber

²³ This amount, explained to be about 90% of the size of Rio de Janeiro state by the magazine (or roughly the area of Switzerland), was almost as much as the next two companies on the list owned together, and about the same as the following ten companies combined.

²⁴ Pseudonym.

²⁵ Personal interview, Beijing, October 25, 2016.

²⁶ George Fan Uin Yon, president of Verde Vivo LTDA, controlled by Jaya Tiasa/Rimbunan Hijau. Testimony given at the public hearing on 25/06/1997, quoted in Greenpeace (1999a).

companies increasing drastically by NGOs, the press, and ultimately the federal government itself, past environmental irregularities and new violations were exposed with frequency and uproar. Fines were increased, and IBAMA also began impounding illegal logs apprehended (rather than simply fining and releasing the cargo, as had previously been done). Between 1997 and 2002, the total cost of illegal logging doubled or tripled (Macqueen et al. 2003; Cunha 2013).

Companies from the Global North continued to be caught and fined for illegal logging as well, but Greenpeace and IBAMA operations exposed and cracked down above all on the Chinese and Malaysian companies (Carvalho 2001; Greenpeace 2001, 2003; Macqueen et al. 2003). In the aftermath of this crackdown, the head of IBAMA in Amazonas proudly reported to a subsequent congressional investigation on biopiracy (where the case of Chinese piracy of Amazonian fishes was also cited as concrete example of the problem), that “today we’ve got the Asian timber companies, all of them, either closed, or operating only at 10% [capacity] and still in the red.”²⁷ Indeed, CIFEC temporarily halted its Brazilian operations during the early 2000s, and Tianjin Fortune Timber closed down operations around 2001. The Malay-Chinese Samling pulled out altogether without ever establishing an operational subsidiary in Brazil, and WTK withdrew as well in 2003 (ibid.).

This failure to establish themselves and operate successfully in Brazil was widely attributed to the amateurish, negligent operations of the Asian timber companies themselves, and in particular for their failure to “surround themselves with competent advisors” (Exame 1998). But under this spotlight, the faceless abstraction “Asian timber companies” could be somewhat dissolved to revealed a small class of *transnational* brokers and businessmen struggling to assemble capital, sawmills, logs, and multiple forms of expertise despite strong resistance in Brazil and an unfolding financial crisis centered in Southeast Asia. Underneath the institutional framework of the Malaysian giant WTK, for example, we find that some key operatives in Brazil were actually from Lebanon, Taiwan, and the United States. “We want to invest, but there is a certain dismay”, said Georges Jamal Abouchahla, the Lebanese-born director of the Brazilian company that WTK purchased, and was kept as spokesman for the company to deflect the Orientalist xenophobia raging at the time (ibid.). WTK also relied extensively on a US forestry economics consultant, Richard Bruce, to navigate the multiple challenges faced in Brazil, including of course the promotion of favorable public relations. “Much more than money,” Bruce told a relatively sympathetic magazine, “they [i.e. WTK] are bringing to the Amazon the managerial experience that the Brazilians obviously don’t have” (ibid.). He was referring specifically to the fact that after Abouchahla’s bankrupt company was acquired by WTK and placed under the general-management of the Taiwanese forestry specialist, the company’s revenues jumped from 4.2 to 6.4 million BRL (ibid.). As it turned out, the further investigations went into the Asian and other timber companies operating in the Amazon, it made less and less sense to speak of a “Asian” companies in general, or an “Asian invasion” in particular.

“The Asian companies *reproduce* the predatory pattern of the *entire* timber industry in the Amazon,” concluded the Congressional report on the topic, “the difference is that given their potential with capital, technology, and market[-access], they could multiply the environmental damages” (Viana 1998, emphases added). Moreover, government and NGO investigations soon revealed that the largest land acquisitions during that period were actually undertaken by US and European companies. Of the eight international companies that grabbed the largest tracts of land during the 1990s, a total of 2.2 million ha²⁸ during that period, three companies from the US alone grabbed almost 1.5 million hectares, and another two companies from Europe grabbed another 232 thousand hectares, together accounting for about 72% of the total (ibid.). The report also attempted to shift the concern towards the expansion of soybean production and displacement of extensive ranching into southern fringe of

²⁷ CPI–Tráfico de Animais e Plantas Silvestres. Audiência número: 0990/02, 29/11/02, Camara dos Deputados, Brasília.

²⁸ 2,238,716 hectares, to be more precise.

the Amazon (especially in the state of Mato Grosso), demonstrating these factors are much more significant for driving deforestation and the concentration of land in the Amazon. Yet the most significant legislation that was proposed in the aftermath of the investigation was explicitly and narrowly focused on restricting foreign ownership of land in the Amazon (PL 4.440/01).²⁹ In retrospect, a congressional staffer of the Workers' Party who works directly on this topic confessed to me with *realpolitik* resignation that this evasive outcome was “all that could be done” given that the Workers' Party was courting sectors of Brazilian agribusiness to support the coalition being assembled for Lula's first administration (2003-2006).³⁰ Focusing concern and regulations on “foreignization” was also ultimately useful for the Workers' Party when seeking the presidency in 2002, since it enabled them to *show* that they were doing something to address the land question in the Amazon, while avoiding confrontation with the expanding soy farmers in northern Mato Grosso, Brazilian timber companies, and the agribusiness sector more generally. This is a dynamic that would play out again in spades during the latest “foreignization” scandal that emerged between 2007 and 2012 (see below, and also A. Oliveira 2010).

In the aftermath of these government investigations, crackdowns, and (nominal) efforts to increase regulations on foreign investments in the Amazon during the late 1990s and early 2000s, academics concluded that “the feared ‘Asian invasion’ did not materialize in the Amazon” in great part because of “visibility issues to do with the international media attention on the Amazon” and the fact that “the democratization process in Brazil has created stronger mechanisms for investigating abuses and avoiding corruption” (Young and Prochnik 2003: 82, cf. Garrido Filha 2002). However, the Orientalist xenophobia did not end in the mainstream press, where the revelations that firms from the US and the rest of the Global North were leaders in land grabs in the Amazon were evaded and replaced with accounts of how one of them displayed exemplary forest management practices (e.g. Exame 1998). Most insidiously, this discourse was seized by key actors from the Global North to evade pressure against their own neo-colonial incursions in Brazil. After all, from 1998 to 2004, the participation of foreign companies in Amazonian timber exports did increase significantly from 14 to 36% (Wilkinson et al. 2012), but US and European companies, not Chinese and Malaysians, that were taking the lion's share.

The clearest example of this bait-and-switch was an interview given by the US ambassador to the right-wing magazine *Veja* in 2000. Following the conclusion by Brazilian government investigations that US companies were in fact the largest land grabbers in the Amazon, which compounded a longstanding concern over US interference and neo-colonial ambitions over Brazil in general and the Amazon in particular (Castro 2003; Marques 2007; Klinger 2015), the journalist provoked: “Currently, the greatest focus of distrust of some Brazilians regarding the United States is the Amazon. Some more radical even express the fear of an invasion” (Alcantara 2000: 15) The ambassador responded the following:

The idea that American [sic] troops could intervene in the Amazon is ridiculous. Honestly, this deserves no comment. The Americans [sic] are fascinated by the Amazon, like the majority of people in the whole world... Therefore, regarding the Amazon, I would like to reaffirm that we will always be ready to help Brazil develop the region in a way that is innocuous for the environment and does justice to the formidable natural resources that the Brazilians possess. Some people say *the operations of the Asian timber companies is out of control in that region.*

²⁹ These regulations were proposed in April 2001 by Workers' Party congressmen Nilson Mourão from the Amazonian state of Acre, and José Dirceu, from São Paulo state and key power broker in the Workers' Party (Digital Archives of the Brazilian Federal Congress on PL 4.440/2001).

³⁰ Personal interview under condition of anonymity, Brasília, March 4, 2014.

That would be a very considerable risk. But I don't have sufficient information to evaluate the situation (ibid., emphasis added).

This strategic deployment of the “Asian invasion” discourse after it was largely debunked by governmental investigations and halted by intensified inspections and fines, particularly as an attempt to evade criticism of US companies responsible for most land grabbing, set a crucial precedent and foundation for the way similar dynamics would play out ten years later, when Chinese agroindustrial investments surged dramatically in Brazil.

Figure 3. Brazilian timber exports to China, 1992 – 2012 (thousand metric tons)



Source: Elaborated by the author from FAOSTAT

In the meantime, as private Chinese timber companies and merchants began arriving in Brazil in larger numbers during the early 2000s, they encountered both a culturally hostile environment and increasingly more rigorous environmental regulations that forced them to rely on close partnerships with Brazilian agroindustrial brokers and businessmen. From my research of government documents, media archives, and interviews with key business officials in the sector, it seems evident that there were never more than a handful of Chinese timber companies established in the Amazon (owning and operating a sawmill and warehouses, and managing log purchases and timber exports themselves). Among them, only a few succeeded at establishing partnerships that remained operational and profitable from the heyday of Brazilian timber exports to China, peaking in 2004, into the present (Figure 3).³¹ The Brazil Timber Group, for example, was established in 1999 and became one of the

³¹ All foreign investments in Amazonian timber extraction, processing, and exports significantly decreased after 2004 due to sustained pressure by environmentalist NGOs and social movements, stricter government regulations and increased enforcement, decreasing density of high-value timber; and shifted to Amazonian regions of other countries without these limiting factors (Macqueen et al. 2003; TTAP 2008; Putzel 2009; Wilkinson et al. 2012).

longest continually operating Chinese-owned timber companies in the Amazon (I will return to their operations after 2010 at the end of the chapter). Others companies, however, repeated the failure of the “Asian termites”: Lemnking and Sinotimber, for example, were established in Brazil in 2002 and 2005, both were fined multiple times and ultimately shut down their sawmills in Brazil after a few years to pay fines for labor rights and environmental regulations.³² Among all companies and actors identified, the most active partners assembling Chinese capital with the timber industry in Brazil were undoubtedly Luis Renato Durski Jr. and Lu Weiguang, who would come to be called the “first ‘Chinese Landlord’ of the Amazon” (Jiang and Zheng 2004).

Despite their personal success during the early 2000s, Lu’s operations in Brazil were instrumental to sustain the image of “Chinese land grabbers” in the Brazilian imaginary even after the crackdown on the “Asian termites” and the revelations that the biggest foreign land grabbers were actually from the US and the rest of the Global North.

3. The First Chinese Landlord of the Amazon

Luis Renato Durski Jr. was the third generation of a family of loggers from Paraná state, but when his turn came to take over the family company the forest resources of southeastern Brazil were depleted. After learning basic English, obtaining a law degree, and briefly serving as city councilman in a small town in Paraná, Durski embarked in 1984 on the government-sponsored campaign to colonize the Amazon. Durski described proudly to a journalist how he fearlessly “launched himself to adventure in establishing a timber company in the boondocks of Rondonia” state, where he was based for 15 years, got malaria three times, and dengue several more (Sardenberg 2015). During that time, Durski became highly competent in *agenciamento* or brokering timber sales from Amazon suppliers: his agency would secure log harvests with suppliers across several states, prepare documents for extraction and transportation, arrange primary processing at their own or a partner’s mill, book warehouses and ships, and elaborate invoices for buyers and documentation for export. After a certain point, economies of scale provided his company key advantages in achieving quality control and management of multiple timber specifications for his foreign buyers, as lower-quality logs could be shifted to domestic markets while better-quality timber was destined for exported instead. Durski was already brokering sales to China through intermediaries in Taiwan, Hong Kong, Malaysia, and Japan (in addition to selling directly to Latin American and European markets) during the 1990s (Revista da Madeira 2003). And once Durski established the Marine Box Lumber Agency in 1998 and began exporting directly to Lu Weiguang’s company in Shanghai the following year, the pair quickly positioned themselves as the major brokers of direct Brazilian tropical timber exports to China.

Lu Weiguang also came from a family of merchants in Wenzhou, Zhejiang province, and after obtaining a college degree from Dalian University of Technology, he began a bureaucratic career as surveyor at the Wenzhou Fishing Inspection Bureau in 1988 (Yin and Zhou 2006). However, Lu was restless for commercial success and personal enrichment. Over the next six years, he taught himself English in his spare time as a way to facilitate contact with foreign clients of his father’s videogame import business, and sought a way to leave what he described as the “mediocre” (平庸) life of a bureaucrat (ibid.). In 1994, noticing the rising cost of timber domestically and the large profit margins to be made from cheap (mostly illegal) timber imports, Lu quit his bureaucratic career and borrowed 300 thousand RMB (about 34,800 USD) from his father’s company to open the Shanghai Anxin Flooring Company. His business plan was to import primary processed timber from Southeast Asia

³² Lemnking was a subsidiary of the Shanghai Longway International Trade Co., managed *de jure* in Brazil by the same Chinese executive who also was *de jure* responsible for Sinotimber.

and Brazil, and produce floorboards for export to the US, Europe, and Japan. Lu's Anxin experienced tremendous growth and success, particularly after China's entrance into the WTO and his agreement to supply Mitsubishi with hardwood floorboard exports to Japan, soon bringing him recognition as one of Shanghai's most successful young entrepreneurs, celebrated in 2004 among the "Top 10 Private Businessmen" of the year, and widely praised as "leader of the timber sector" (Yang 2005).

Lu's success was in great part produced through his own savvy use of Chinese media during the early 2000s. In multiple interviews, he recounted different versions of his success story, each more adventurous and thrilling, culminating in 2004 with his supposed purchase of an area of the Amazon rainforest "the size of Hong Kong or Chongmin island" (as frequently reported in the media), and his inclusion in the Forbes list of the 400 wealthiest Chinese in 2005.³³ In some of the accounts, Lu's first travel to Brazil took place as early as 1997, when he "fell in love with the Amazon and the indigenous culture" (O Globo 2006), while in other more likely versions his first visit only took place in 2000, after establishing a commercial partnership with Durski (e.g. Yin and Zhou 2006). The details of how Lu met Durski were often portrayed in spectacular but dubious terms as well. In one of the most theatrical versions, Lu claims that the 1998 logging ban in China left his factory short supplied, and his Taiwanese suppliers drastically increased the price of imports from Brazil. The middlemen, moreover, destroyed all records of their own suppliers, and treated their Brazilian vendor's contact as "top secret" information. But Lu had been secretly showing up at the port when his supplier's timber was being unloaded, "climbing up and down on piles of wood like a monkey" and searching for clues to Brazilian exporters on the timber bundles and the packaging in the containers. In late 1998, Lu supposedly found a piece of paper with the phone number of Durski's lumber agency, and spent the next few months attempting to arrange a purchase over the phone, but to no avail: Lu attempted to speak in English, but the person who answered the phone only spoke Portuguese. Only after several months translating requests over fax and phone did Lu finally get the response he wanted: Durski faxed him a very favorable price quotation, and they finally spoke directly with each other over the phone in English to seal the deal (ibid.).

Lu was not alone in this scheme, as the Chinese government lifted restrictions on direct timber imports by private companies in January 1999, breaking the monopoly of state-owned timber companies like CIFEC and Tianjin Fortune Timber, and encouraging adventuring merchants to bypass middlemen and fill the gap left by the first wave of Chinese timber companies that were shutting down operations in Brazil. In this highly competitive environment, still marked by the Orientalist xenophobia that shut down operations of the world's largest tropical timber companies, Lu's savvy use of media portrayed Durski as "the most important [timber] broker in South America" (Revista da Madeira 2001), and consequently Lu himself as the strategic broker and middleman for newcomers in China. It is noteworthy, for example, that Lu's Anxin—together with the agribusiness giant COFCO—were the only agroindustrial companies to join the Brazil-China Business Council at the moment it was founded in 2004, with the purpose of boosting Brazil-China commercial and investment relations. Rather than limiting their partnership to exclusive trade channels, Durski and Lu began organizing delegations between China and Brazil in 2001 with as many as 60 timber businessmen "to bring buyer and seller closer together, and make our work more transparent," as Durski would explain (ibid.).

³³ In 2005, Forbes calculated that Lu Weiguang was the 311th richest person in China, with an estimated wealth of 74 million USD. In 2008, his wealth was estimated to have increased to 190 million USD, but his position fell to number 383. He has not been listed since among the wealthiest 400 people in China, and someone who is personally familiar with him informed me on condition of anonymity that Lu has since "gone broke" and now simply "tries to manage his debts". While I could not verify this claim, others in the sector confirmed Anxin is no longer a leading enterprise.

In the process, Lu and Durski became close friends. Durski was travelling to China 5 or 6 times per year, and he helped Lu purchase an apartment in Curitiba (Durski's own city and business headquarters) in 2003. By that time, Lu was accessing over 100 suppliers in Brazil through Durski, and the latter was shifting the interests of his main buyer towards investing in the expansion of his own operations in Brazil. The pair was able to assemble key Brazilian supply partners and 30 million USD for two new timber companies established under their control, AXN and MGM, featuring some of the largest and most modern sawmills in Brazil at the time.³⁴ Both were located in northern Mato Grosso state, where they could access Amazon timber but bypass the more strict environmental inspections coming into play in Amazonas and Pará states (where CIFEC and the other "Asian termites" had been operating). In a sector shaped like an hourglass, with thousands of independent loggers in Brazil and thousands of small- and medium-scale woodworking companies in China (Dauvergne and Lister 2011), Lu and Durski seized the narrow neck of transnational timber traders between Brazil and China at just the right moment of fast growth (1998 – 2004) and before Amazonian timber sales were outpaced and largely replaced by wood pulp exports from non-Amazon eucalyptus plantations instead (Kröger 2012a).

Lu's propaganda stunts for Chinese media culminated from late 2004, when he announced a purchase of 100,000 hectares of the Amazon forest from an indigenous community in northern Mato Grosso, to 2005 when took a few of those indigenous individuals on a 25-city tour of China (Jiang 2004; Yang 2005). Lu's melodramatic accounts of his encounters and negotiations with Brazilian indigenous people were swallowed whole by Chinese media (e.g. Jiang and Zheng 2004, Yin and Zhou 2006). In these narratives, Lu is portrayed as a fearless adventurer and beneficent foreign investor who ventured into the jungle with a cowardly local guide and translator, facing pythons, poisonous ants, pumas, crocodiles, and other dangerous wild beasts. After several days marching through this dramatic scenery of the "primeval rainforest", Lu reached an indigenous village and was touched by the "simplicity, kindness, and happiness" of those living in "poor, dilapidated shacks." But he soon discovered that buying forestland is not so simple in Brazil, as the indigenous leaders refused to sell (in fact, there are no legal mechanisms for the sale of indigenous territory, much less to foreign investors). Nevertheless, for the next few years Lu made efforts to befriend the indigenous leaders and demonstrate his good faith, gifting medicine, building a school, and paying for the improvement of their housing and road conditions in the indigenous territory. In these surprisingly neo-colonial encounter accounts, Lu extends his paternalistic attitude to all Brazilians. He explains, for example, that he ordered Chinese forestry experts to prepare a 200,000-word forestry textbook for him to provide all his Brazilian suppliers free of charge, and established a "timber school" (木材学校) through which he would teach Brazilian loggers to reduce waste, increase efficiency, and adopt 25-year forest management plans. In fact, this was a training center created by the Durski-operated AXN company for its employees (Revista da Madeira 2003), promoting forestry management and processing practices already specified in and required by Brazilian environmental legislation. But in these self-aggrandizing accounts, Lu conveniently ignores the role of his Brazilian partners and overlooks Brazilian legislation on forestry practices and land acquisitions entirely. His entrepreneurial patronage alone supposedly led the indigenous leaders to acquiesce and agree to sell him two enormous tracts of "virgin forest, including all the flora, fauna, and resources therein, and priority mining rights to underground resources" (an illegal arrangement according to the Brazilian constitution). In a final act of supposed grace and magnanimity, Lu returned 5,000 hectares back to the indigenous community as an "unconditional gift" so that the "tribe may keep their livelihood and cultural practices, and protect them from migrating," and invited them for a two-month tour of 25 major cities in China. The indigenous leaders selected two beautiful, young, unmarried women to join Lu and them on this tour,

³⁴ AXN Madeiras Brasil LTDA, and MGM Agroflorestral, Indústria e Exportação LTDA.

where they were paraded throughout China wearing nothing but loincloths, feathers, and traditional body paint (unlike their regular garb worn in Brazil). At that time, Lu's company website featured a "prosaic image of a female Brazilian Indian resting against a log" (O Globo 2006), and Lu basked in the attention he was able to get as "the first Chinese 'Landlord' of the Amazon" (Jiang and Zheng 2004; Yin and Zhou 2006) without any apparent qualms about the neo-colonial appearance and connotations of his behavior (Figure 4).

Figure 4. Lu Weiguang showing off his "indigenous friends" on tour in China



Source: Vargas 2006, reproduced from China News.

When Anglophone and Brazilian media picked up on the story in 2006, however, Lu's propaganda began to backfire. Questioned by the Brazilian daily *O Globo*, which broke the story in Portuguese, Lu confirmed the purchase but refused to identify its location, the indigenous community that made the sale or the amount paid, explaining only that the money was deposited in a Brazilian bank account in the name of the indigenous community. He repeated his "benefactor" account to explain why the indigenous agreed to "sell" their land, and dug himself even deeper (from the Brazilian perspective) into a neocolonial discourse stating naïvely: "I have a lot of pride of this venture because the Amazon is not a treasure for the Brazilians alone, it is a treasure for the whole world." The newspaper immediately countered that, according to Brazilian law, the "treasure" does in fact belong to Brazilians alone. Apparently aware of this challenge, Lu's explanation only added to the drama: when he purchased an apartment in Brazil in 2003, he did so to bring his three-month pregnant wife, and then placed the land he supposedly acquired in the name of his new Brazilian-born son. The revelations left Brazilian government regulators "perplexed", and the Brazilian government agency responsible for indigenous affairs (National Indian Foundation – FUNAI) requested the Federal Police to launch a criminal investigation. But the story seemed so absurd that FUNAI's attorney-general speculated that Lu may have been simply "telling tales in his country [as] a marketing strategy,"

or perhaps he was “fooled” by Brazilian swindlers (*grileiros*, or more specifically land title scammers), as other foreigners before. “We don’t know if he’s already extracting timber from the area he claims to own,” he told another newspaper, “but even if this is just his bravado, we cannot allow it to continue” (Vargas 2006).

Unsurprisingly, Durski himself fell under intense scrutiny. When *O Globo* sought an interview with Durski at his office in Curitiba to break the story, they noted the logo of Lu’s Shanghai Anxin Flooring Company featured on the wall, and pictures of Lu himself alongside president Lula and other authorities in the conference room. But Durski insisted that Lu was only a client and not an associate of his company and its subsidiaries, and it was “mere coincidence” that his subsidiary was named AXN and founded simultaneously with Anxin’s own announced investments in Brazil that year. Although Durski confirmed his intimate friendship with Lu, even explaining that it was his own mother that suggested the name for Lu’s Brazilian-born child (and that this family arrangement enabled Lu to secure permanent resident status in Brazil and more favorable loans from Chinese banks for foreign investment), he sought to disavow Lu’s illegal land grab and distance himself from a story in which he was evidently deeply involved. “At that time, he talked about buying forestland, but he didn’t buy a single hectare,” Durski reported in contradiction to his business associate. “He said that Indians generate good attention (*dava ‘ibope’*) in China, and proposed to find a tribe for Anxin to help. We found Indians in Jaciara, Mato Grosso. He took gifts, food, 5 thousand reais [about 1,700 USD], and went back to China with pictures. He did a lot of marketing, saying those were the Indians of his forest. Afterwards, I went with him: the Indians got 2 thousand reais [about 683 USD] for ten months [collaboration], and that’s it... He is not quite a liar, he just starts some negotiation, publicizes it, but then doesn’t seal the deal” (O Globo 2006).³⁵

Despite Durski’s disavowal, journalists, NGOs, and government officials seized on the story of Lu’s supposed land grab to remind the public that “the Asian interest on the Amazon is not new,” citing the earlier investigations of land grabs and illegal logging by Asian companies (O Globo 2006). Lu’s Amazonian misadventure embodied precisely an image of Chinese agribusinesses as new and dangerous land grabbers in the Brazilian imagination, and thereby channeled the Orientalist xenophobia of the late 1990s into a more specific sinophobia during the 2000s. Ironically, the importance of Amazonian timber extraction and exports fell significantly during that decade, due to a combination of increasingly more effective environmental regulations and a major influx of capital from Global North and Brazilian financiers and the state itself into non-Amazon eucalyptus plantations, which began to export pulp (rather than unprocessed timber) in increasingly larger volumes to China (Kröger 2012a; Dauvergne and Lister 2011). The legislation proposed in 2001 to limit foreign acquisitions of land in the Amazon stalled in committee proceedings³⁶, and the Federal Public Defendant’s office would not further investigate the land grabs of the Asian timber companies, including 21 denouncements of illegal acquisitions of indigenous territory, until 2015 (Dióz 2015). Moreover, Lu’s wasn’t the only Amazonian misadventure making headlines. Johan Eliasch, a Swedish “green entrepreneur” (and deputy treasurer of the Conservative Party in the UK), was criticized for

³⁵ Following this incident, Durski began to shift his investments from timber to the restaurant industry. He had opened his first restaurant in 2000 “as a hobby”, but in 2006 he launched a franchise that eventually grew to 15 restaurants. In 2011, when the franchise had become profitable and Brazilian timber exports to China had clearly collapsed, Durski sold his stakes in all timber companies and began to dedicate himself full time to the restaurants (Sardenberg 2015).

³⁶ In 2001 the proposed legislation was introduced for deliberation at the Committee on Agriculture, Ranching and Supply, and the Committee on the Amazon, National Integration, and Regional Development, and approved by late 2002. Then it went to the final Committee on the Constitution, Justice, and Citizenship, where proceedings were delayed until mid-2005. Despite all committees recommending its approval by 2005, the process remained stalled at that stage until April, 2007, when it was returned from the archives. Then in November 2009 it was approved in all committees, but never brought to a vote at the plenary (Digital Archives of the Brazilian Federal Congress on PL 4.440/2001).

acquiring 161,874 ha of forest concession in Amazonas state in 2005 (Chittenden 2006; Spears 2013). However, Eliasch attempted to justify his investment by claiming his purpose was to *shut down* the logging operations to protect the area, and thus “save the Amazon” (ibid.) rather than exploit it. Critiques of such “green grabs” gained prominence since then (e.g. Kelly 2011; Fairhead, Leach, and Scoones 2012; Holmes 2012, 2014), and in Brazil they contributed to a national-developmental discourse that capitalist interests from the Global North were using a façade of environmentalism to “halt development” and “undermine competition” from developing countries such as Brazil (Rebelo 2010; Ribeiro 2010). But although environmentalist NGOs from the Global North (but *not* agribusinesses and financiers) would also be targeted for restrictions on land acquisitions in the early 2010s, actors from the Global North (whether corporate or NGO) were not the ones ultimately ingrained in the Brazilian political imaginary as “land grabbers”. Instead, *Chinese* companies were mistakenly singled out in hazy memory for “acquiring immense expanses of land in the Amazon (including indigenous land) and exploiting it in a predatory manner, and opening domestic companies with foreign capital to bypass the law,” as the secretary of environmental policy of the Ministry of the Environment during 1994-1998 explained in an interview with an academic researcher in 2011 (Cunha 2013: 55). Thus, in the aftermath of the 2008 global rush for farmland, it was primarily the legacy of the supposed “Asian invasion” of the late 1990s, and the example of Lu’s “land grab” in particular, that were revived for opposition to a new round of increased transnational agroindustrial investments in Brazil.³⁷

4. Sinomania and the Chinese Threat to Brazilian Manufacturing

The Brazilian shock over Lu’s misadventure was a key precursor to the sinophobia that would grip Brazil after 2010 with the discussion of the “global land grab”. But during the 2000s, the predominant form of sinophobia was not primarily associated with land grabbing. In fact, agroindustrial investments, and even land leases, were largely considered a positive prospect during that period (as we will see below). It was the *commercial competition* of Chinese manufacturing exports to Brazil and its traditional export markets (the US, Europe, and Latin America) that provoked fears and protests from Brazilian industrialists. They raised cries of a “Chinese invasion” in toys, textiles, shoes, leather, and a slew of other light manufacturing and electronics sectors, and lobbied heavily for protectionist measures (and subsidies) against this “Chinese threat”. Led by the São Paulo State Federation of Industries (FIESP) as their main institutional expression, and having in the neoliberal Party of Brazilian Social Democracy (PSDB) its main political voice, this was largely a movement of right-wing Brazilian industrialists who felt left out from the new Workers’ Party-led coalition that came into office in 2003 with president Lula (Souza and Oliveira 2016). As the boom of commodity prices was taking off, Lula led Brazilian diplomacy and encouraged trade and investments across a much broader set of partners, beginning with South America itself and extending to Africa, the Middle East, India, Russia, and especially China. Brazilian exports to China were largely concentrated in soybeans and iron ore, and there were significant prospects for growing exports of wood pulp, sugarcane/ethanol, beef, poultry and other sectors of agribusiness, petroleum and other minerals, as well as large-scale infrastructure construction partnerships. Consequently, the leadership of all these sectors largely supported the Workers’ Party administration *and* its efforts to approximate relations with China and the rest of the Global South. In exchange, they were rewarded with increasingly large

³⁷ See, for example, the journalistic articles by Alméri (2011, 2012), which were extensively circulated in right-wing and nationalist blogs such as DefesaNet (2011), Armamento e Defesa (2011), Forum Base Militar Web Magazine (2011), and Conciência Crítica (2012).

volumes of subsidized credit from the BNDES and other state-owned banks. Together with the state-owned airplane construction company Embraer, which not only exported airplanes to China but successfully established a factory there in 2001, the largest companies of these sectors, their backers, and a relatively small group of diplomats and Brazil-China boosters actively cultivated a positive image of China and praised the spectacular potentials for commercial and investment partnerships with the country that had the fastest growing shares of basically all international markets. A certain *sinomania* (Anderson, 2010) was being generated—an excitement about the insatiable Chinese appetite for Brazil’s commodities and, towards the end of the decade, also the possibilities for investment partners with deep pockets—in dialectical opposition to the escalating sinophobia over Chinese industrial competition.

At that time, the main concern over China in Brazilian public debate centered on the view—widely shared in academic and think-tank literature—that “China’s mounting appetite for resources and its cheap manufactured exports have effectively been deindustrializing many economies in the developing world, pushing them back to a dependence solely on their exports of natural resources” (Hung 2016: 107; cf. Gallagher and Porzecanski 2010; Leão, Pinto, and Acioly 2011; Jenkins and Barbosa 2012). But as more fieldwork-based research emerges, we find “a more complex picture that fails to be captured by politicians’ and critical commentators’ polemics” (ibid.; cf. Myers and Wise 2017). Asian economies, for example, adjusted their industrial structure to focus on products either higher or lower on the value chain than those produced in China, so rather than competing directly they could benefit from supplying components and importing machinery. And while this may not have been possible for African economies, which are gradually being incorporated as natural resource suppliers that still lack an expansive industrial sector or agribusiness, mining, and infrastructure construction companies that could benefit from collaborations with Chinese investors, Latin America was not so vulnerably situated in global production chains. Whether and how much trade with China will damage or benefit the long-term developmental prospects of Brazil and other Latin American countries hinges more on their internal struggles and political economy (Hung 2016: 109). So the struggle that emerged at this moment—essentially characterized by protectionism in industrial and manufacturing sectors suffering competition from Chinese exports, attempting to temper (for example, through monetary policy, lobbying, and public pressure campaigns) the growth of natural-resource export sectors that benefitted from skyrocketing Chinese imports—set the terms in which a hyperbolic “China threat” of land grabbing since 2010 would emerge as an attempt to reconcile these competing interests of the Brazilian industrial, financial, and agribusiness elites.

Brazil-China commercial relations mushroomed during the 2000s, and they have certainly been marked by an increasingly uneven concentration of Brazilian exports in mineral and agricultural commodities and imports of Chinese industrial and manufactured products (Gallagher and Porzecanski 2010; Leão, Pinto, and Acioly 2011; Jenkins and Barbosa 2012). Soybean exports in particular began to gain prominence since the late 1990s (as discussed in the previous chapter), but it was the mutual state visits by presidents Lula and Hu Jintao in 2004 that stoked a new round of enthusiasm for commercial relations and possible investment partnerships with China, and a protectionist backlash associated with the more right-wing (anti-Lula and anti-Workers’ Party) São Paulo-based industrial sector in Brazil. Immediately after coming into office, Lula’s administration shifted foreign policy priorities towards “South-South Cooperation”: strengthening the Mercosul and South American integration, and increasing commercial and diplomatic ties with other developing countries, above all China. In a highly successful diplomatic maneuver, Brazil coordinated the launch the G-20 bloc at the WTO ministerial meeting in Cancun in 2003 (with India and South Africa sharing its leadership, and China giving it economic weight), effectively halting further opening of financial

markets in the Global South and urging the Global North to abolish agricultural subsidies.³⁸ This became the basis for the multi-polar geopolitics that would produce the BRICS summits in the aftermath of the 2008 financial crisis. The Workers' Party strategic pivot to China was already evident merely four months into his administration, the Brazilian national development bank (BNDES) hosted a Brazil-China Seminar entitled "A Necessary Leap", with president Lula delivering the opening address:

South America will be a priority in my administration, since I am convinced that Brazil's full development will only be possible as part of the integration of the continent as a whole. (...) And as we have a regional vocation, we are also a global country. The same manner that national integration goes through regional integration, I am convinced that our approximation with Asia, particularly with China, will be decisive for Brazil to realize this greater destiny. (Quoted in H. Oliveira 2010: 90-91; cf. Martins 2004)

The Ministry of Foreign Relations immediately began coordinating with its Chinese counterpart for an exchange of visits by the heads of state the following year, which established a High-Level Coordination and Cooperation Committee (COSBAN) to organize mutual policies for bilateral relations between Brazil and China across all fields of trade, diplomacy, cultural exchange, and security cooperation. Challenges were soon at hand with the contaminated soybean shipments of 2004 (discussed in the previous chapter), but it was the Brazilian government's recognition of China as a market economy during Hu Jintao's state visit that year that sent shockwaves through the Brazilian manufacturing sector. After all, it would restrict the Brazilian government's use of protectionist policies like anti-dumping measures to WTO regulations (Tortoriello 2004; Paraguassu 2007; H. Oliveira 2010; Leão, Pinto, and Acioly 2011).

The reciprocal state visits by Lula to China and Hu Jintao during 2004 propelled China to the spotlight in Brazil like never before. Before then, it was indisputable that "China still had very little visibility in Brazil" (Bridi 2008: 45). No Brazilian president had visited China in fifteen years, and the high-hopes of Brazilian infrastructure investment in China during the 1990s had long dissipated (Biato Jr. 2010). When the bilateral relationship was thrown into the spotlight by Lula in 2004, the prospects for political and economic partnerships seemed very positive but they were still uncertain, and public opinion about China was still a fresh terrain for struggle, but erstwhile Cold War fears and sinophobia could be powerfully mobilized for anti-Chinese lobbying efforts.

Even though much of this coverage was skeptical about the implications of "the rise of Communist China" (Veja 2006), it also created great enthusiasm and the roots of a certain "sinomania", as Anderson (2010) would call it, about the growing opportunities for trade and investment (and the geopolitical restructuring) that could emerge through the break-neck economic growth of China's export-oriented and natural-resource-import-dependent economy. After all, at the same time that Lula greeted Hu's visit with the announcement of Brazil's recognition of China's market-economy status, Hu promised that Chinese companies would invest 10 billion USD in Brazil, and both presidents predicted that bilateral trade would double during the next two years (Tortoriello 2004). But joint ventures and other significant investments were largely restricted to giant companies that already had commercial ties with China and close cooperation with the Brazilian federal government. One was the ex-state-owned mining giant Vale, Brazil's main exporter of iron ore, which

³⁸ The Group of 20 developing countries was established and coordinated by the IBSA Dialogue Forum between Brazil, India, and South Africa with the Brasília Declaration of June 6, 2003. China has not been active in the core strategizing of the group, but its inclusion was essential for the effectiveness of the Group's negotiations at the WTO since 2003 (Hung 2016: 142-3; cf. Hopewell 2013, 2015; Margulis 2014).

was finding in China its largest and fastest growing market and attempting joint-ventures with Baosteel and Chinalco for mega-refinery projects in Brazil (that dragged unsuccessfully until abandoned by the end of the decade). Another was the state-owned airplane production company Embraer, which saw its production in the China-based joint venture stall after its Chinese partner apparently transferred (or “stole” as some would say) the technology for its own production (Bridi 2008: 123), and the private compressor producer Embraco, which became the main poster child of Brazil-China boosterism.³⁹ But it was trade, particularly booming Brazilian agroindustrial and mineral commodity exports, that really inflated sinomania.

The growth of bilateral trade was starting to divide Brazilian interests between those benefitting from the burgeoning commodity exports to China, and those threatened by competition with Chinese manufacturing exports. The former group was led by state-owned or state-backed giants like Petrobras and Vale, who were the driving force behind the establishment of the Brazil-China Business Council in 2004 as the preeminent booster organization for closer bilateral relations. The latter group was led by the private textile, toys, and shoe sectors, having FIESP as their main institutional expression. Their opposition had roots in the 1990s, when for the first time sectors of the Brazilian industrial bourgeoisie began speaking “fearfully of an ‘invasion’ of Chinese consumer goods, above all in textiles and toys” (Biato Junior 2010: 94, emphasis added).⁴⁰ At that moment, this “China threat” discourse was largely disconnected from the orientalist xenophobia that emerged over the “Asian timber companies” described above, which grew *after* protectionist demands emerged and were met by the Brazilian government by 1996. On the other hand, the government crackdown on CIFEC and Tianjin Fortune Timber alongside the Malaysian timber companies certainly did not dissuade the Chinese government from responding to Brazilian trade barriers—particularly on textiles—with its own embargo on Brazilian beef and poultry imports in 1999⁴¹, and denial of Brazilian requests for reduced tariffs for all but four processed agricultural products.⁴² Those tit-for-tat protectionist measures and the financial crisis of 1998 brought Brazil-China trade and enthusiasm among government business officials to a low point (Biato Jr. 2010).

When Brazilian soy and iron exports began their spectacular boom thereafter, they were accompanied by a similarly fast-paced growth of Chinese industrial and manufactured exports to Brazil. Notably, Chinese textile exports to Brazil quadrupled from 2000 to 2004 even though Brazil had maintained protectionist measures imposed before China’s entrance into the WTO in 2001.⁴³ That is certainly an important moment, but it was only after the Brazilian government recognized China as a market economy in 2004 that the unevenness of Brazil-China commercial relations aggravated: Brazilian share of manufactured exports to China began to decline, while Chinese share of manufactured imports mushroomed (Figure 5). This created not only a deficit in bilateral trade of industrialized products (Figure 6), but also in overall commercial relations (Figure 7). The deficit was only “corrected” after 2008, when recession reduced industrial imports but relatively high prices and strong Chinese demand for mineral and agroindustrial commodities were sustained (*ibid.*).

³⁹ Brazilian diplomats would frequently cite these examples in their positive accounts (Biato Jr 2010), and they composed a disproportionate part of Brazil-China boosterism (e.g. the magazine *Parceria Brasil-China* from 2001 to 2010; Tang 2013).

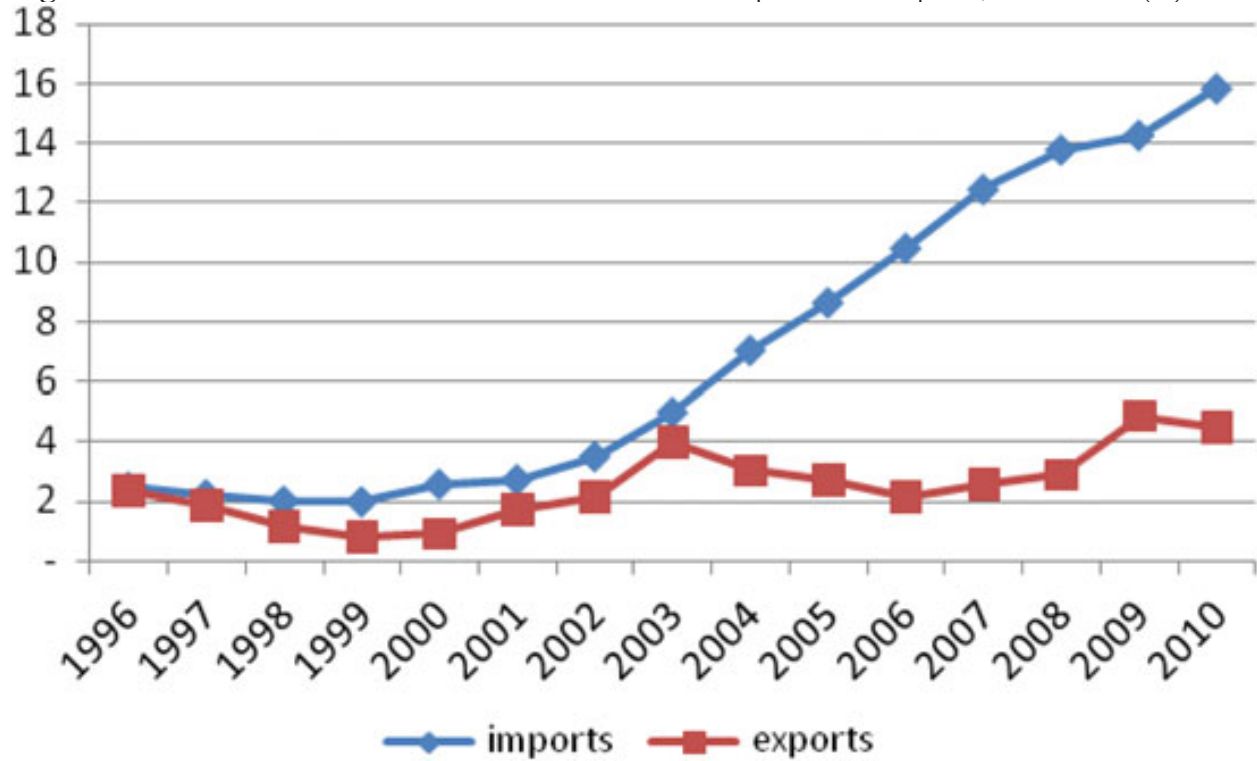
⁴⁰ O Estado de S. Paulo, 17/12/1995: B7; 28/07/1997: B9; Folha de S. Paulo 21/09/1997: B2

⁴¹ The suspicion that this commercial restriction was “politically motivated” was expressed by ambassador Biato Junior’s account that the Chinese government drew on *informal* reports obtained from the World Organization for Animal Health (of which China was not a member) about incidences of foot-and-mouth disease near the border with Paraguay, and Newcastle disease in a non-commercial chicken farm—neither of which could represent a systematic threat to the quality and safety of the export-licensed slaughterhouses operating in the country (Biato Junior 2010: 94).

⁴² Soy oil, orange juice, sugar, and soluble coffee (Biato Jr. 2010).

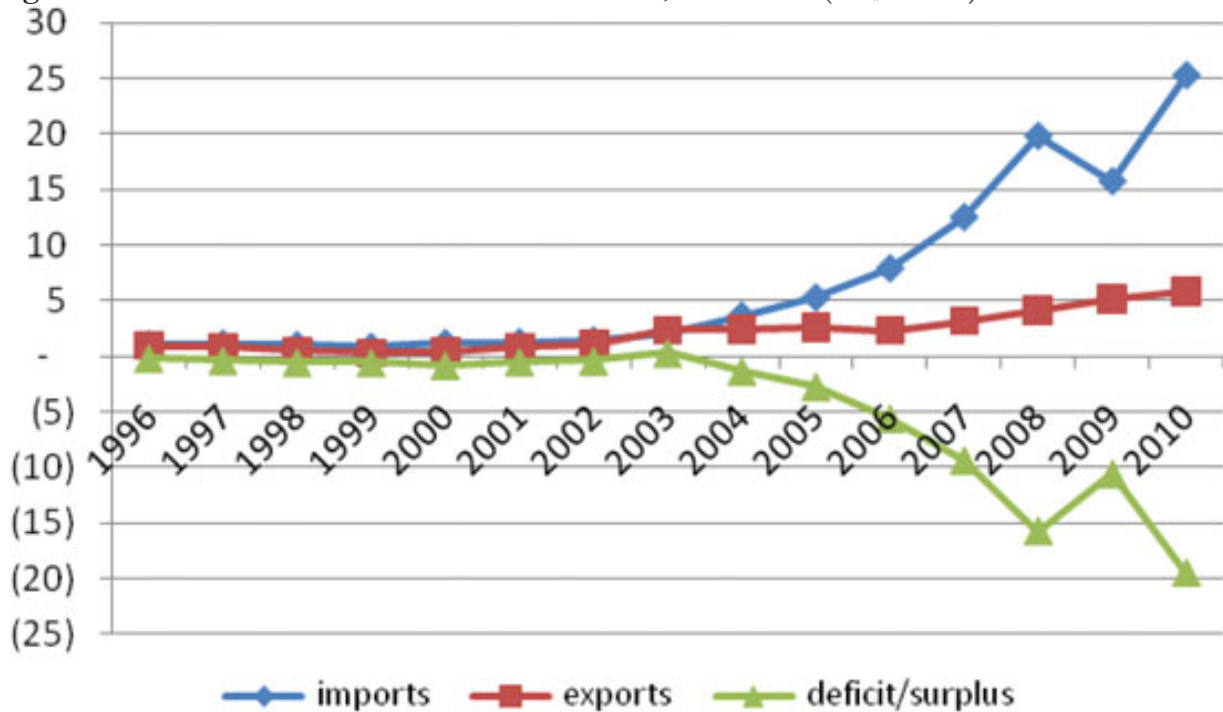
⁴³ Estado de S. Paulo 23/04/2004: B15; cf. Gallagher and Porzecanski 2010; Leão, Pinto, and Acioly 2011; Jenkins and Barbosa 2012.

Figure 5. China's Share in Total Brazilian Manufactured Exports and Imports, 1996–2010 (%)



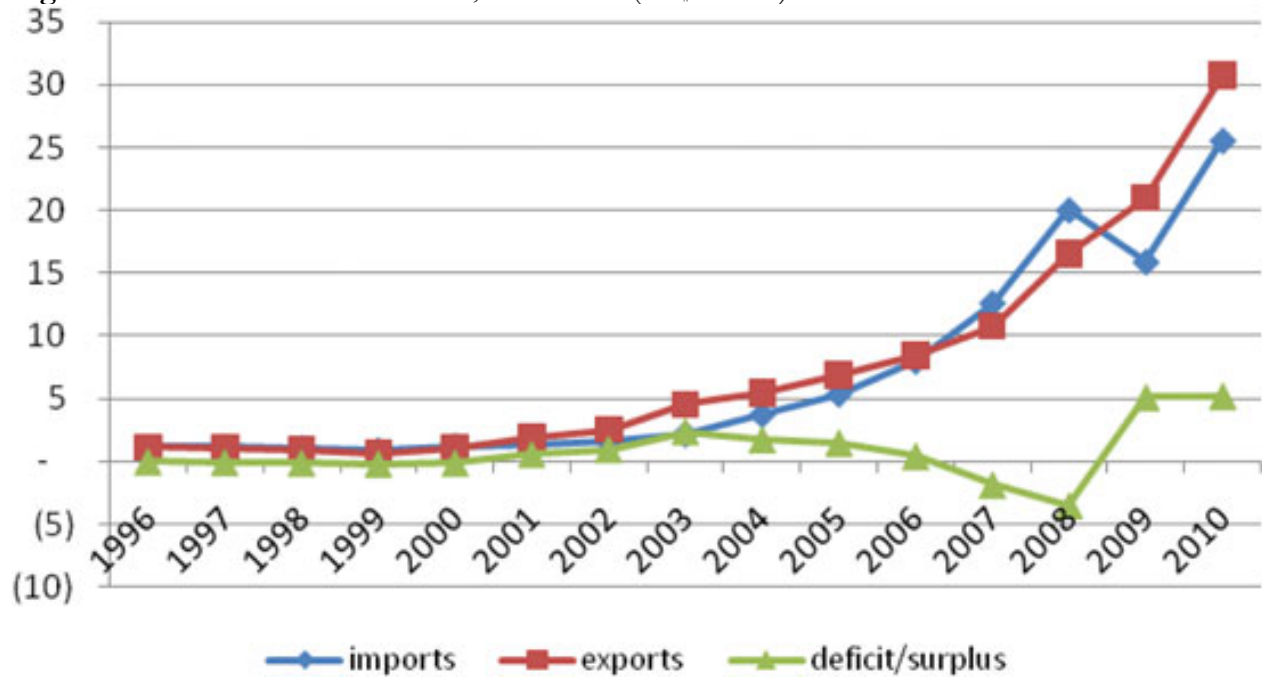
Source: Jenkins and Barbosa (2012: 71)

Figure 6. Brazilian Trade in Manufactures with China, 1996–2010 (US\$ billion)



Source: Jenkins and Barbosa (2012: 72)

Figure 7. Brazilian Trade with China, 1996–2007 (US\$ billion)



Source: Jenkins and Barbosa (2012: 70)

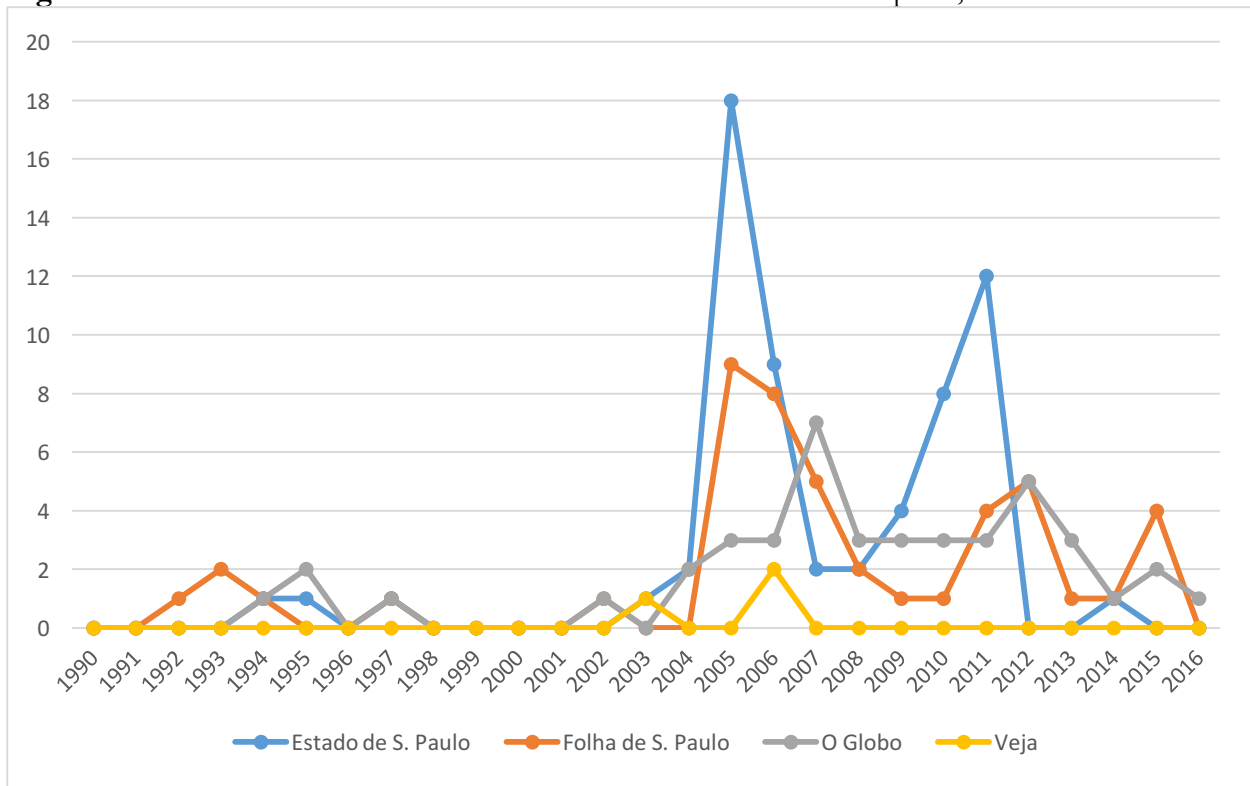
It is important to note how effectively FIESP articulated the “extent of the China threat” (Paraguassu 2007) alongside broader critiques of the Workers’ Party government, its leftist policies and Chinese sympathies combined, through mainstream corporate media:

Given the growing Brazilian dependence on the Chinese market and its asymmetric character, part of Brazilian society accompanies Brazil-China relations with a mixture of disillusionment and skepticism. The mainstream press continually reproduces this discontentment, emphasizing images of the Chinese threat, the need to establish [commercial] safeguards, and the naiveté of recognizing China as a market economy. (H. Oliveira 2010: 89)

In order to examine how this sinophobic discourse mushroomed after 2004, I tracked the all instances when the expressions “Chinese invasion” and “Chinese threat” were used in the leading newspapers of Brazil to refer to such economic competition (Figure 8). It is important to note that, even though I excluded instances where these expressions were used in reference to China’s *military* invasions (or threats of invasion) of Tibet, Taiwan, and neighboring countries, these were still featured prominently in Brazilian public debate about China, and contributed to an overall suspicion and concern about China that carried on from the Cold War.⁴⁴ This graph also underestimates instances of public statements that composed this concerted campaign against the “Chinese invasion” of cheap manufactured imports, since it only reveals when particularly sinophobic phrases were used.

⁴⁴ This was evident particularly around the time that Hong Kong was reincorporated from the British (1997), and when tensions increased with Taiwan (from 1999 to 2000) and the US in the aftermath of its invasion of Afghanistan (2001). In Figure 8, I note every instance of the exact phrases “Chinese invasion” and “Chinese threat” (*invasão Chinesa* and *ameaça chinesa*) in all news articles, opinion pieces, interviews, and letters to the editor that mentioned these terms in connection to Chinese exports and/or investments, and excluded double-entries as explained in the footnote on Figure 1.

Figure 8. “Chinese invasion” and the “Chinese threat” in the Brazilian press, 1990 – 2016



Source: Author’s own elaboration from digital archives

Just as orientalist xenophobia against the “Asian timber companies” had significant connections with actors from the Global North, so too did this aspect of sinophobia that mushroomed since the 2000s. Some of the earliest statements in Brazilian press about Chinese exports posing an economic threat to Brazilian industry were articulated with explicit reference to a similar “China threat” discourse that was taking root in the US.⁴⁵ And this pertained not only to competition between Chinese and US manufacturing itself, but also the threat to US economic hegemony in Latin America and beyond.⁴⁶ One headline read “USA tries to contain China’s action in Latin America.”⁴⁷ Perhaps most ironically, as a Brazil-China booster noted, president Lula’s state visit to China in 2004 was covered in the US and European media in far greater depth than any previous foreign travel by a Brazilian head of state, even to the US itself, and that “the Wall Street Journal even stated that, for the Chinese, the visit by president Lula and his delegation of more than 400 business executives was like ‘an invasion’ (WSJ/Oesp 21/05/04, in Martins 2004, emphasis added). Then in the aftermath of Hu Jintao’s visit to Brazil and other Latin American countries that year, both the US House of Representatives and the Senate launched hearings on “what the PRC was ‘doing’ in Latin America” (Ellis 2017: 41), thereby also spreading its own “deep mistrust” of China onto Latin American governments and pro-US elites (ibid.; cf. Cunha 2011).

The way in which sinophobia developed in Brazil during the 2000s was not simply transplanted from the US, but it certainly found in the US government and other actors from the Global North a powerful and influencing voice. It was strategically adopted by some Brazilian industrialists and

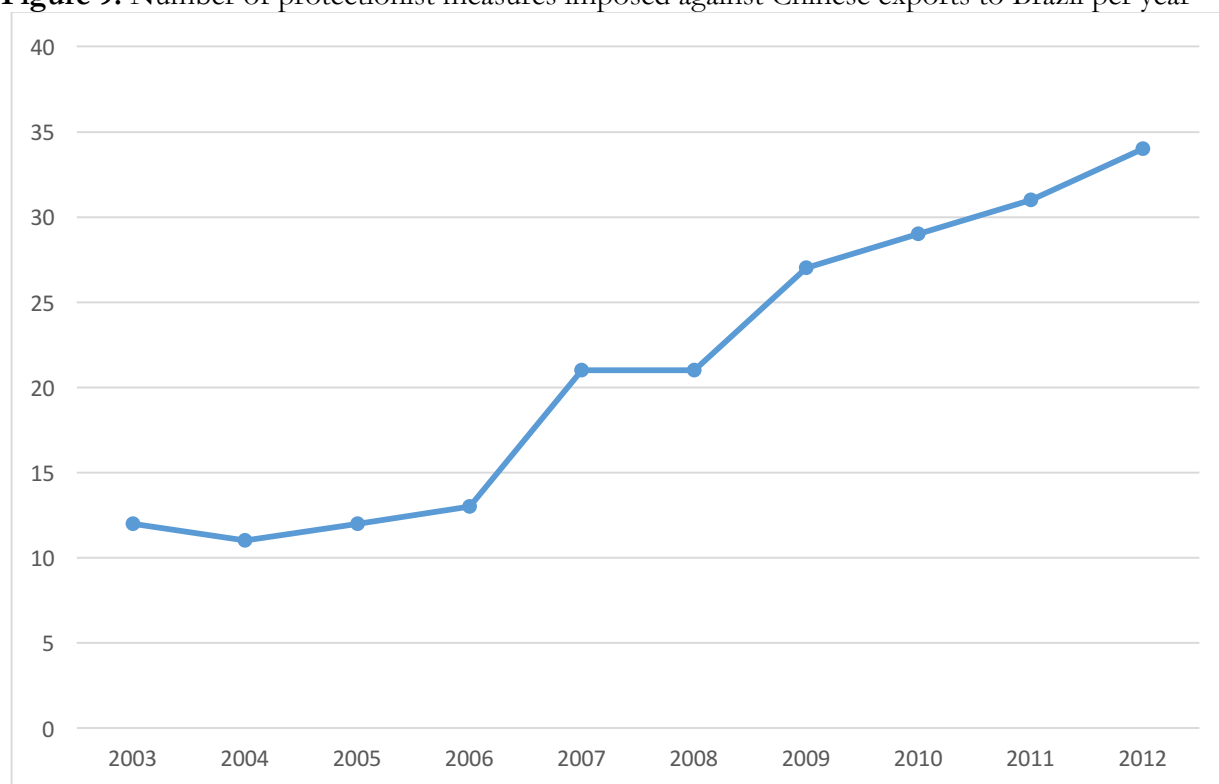
⁴⁵ Folha de S. Paulo 01/12/1992: B10, 21/09/1997: B2, 23/05/2002: B10

⁴⁶ Estado de S. Paulo 23/04/2004: B15; Folha de S. Paulo 15/06/2006: A14

⁴⁷ Folha de S. Paulo 20/04/2006: B10

conservative politicians to leverage similar cries for protectionism in Brazil. Particularly when Brazilian protectionist barriers against Chinese textile exports (that had been imposed during the mid-1990s) were set to expire in 2005, the “China threat” discourse exploded (Figure 8). While the newspaper *O Estado de S. Paulo* took the most scandalous tone, serving as the principal outlet of FIESP, *Folha de S. Paulo* distinguished itself by covering the narrative as part of a broader competition between China and the US: notable instances include their reports on the US government’s opposition to the takeover of the US oil company Unocal by a Chinese state-owned company⁴⁸, the US Department of State’s vocal concerns about the fast growth of Chinese commercial relations with Latin America⁴⁹, and a substantial story on PricewaterhouseCoopers’s studies showing that Chinese exports were competing directly against (and outcompeting) Latin American manufacturing across the board.⁵⁰ But ultimately, it was in *nationalism* that the FIESP-led right-wing movement for anti-Chinese protectionism found common ground with the national-developmental project of the Workers’ Party administration, and thereby achieved their goals.

Figure 9. Number of protectionist measures imposed against Chinese exports to Brazil per year



Source: Sônego 2013

The strength of this movement became evident in how effectively it forced the legislative and executive branches of the Brazilian federal government to attend its demands. On February 24, 2005, a full-page story was published with the report that “FIESP warns of the risk of a Chinese invasion” and calls for a series of protectionist measures.⁵¹ Merely four months later, as a major corruption

⁴⁸ *Folha de S. Paulo* 03/08/2005: B5

⁴⁹ *Folha de S. Paulo* 20/04/2006: B10

⁵⁰ *Folha de S. Paulo* 26/01/2006: A17

⁵¹ *Estado de S. Paulo* 24/02/2005: B5

scandal springs for the Workers' Party administration and the public pressure campaign mounted, congressmen from both the neoliberal PSDB and the national-developmental Workers' Party came together to launch a Parliamentary Front in Defense of the Productive Sector of São Paulo State, championing specific protectionist measures not only for textiles, shoes, and toy production sectors, but also leather, optical equipment, bicycle, motorcycle and auto-parts, and multiple categories of machinery and electronic equipment.⁵² Before the end of that year, as corruption investigations pushed by the right-wing against the Workers' Party intensified and the general elections loomed the following year, the Ministry of Development, Industry, and Foreign Trade drafted generous regulations through which protectionist measures could be brought against Chinese exports by Brazil on the WTO, and accelerated the imposition of anti-dumping measures in large part as compromise with FIESP and the PSDB (Cunha 2011; Diniz and Pereira 2013; Sônego 2013). As shown in Figure 9, the number of protectionist measures imposed against Chinese exports jumped from 2006 to 2007, and increased even further in the aftermath of the global financial crisis of 2008.

The Chinese textile industry had doubled from 2000 to 2005, and would more than triple by 2007 (in terms of number of firms, output, and revenue: Alpermann 2010), so the reinstatement of protectionist measures on textiles in late 2005 (lasting until 2008) was especially welcome by Brazilian industrialists. Emboldened by that victory, FIESP continued pushing for similar protections for multiple other sectors, and driving a sustained public opinion campaign against the "China threat." It was particularly bitter during 2006 because of general election campaigns, since Brazil-China relations was the intersection of foreign policy and economic policy that the PSDB and other right-wing parties were contesting against the Workers' Party and its bid for Lula's reelection. This formed the core of one of the highest-impact reports on China at the time: a special issue of almost one hundred pages that the right-wing magazine *Veja* published on August 9th, 2006. It featured on its cover a red dragon with its claws over the globe (Figure 10), and portrayed the "China threat" as a part of its burgeoning *and unfair* state-led capitalism, particularly its manufacturing and industrial exports, which were rapidly defeating the Brazilian industrialists. The magazine did include a feature on Brazilian industries that were establishing production facilities in China itself, led by the positive example of the state-owned Embraer airplane construction company. But its discussion of two mid-sized shoe producers who relocated to Dongguan was ambivalent at best, noting they "inverted" their priorities, shifting 95% of their shoe production from Brazil to China in order to remain competitive, thus illustrating "a synthesis of the great challenge to be faced by Brazil" (Veja 2006: 166).

After Lula's reelection in 2006 and the hike in protectionist measures during 2007, FIESP's campaign against the "China threat" subsided somewhat during 2008, but it never ended—after all, there are always additional sectors requiring protection.⁵³ At the peak of the campaign, 20% of Brazilian manufactured exports were losing market share directly to Chinese competition, while another 70% were growing at a relatively slower rate than Chinese exports (Gallagher and Przecanski 2010: 50). That placed Brazil in a relatively privileged position compared to most other Latin American economies, where on average 62% of manufactured exports were losing market share directly to Chinese competition, but that didn't curtail the "China threat" discourse at all (ibid.) By the end of

⁵² Estado de S. Paulo 28/06/2005: B9. For more on this campaign, see Cunha (2011), Diniz and Pereira (2013), and Sônego (2013).

⁵³ Complaints from light manufacturing sectors continued through 2007 (e.g. O Globo 09/03/2007: 13, 29/09/2007: 39), and after attempts by the leading Brazilian iron/steel companies to establish joint-ventures with Baosteel and Chinalco collapsed, protectionism also swept the steel industry (Folha de S. Paulo 30/05/2007: B5, 10/12/2008: B14), dealing a major propaganda blow that shifted a key sector from sinomania to sinophobia. After the critical year of 2008, these demands escalated again, and began to encompass even more heavy-duty sectors such as automobiles and chemicals (as illustrated in chapter 2 with the case of citric acid; cf. see Cunha 2011; Diniz and Pereira 2013; and Sônego 2013).

2009, when the unfolding financial crisis intensified pressure from industrialists, 38% of all protectionist measures set were against Chinese imports (H. Oliveira 2010).

Figure 10. “How the Chinese are building their global empire”, *Veja Magazine*, August 2006



Source: Digital archives of *Veja*/Editora Abril

The complaints of the industrialists secured a significant amount of protectionist measures from the Ministry of Development, Industry, and Foreign Trade (MDIC), but it encountered resistance from congressional representatives and other politicians of the Communist Party of Brazil and the Workers' Party, which had long-standing relations with the Communist Party of China (as traced in the previous chapter). Wladimir Pomar, an influential Workers' Party member whose father had established some of the earliest ties between Brazilian and Chinese communists during the 1960s, and whose son Milton was launching his own Brazil-China business consultancy in the early 2000s, was one of the most outspoken critics of the “multiplying arguments about the danger that China’s emergence represents for the global market” (Pomar 2009: 41, originally published on 09/09/2005). He wrote in the leftwing newspaper *Correio da Cidadania* a long and scathing critique of the clichés and misinformation contained in *Veja*’s special issue cited above (ibid.: 35ff., originally published on 28/08/2006), and later published a collection of articles he wrote since the 1980s “undoing the myths” about China (ibid.). Pomar’s efforts largely set the tone for the Workers’ Party continuing approach to China despite mounting pressure from FIESP and right-wing parties.

The “China threat” discourse of right-wing politicians and industrialists also fell largely on deaf ears at the Brazilian Ministry of Foreign Affairs, known as Itamaraty, even beyond the new generation that came into office with the Workers’ Party. Brazilian diplomats found in Lula’s expansion of Brazilian trade and diplomacy towards non-traditional partners a welcome opportunity to increase their own bureaucratic power domestically and abroad, and Itamaraty became the most prestigious defendant of Brazil-China boosterism.⁵⁴ The ambassador of Brazil to China from 1999-2004 griped: “we had then a sector of Brazilian industry protesting vehemently against what they call an ‘invasion’ of Chinese products, while we continue [until 2006] with an ample positive balance of trade with China.”⁵⁵ That year, the new ambassador from Brazil to China (and his counselor, the diplomat who wrote the most authoritative account of Brazil-China diplomatic relations to date) charged that the “China threat” is “turning into a *scapegoat* for the difficulties that Brazilian industry faces as result of internal problems of Brazilian economy” (Biato Junio 2010: 323).⁵⁶ “We could import Chinese parts and components to make Brazil’s own final-products cheaper and more competitive,” was the consensus especially among the young diplomats working on the China division of Itamaraty in Brasília and the Brazilian Embassy in Beijing.⁵⁷

This opinion that the problem of Brazilian industrialists was not Chinese competition *per se*, but their own lack of dynamism and broader political-economic challenges of Brazilian governance, was also the common stance of Chinese diplomats working on relations with Brazil. Chen Duqing, who already worked at the Chinese Embassy in Brazil in 1985, served as ambassador from 2006 to 2009, and continues to boost Brazil-China relations at the Chinese Academy of Social Sciences after retirement, insisted as much in our conversations in Brasília and interview in Beijing—where he also explained that the lack of mutual understanding and trust between Chinese and Brazilians is the major obstacle for establishing fruitful partnerships (and hence why it is so important for diplomats, boosters, and business officials to combat sinophobia).⁵⁸ In conversations among peers, a high level diplomat at the Chinese Embassy in Brazil shifted the responsibility to Brazilian industrialists on even starker terms: “The majority of Brazilian businessmen continued very shy in their approximation with China [between 1994 and 2004]. Unlike what happens with China, where the businessmen go out on their own searching for deals after an initial help by the government, the Brazilians are slow to ‘get out from under the skirts’ of the government.”⁵⁹

Diplomats from both Brazil and China certainly attempted to support business executives who sought to expand trade and investments across both countries, but diplomats are stationed for only a few years before being shifted to work in other regions, so most don’t actually develop the very deep

⁵⁴ This gestalt emerged clearly from dozens of interviews and informal conversations with Brazilian and Chinese diplomats (ambassadors, counselors, and secretaries) working on Brazil-China relations throughout my research in Brasília, São Paulo, Rio de Janeiro, Beijing, and Shanghai, 2011-2015.

⁵⁵ Affonso Celso de Ouro Preto, interview given on February 14th, 2006 to Biato Junior (2010: 312, emphasis added).

⁵⁶ Biato Junior, then a counselor at the Brazilian Embassy in Beijing raised this question to the Brazilian ambassador, who confirmed the protectionist lobby was being coordinated (shortsightedly, in his opinion) by FIESP president Paulo Skaf: “it is true that *China is a good scapegoat* for our difficulties. But it also makes our internal deficiencies more explicit. If we don’t make these internal reforms, with or without China Brazil will lose competitively and shrink as trading nation and important actor in international trade.” Interview with Luiz Augusto de Castro Neves, ambassador of Brazil to China (2004-8), on October 26th, 2006, quoted in Biato Junio 2010: 323, emphasis added.

⁵⁷ Personal interviews and informal conversations with various mid- and high-level diplomats working at the China and East Asia departments of the Ministry of Foreign Affairs, Brasília, July 29, 2012, March 26 and June 6, 2014, Beijing, March 10, 2015.

⁵⁸ Personal interview with ambassador Chen Duqing, Brasília, July 18, 2014, and Beijing, March, 2015, cf. Tang (2013: 15, 117).

⁵⁹ Ambassador Gao Kexiang (Director of the Political Department at the Chinese Embassy in Brazil 1996-2001), interview given to Biato Junior (2010: 343) on July 28th, 2006.

relations required for long-term business cooperation. Moreover, they largely lacked the capacity to organize business seminars, commercial and investment delegations, and negotiation rounds, and were precluded from actively brokering negotiations as consultants (but many would do so after retirement). These tasks were taken up primarily by the professional boosters and brokers introduced in the previous chapter, like Charles Tang and his Brazil-China Chamber of Industry and Commerce (CCIBC, est. 1986), and Paul Liu, who broke with Tang to establish his own Brazil-China Chamber of Economic Development (CBCDE) in 2001. By 2004, there were as many as 15 private organizations working specifically on Brazil-China relations, and competing so fiercely over contracts and consultancies that the most aggressive ones not only published *exposés* of their competitors, but even resorted to lawsuits to force competitors to drop “Brazil-China Chamber” from the name of their organizations.⁶⁰ Indeed, some of these smaller initiatives were little more than an opportunistic attempt at capturing windfalls from a growing but enigmatic bilateral trade. And although they didn’t collaborate with each other, all were allied in generating a positive image of China in Brazil, encouraging more bilateral trade and investments, and brokering government delegations and business negotiations—in short, boosting sinomania and countering Brazilian sinophobia in all its dimensions.

While recognizing the challenges faced by Brazilian manufacturing sectors, they nevertheless spun the rise of China as a new opportunity for Brazilian industry to upgrade itself (following the model of Japan, South Korea, and Taiwan), such as transitioning from textiles to fashion design:

Since we will not be able to contain the growth of China and its exports, we have to transform challenges into opportunities... While China competes aggressively in textile exports, it is also the largest importer of fashion design in the world. We are making efforts for Brazilian design to participate in the *fashion weeks* of Beijing and Shanghai, and to bring Chinese buyers to the *fashion weeks* in Brazil. Importing raw materials like fibers, textiles, dyes, and accessories like buttons, zippers, machinery and equipment from China can contribute to reducing costs in Brazilian [fashion] industry (Tang 2013: 89, originally published in Folha de S. Paulo, 15/08/2006).

Not all Brazilian industrialists adopted this optimistic and entrepreneurial stance, but many were certainly attempting to do so. The Brazil-China Business Council (CEBC, est. 2004) was established by the largest the most prominent corporations doing business between Brazil and China, but it was Paul Liu’s work with the Brazil-China Chamber of Economic Development that was particularly noteworthy for its contribution to sinomania. Between its founding in 2001 and 2004, it gathered over 200 Brazilian companies as its associates.⁶¹ Their work focused on sending and hosting delegations of government officials at lower levels of governance (especially municipal and state/provincial governments), and organizing business delegations to major commercial promotion events in China like the Guangzhou Fair. This work was in direct competition with the Charles Tang’s CCIBC, in which Paul Liu briefly served as partner, but unlike the Charles Tang’s organization, the CBCDE’s purpose was not so much to identify clients for consultancies and capture profits from commissions on successful commercial and investment deals, but rather to influence Brazilian public opinion through a series of talks, workshops, cultural exchanges, op/eds, and their own publications.

⁶⁰ The most aggressive has undoubtedly been Charles Tang from the CCIBC. See, for example, his “Alert about the multiplicity of Brazil-China Chambers of Commerce” (Tang 2013: 158-160, originally published in 2004), where he accused Paul Liu and other competitors in Bahia and Rio Grande do Sul of being imposters, and showing that a São Paulo court ruled in his favor against the Brazil-China Chamber of Development, Economic Exchange, and Foreign Trade, which was forced to drop the nomenclature “Brazil-China Chamber” on pain of a 1,000 BRL per day fine.

⁶¹ According to the CBCDE’s magazine *Parveria Brasil-China* (May, 2004).

“Media is very important,” Paul Liu told me, “if you don’t have a favorable media, you can’t promote [trade and investment].”⁶² Referring to the early 2000s, when he began operating the CBCDE and actively struggling against the sinophobic discourse emanating from FIESP, he argued that “Chinese products had a very bad fame, as if it were all \$1.99 products of very low quality... To promote something more modern, and show the true face of China, you had to tackle the media. I worked very hard on this.”⁶³

Indeed, Paul Liu’s most consistent effort of with the CBCDE was the publication of *Parceria Brasil-China*, a bimonthly bilingual magazine distributed in both China and Brazil between 2001 and 2010, chock full of interviews and articles written by diplomats and high-level Brazilian government officials, stories of booming trade and successful commercial partnerships, and advertisements for bilateral tourism and Brazilian law firms courting Chinese clients. He played a key role in enabling the Globo TV correspondent Sonia Bridi to linger for another two weeks after president Lula’s state visit in 2004, which convinced Globo to establish her as a full-time correspondent in Beijing from 2005 to the end of 2006 (cf. Sonia’s own travelogue, Bridi 2008). “After Globo, the other channels couldn’t stay behind. Band, Record, SBT, all started to station their own correspondents in China. I did a whole tour with SBT’s most famous journalist the following year”, Paul Liu told me with much pride.⁶⁴ “The right moment arrived, and Brazil began to be more interesting for China.”⁶⁵ One of his greatest media feats was organizing a major prize and ceremony for the best Brazilian news reports about China from 2004 to 2005. Over 140 journalists submitted applications, and awards were given to the best newspaper and magazine articles, best radio and TV reports, and best photography—all winners portraying positive images of China and optimistic accounts that countered the “China threat” discourse of FIESP. The most visible award went, of course, to Globo’s TV reports that Paul Liu himself had organized through the CBCDE (*Parceria Brasil-China* 2005).

By the end of the 2000s, Wladimir Pomar of the Workers’ Party wrote, “unlike ten years ago, it is possible to find a reasonable offer of books, articles, reports, and articles about China. Many of them persist in the diffusion of typically anti-Chinese distortions and myths. But there is already a considerable stratum that seeks to better understand what is really happening in that country” (Pomar 2009: 11). The financial crisis of 2008 that centered in the US shook the global economy, and China’s continued economic growth combined with the high-profile formalization of the BRICs group to raise Brazilian expectations that the crisis could be softened through even more bilateral trade with China, and a turn towards Chinese investments in Brazil itself. “When the crisis arrived,” Paul Liu told me, “I said to myself that trade alone can’t pull us through, we need to find opportunities for investment. And that’s exactly what China was able to start doing, looking for opportunity, and investments started to appear.”⁶⁶ He stepped down from the presidency of the CBCDE and began to use his business contacts for brokering investments.

The institutional work I promised to do was already done. The promotion was done. Everyone now knows China. In the beginning, everyone needed me [or competitors like Charles Tang] to go to China. Ten years later, no one needs anymore. There is information on websites everywhere, everyone sells tour packages to China, I saw that it didn’t makes sense to continue doing what we did back then. So I began to focus now on investments.⁶⁷

⁶² Personal interview, São Paulo, February 12, 2015.

⁶³ *ibid.*

⁶⁴ *ibid.*

⁶⁵ *ibid.*

⁶⁶ *ibid.*

⁶⁷ *ibid.*

Paul Liu's first attempts at negotiating investments were precisely in the agribusiness sector in 2010, but he quickly became disheartened and abandoned those efforts by 2012.

Agribusiness is so concentrated in the hands of the big groups, it is very difficult to enter. Brazilian groups, American (sic) groups, multinationals... there is no small, isolated company that deals with food. You don't have the capacity for that. Food requires various factors from production, warehousing, logistics, trade, all conjoined. If you don't have them all, it doesn't work. *It doesn't matter if you have the product, if you don't also control the logistics, you don't take it [to export].* I tried for two years and shifted to LED and electronics.⁶⁸

Paul Liu's comment touched the very heart of the challenge for Chinese agroindustrial investments in Brazil: they required ventures in logistics infrastructure that far outpaced the capacity of most Chinese agribusinesses importing from Brazil and seeking opportunities for investment in the aftermath of the 2007-2008 food price and financial crisis. On the other hand, the large-scale logistics and construction companies from China that had been scouting for investment opportunities for years were themselves facing challenges to consolidate any project in Brazil. Negotiations for railroad and port construction in particular were stalled because Chinese and Brazilian companies could not easily accommodate each other's expectations and *modus operandi*. Chinese companies anticipated extending experiences they had been developing primarily in Africa, where they did not have to coordinate with strong government regulations and powerful local companies, and so they could often assume every aspect of planning, construction, and operation of infrastructure and mining enterprises (Brautigam 2011; Hung 2016), while Brazilian companies expected their Chinese partners would accommodate themselves to consortia and public bidding procedures without the hesitation they ultimately demonstrated.⁶⁹ Instead, Chinese infrastructure companies and banks sought commodity-backed guarantees (particularly with soybeans and iron ore) for return on investments, an arrangement that was not contemplated in the "public-private partnership" regulations that were being established in Brazil. In the opinion of Jiang Yuande, ambassador of China to Brazil from 2002 to 2006, "there will only be real Chinese interest in these projects if some large state-owned bank or another official agency in Brazil could act as bridge, transforming the right to financial returns in commodities with which the Chinese want to be repaid."⁷⁰

The first arrangement that approximated this model was only made with the Brazilian state-owned oil company Petrobras in 2009 – and launched a new phase of Brazil-China relations that quickly became entangled with another upswing of sinophobia over the manner that Chinese trade was "de-industrializing" the Brazilian economy, and articulating now with the unfolding "global land grab" and renewed public uproar over "foreignization" of land in Brazil. As during the previous round of alarmism over the "Asian timber companies" in the Amazon, the sinophobia with which the "global land grab" discourse became associated after 2010 originated outside of Brazil, and shifted socio-environmental struggles away from agribusinesses and financiers from the Global North that continued to far outpace Chinese agribusiness investors. This time, however, it incorporated the "China threat" discourse of Brazilian industrialists who sought protectionist measures against Chinese

⁶⁸ *ibid.*, emphasis added.

⁶⁹ Personal interviews with directors of the National Confederation of Transports in Brazil (Brasilia, August 5 and September 11, 2014; Beijing, March 13, 2015), ambassador Chen Duqing (Beijing, March 11, 2015), and a Brazilian investment consultant who brokers negotiations between Brazilian and Chinese railroad and infrastructure construction companies (Shanghai, March 31, 2015). More on this topic in chapter 6.

⁷⁰ In Biato Junior (2010: 348), interview on May 31st, 2006.

imports, and also the interests of some Brazilian large-scale land owners and agribusinesses who began to be forced out of the market by rapidly rising land prices, and felt threatened by the surge in highly visible Chinese negotiations for large-scale land acquisitions.

5. The Roots of the Land Grab and the Campaign Against Green Deserts

The roots of the “global land grab” in Brazil are intimately intertwined with the spectacular growth of the soy, wood pulp, and sugarcane/ethanol sectors during the 2000s. The growing Chinese demand for soy (Oliveira 2016a; Oliveira and Schneider 2016), consolidation of flex-fuel vehicles and pro-ethanol policies in Brazil (alongside a similar boom in maize-based ethanol in the US, and rapeseed-based biofuel in the EU during the same period; cf. Oliveira, McKay, and Plank 2017; McKay et al. 2016), and the shift of the timber sector worldwide towards industrial tree plantations (Dauvergne and Lister 2011; Kröger 2012a, 2016), made these sectors particularly attractive for domestic and foreign investors alike (Wilkinson, Reydon, and di Sabbatto 2012). And more than in any other sector, investors in pulp/paper and sugarcane/ethanol production seek control of a substantial amount of farmland for the long-term security and price controls of their processing and commercial operations.⁷¹ “Forest ownership has become an important strategic issue [particularly] in low cost and high productive areas where timber markets are not working efficiently,” such as Brazil (Korhonen et al., 2014: 94). When the Landless Rural Workers’ Movement (MST) and certain elements of the Workers’ Party in Congress and the government’s agrarian reform agency (INCRA) shifted public attention away from timber extraction in the Amazon to the expansion of eucalyptus and sugarcane monocultures, they were accurately targeting the main sectors responsible for “foreignization” of land in Brazil since the 2000s, and challenging the core of the Workers’ Party administration’s support for Brazilian agribusiness. This would end with the perceived “invasion” by Chinese agribusiness investors of 2010 that triggered restriction on foreign investments in farmland.

But why did the MST and others on the Brazilian left didn’t focus their campaign against the soy sector, which was rapidly consolidating its position as Brazil’s most important agroindustrial crop and export? After all, the dramatic boom of soy production during the 2000s, in rotation with maize and cotton, also entailed fast expansion of farms and the entrance of new financial and corporate actors in farmland investments and management (Fairbairn 2014; Oliveira 2016a). Soy cultivation grew from 13.9 million hectares in 2000 to 23.5 million hectares in 2010, and then expanded even faster to 33.3 million hectares by 2015 (USDA 2002, 2011, 2017). A few of the largest scale Brazilian farmers

⁷¹ Eucalyptus and other industrial tree plantations require five to seven years to reach maturity, so high-cost investments in pulp and paper mills requires planning and control of a substantial portion of tree supplies over several years, and thus fixing productive assets for multiple years in specific fields provides a powerful incentive for processors to control the property in which their investments are made (Kröger 2014, 2016; Korhonen et al 2014). Similarly, sugarcane is perennial, so each field is normally harvested for 5 to 7 years after planting (Santos et al., 2012). Moreover, it must be crushed within 24 hours of harvest before it becomes too dry for profitable processing, so sugar mills must ultimately source their raw materials within a 50km radius to adequately coordinate harvest, delivery, and processing (ibid.). Since that effectively generates an exclusive market between independent producers and each mill in its region (and the cost of transporting timber creates a similar effect for industrial tree plantations), mills tend to own enough farmland to attend about 50% of their processing capacity, in order to guarantee supply against independent producers, and thereby set prices within its region. Considering also land leases, as much as 70% of all sugarcane production is controlled by the mills themselves (Wilkinson et al. 2012). Ariovaldo Oliveira has long described this agribusiness model as the “territorialization of monopoly”, in contrast to soy and other annual crops sectors in which control of farmland is not essential for traders and processors, as farmers can shift production yearly, harvests can be commercialized unprocessed and transported much more cheaply across far greater distances, and buyers can secure supplies and set prices through “monopolizing [trade in] the territory” (A. Oliveira 2010; cf. Wesz Jr. 2016).

have grown into veritable (and even vertically integrated) agribusiness corporations with over 200,000 ha, while Argentinian *pools de siembra* (sowing pools) and new farmland investment and management companies also established operations over hundreds of thousands of hectares in Brazil since the early 2000s, thereby channeling a substantial amount of foreign investment in farmland (Oliveira 2015; Oliveira and Hecht 2016). However, farmland ownership among soy and other grain/cotton producers is significantly more pulverized than in the industrial tree plantation and sugarcane/ethanol sectors; new farmland management and investment companies may channel significant foreign investments, but the majority of soy farms remain distributed across wide spectrum of small, medium, and large scale Brazilian farmers (Vander Venet et al. 2016; Mier y Teran 2016; Craviotti 2016). Moreover, unlike the eucalyptus/pulp/paper and sugarcane/ethanol sectors, where agricultural production, processing, and trade are horizontally integrated, the vast majority of soybean, maize, cotton, and other grain *exports* remains largely beyond the control of agricultural producers, as commodity flows are controlled and prices set by the leading transnational trading companies from the Global North, particularly ADM, Bunge, Cargill, and Louis Dreyfus, collectively known as ABCDs (Murphy et al. 2012; Wesz Jr. 2016). With its more pulverized property and agroindustrial structure, the only systematic struggle against the soy sector during the early 2000s focused on preventing the legalization of GM seeds, a campaign that was largely defeated by 2004 (Jepson et al. 2005, 2008; Scoones 2008). At that same moment, the MST launched a relatively effective struggle against the expansion of eucalyptus monocultures instead, and reignited debate about “foreignization” of land in Brazil, but this time focused on actors from Brazil and the Global North and sectors that were actually driving a rush for farmland.

Industrial tree plantations (ITPs) in Brazil expanded from about 5.1 million to 7.1 million hectares from 2000 to 2010, and then grew more slowly to 7.8 million hectares by 2015 due to weaker global demand with the post-2008 recession and the 2010 restrictions on foreign acquisition of farmland in Brazil (IBA 2016; Oliveira and Oliveira 2016). Although these eucalyptus monocultures only covered a small portion of the extensive areas being planted with soy, and didn’t expand as fast as the sugarcane/ethanol industry (more on which below), the ITP sector became the main target of resistance by rural social movements. The ITP sector was particularly vulnerable to this opposition because it is marked by very high degree of concentration in a few leading corporations, with a troubled history of socio-environmental displacement in areas of expansion, and increasing reliance on public support and finance. This was result of Brazilian agribusiness lobby collaboration with conservation NGOs such as WWF and Florestas Vivas in Brazil, which secured support from the Workers’ Party administration once it came into office in 2003 (Chiappini 2015). That year, the federal government launched a National Forestry Program that proposed expanding ITPs in order to curtail Amazonian deforestation while doubling Brazil’s “forests” (by planting 6 million hectares of eucalyptus monocultures) in 10 years to increase timber harvests and production of pulp and paper (Lerrer and Wilkinson 2013). The first major loan of the BNDES under Lula’s administration (almost 1.4 billion USD in December 2003) went to Veracel, a joint-venture between Brazil’s leading pulp exporter (Aracruz) and the Swedish-Finnish forestry giant Stora Enso (*ibid.*).⁷² Thus, the sector

⁷² This company, originally established in southern Bahia state in 1991 as Veracruz Florestal, was controlled by Odebrecht, one of Brazil’s largest construction conglomerates. The Swedish forestry group Stora had already acquired a portion of that enterprise before its merger with the Finnish forestry giant Enso in 1998. It was restructured as Veracel when Odebrecht sold the remainder of its shares to Aracruz Celulose in 2000, then Brazil’s largest industrial tree plantation and pulp/paper company, which had been operating in Espírito Santo state since 1967. This region across southern Bahia and Espírito Santo states was the core of the industrial tree plantation sector in Brazil during the 1990s, and opposition from local communities, social movements, unions, churches, human rights and environmental NGOs escalated since 1991 as well, when the Green Desert Alert Network was created as direct result of the establishment of Veracruz’s operations in the region (Kröger 2011; Lerrer and Wilkinson 2013).

embodied the “third-way” politics that the Workers’ Party adopted in order to assume administration of the federal executive: “the PT is currently a party that aspires to represent an alliance between domestic big industrialists and agribusiness interests and overseas bankers,” largely at the expense of the high-hopes of landless and poor peasants for radical agrarian reform (Petras and Veltmeyer 2003: 13). At that time, rural social movement mobilization for agrarian reform were rising dramatically with expectations that the first center-left administration of Brazil since the early 1960s would finally deliver on land redistribution and support for small-holders (DATALUTA 2016). So the Workers’ Party administration’s support for the corporate-dominated ITP sector became strategically targeted by rural social movements to expose and weaken the agroindustrial-financial alliance it represented.

Discursively, that struggle centered on the characterization of eucalyptus monocultures as “green deserts” that caused a much broader set of socio-environmental harms than acknowledged by the industrial tree plantation sector. The sector’s promoters staked their main arguments on the idea that the intensification of forestry through eucalyptus plantations could “spare land for conservation” (e.g. Chavez-Tafur and Zagt 2014; Chiappini 2015; cf. Phalan et al. 2011; Lambin and Myfroidt 2011). In turn, critics showed how that argument rests on an over-simplistic analysis of forest ecology and environmental protection, ignoring how tree monocultures cause loss of biodiversity, soil and water contamination through use of synthetic fertilizers and toxic pesticides, depletion of water resources, concentration of land and wealth among corporate elites, and socio-economic displacement (often violent) of poor rural communities (Bäckstrand and Lövbrand 2006; Böhm and Brei 2008; Emanuelli et al. 2009; Bremer and Farley 2010). When the Landless Rural Workers’ Movement (MST) launched a massive occupation of Veracel’s plantations in April 2004 that the “green deserts”—and the government’s massive support for them—gained prominence in public debate: about 3,500 landless peasants cut the barbed wire leading to the plantation, uprooted four hectares of eucalyptus, and planted beans and corn, noting that “you cannot eat eucalyptus” (Kröger 2011: 437; Lerrer and Wilkinson 2013). The occupation was largely successful, leveraging a promise from the government to appropriate 30,000 ha for the landless families in southern Bahia, slowing down Veracel’s plantation expansion in the region, and shifting the Workers’ Party administration to the defensive over its exceptional support for the ITP sector (*ibid.*).

Despite growing resistance, ITPs continued to expand in other parts of Brazil, such as the southernmost state of Rio Grande do Sul, where the MST was founded and had some of its strongest and most well organized camps and settlements, and where environmental NGOs had a long history of struggle against pulp mills (Binkowski 2009). As the general election of 2006 loomed and the Workers’ Party faced strong challenges from the right, many among the national MST leadership wanted to hold back on high-profile land occupations and other confrontational mobilizations in order not to destabilize Lula’s bid for reelection, and adapt to his proposed shift in emphasis in agrarian reform policies from land redistribution to improvements in production credit, housing, and education on the agrarian reform settlements that had already been established. Nevertheless, on International Working Women’s Day (March 8th) 2006, about 2,000 women of the MST, the Peasant Women’s Movement (MMC), and other rural social movements in La Via Campesina launched one of the most spectacular actions against “green deserts” to date: they broke into a nursery of the Aracruz corporation, one of Brazil’s largest in the sector at the time with almost 300,000 ha for eucalyptus plantation in Rio Grande do Sul state alone, and destroyed thousands of genetically modified eucalyptus seedlings (Ribeiro 2006; Kröger 2011). This caused a direct loss of \$200 million BRL to the company, significantly delayed its expansion, cast the government’s support for “green deserts” into the spotlight once again, and forced the MST leadership back into a confrontational stance with the Workers’ Party accommodation of agribusiness interests (*ibid.*). Their efforts were largely successful in boosting the campaign against “green deserts”, as later that year an indigenous group displaced by Aracruz plantations in another state cut and burned several hundred hectares of

eucalyptus, and together with about 500 MST militants they occupied the port through which Aracruz and three other corporations export wood pulp, costing them an estimated \$21 million USD (Kröger 2011). That set in motion a demarcation process through which the indigenous tribe would regain 18,000 hectares from Aracruz in 2010, but in the meantime the MST began searching for other ways to advance the campaign against the expansion of eucalyptus monocultures, and the charge of “foreignization” of land became instrumental to the struggle.

Commodity prices were already rising when the discussion of land grabs in the Amazon emerged again with the cases of Lu Weiguang and Johan Eliasch discussed above. But when prices began to spike even more dramatically in 2007, MST leaders successfully brought public attention to the expansion of eucalyptus and sugarcane monocultures as the crux of both undue public support for agribusiness and “foreignization” of land. The Swedish-Finnish forestry giant Stora Enso in particular became the main target for the MST to expand its campaign from opposition to “green deserts” to resistance against “foreignization” of land. Stora Enso was already operating in Brazil through its Veracel joint-venture with Aracruz, when it began searching for extensive tracts of farmland of its own in Rio Grande do Sul state in 2005. During 2006 it attempted to acquire 40,964 ha through a wholly owned Brazilian subsidiary and negotiated for an additional 18,400 ha, but the land title registry withheld approval based on a constitutional restriction against foreign and foreign-controlled companies acquiring farmland within 150 km of the national borders. So Stora Enso’s executives in Brazil, who are Brazilian citizens themselves, created another company to complete the acquisitions, and subsequently incorporated this company to effectively circumvent the restrictions. The campaign against “green deserts” pushed INCRA, the agency that had been responsible for regulating foreign acquisitions of farmland in Brazil until then, to open investigations on the legality of Stora Enso’s maneuvers, and the notable expansion of foreign investments in Brazilian farmland in general.

Under this pressure, the president of INCRA confirmed the notable increase in foreign investments in Brazilian agribusiness, but noted his offices inability to regulate them. On a major report entitled “INCRA lights a warning sign over acquisition of land by foreigners”, he cites not only Stora Enso’s desire to acquire upwards of 100,000 ha, but also multiple investments in sugarcane/ethanol, various US farmers in the soy belt of Bahia state (cf. Ofstehage 2016), the entrance of new investment funds from the Global North in soy production (such as George Soros’s through Adecoagro), and environmental NGOs such as Eliasch’s, The Nature Conservancy, and other speculative or predatory investments, especially in the Amazon. Again in September 22, 2007, on *Jornal do Brasil*’s front page article entitled “Rampant foreign invasion” (Quadros 2007), he makes veiled reference to Eliasch and Lu Weiguang saying that buyers range “from radical environmentalists who buy so that one one else touches the land to crooks who just want to exploit the timber.” He added that this accelerating process of “foreignization” of land also pushes aside Brazilian buyers, including his own agency which must pay compensation for land it redistributes for agrarian reform. Responding to this concern over both national sovereignty and the need to protect Brazilian landowners and the process of agrarian reform, the president’s chief of staff (then Dilma Rouseff), requested the Attorney General’s Office (AGU) to provide a revised normative instruction that could reassert restrictions on foreign acquisitions of farmland. In October, the Workers’ Party congressman Beto Faro from the Amazonian state of Pará introduced a bill to limit foreign acquisition of farmland to 2,500 ha in the entire country, citing particularly the “denationalization” underway in the sugarcane/ethanol sector as cause for concern.⁷³ The next month, another Workers’ Party congressman introduced an additional

⁷³ PL 2.289, introduced on October 25, 2007.

bill that would forbid foreign investments in the sugarcane/ethanol sector entirely without congressional approval.⁷⁴

The focus on the sugarcane/ethanol sector was also quite accurate. After all, growth of sugarcane production during this period in Brazil (and the world) was unprecedented. From 2005 to 2015, the area under sugarcane cultivation in Brazil increased 69%, jumping from 5.8 million to 10.9 million hectares, more than the expansion in all other countries combined for the same period (McKay et al. 2016; Oliveira, McKay, and Plank 2017). During roughly the same period, foreign ownership of Brazilian sugarcane/ethanol mills also increased dramatically, jumping from just 1% in 2000 to over 33% by 2012, “a virtual foreign take-over of the milling industry” (McKay et al. 2016: 204; Mendonça 2010) *and* millions of hectares in their associated sugarcane fields. Until 2007, this growth was driven largely by the construction of new mills and the expansion of sugarcane fields, enabled by highly subsidized credit from the BNDES and a broad set of favorable policies. In fact, president Lula made “ethanol diplomacy” a pillar of his efforts at boosting the internationalization of the Brazilian sugarcane/ethanol sector, involving both the extension of Brazilian sugarcane/ethanol companies and technologies, as well as the attraction of foreign investments into the sector in Brazil itself (Hollander 2010; McKay et al. 2016). As food, energy, and farmland prices skyrocketed in 2007, projected public and private investments in the sector mushroomed, but a conjunction of factors halted and transformed this process thereafter. First came the collapse of negotiations between the US and Brazilian governments for the establishment of international standards and cutting US import tariffs to boost an international market in ethanol (Hollander 2010), then revisions of Chinese policy to exclude sugarcane and other food crops from biofuel production, significantly curtailing the interest of Chinese would-be investors in the sector (Qiu et al. 2012). Finally, the collapse of food and energy prices, the financial crash in 2008, and the deep recession that ensued slashed the projected expansion of sugarcane plantation and processing all around the country (and the world). Thereafter, capital flows shifted from the construction of new mills to the consolidation of the sector as larger conglomerates (particularly those with transnational capital and financing) swallowed up smaller mills that could not service the debts they had taken on in times of spectacular growth projections (Mendonça 2010; McKay et al. 2016). A few would unsuccessfully seek Chinese investors to help them sustain growth and operations (as will be discussed in further details in the next chapter), and four mills were eventually incorporated by the leading Chinese agribusiness trading company COFCO in 2014 (indirectly through its acquisition of the Noble Group’s agribusiness operations, which acquired these mills in 2010 and 2011), but the land grabs associated with the sugarcane/ethanol sector were almost entirely led by agroindustrial and financial capital from the Global North.

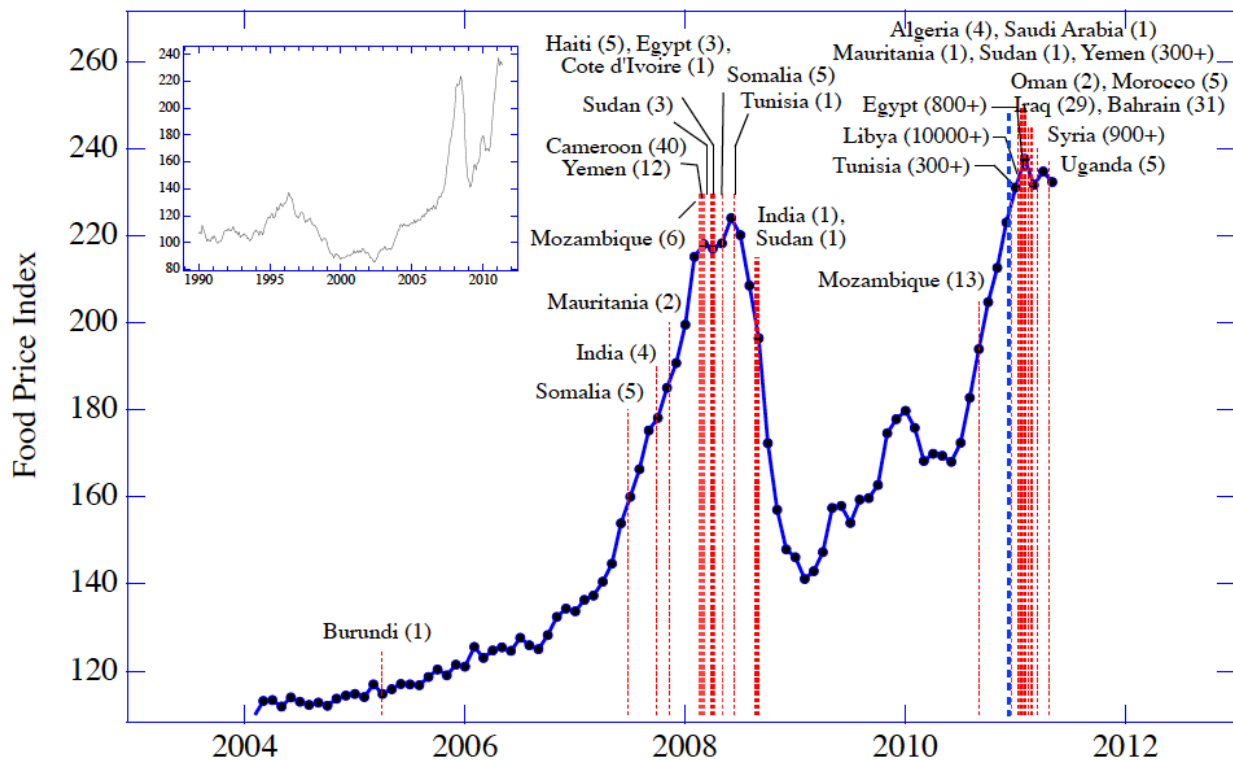
When the spike of commodity prices began to spark food riots across the world in early 2008 (Figure 11; cf. Schneider 2008; Myerson 2012), the executive and legislative initiatives by the Workers’ Party administration to investigate and regulate “foreignization” of land gained traction. Major media reports at the time correctly highlighted the leading role of investment funds from Global North creating new farmland management companies for soy production, and both financial and agroindustrial mergers and acquisitions concentrating the sugarcane/ethanol and eucalyptus sectors.⁷⁵ The MST leadership seized the opportunity to prepare the ideological ground for the confrontation they were organizing against Stora Enso. Their goal was to make it the most emblematic case of how foreign corporations were taking advantage of weakened restrictions on acquisition of farmland since

⁷⁴ PL 2.376, introduced on November 11, 2007.

⁷⁵ For example, Valor 17/01/2008: B13, and Folha de S. Paulo 10/02/2008: B3.

1995, when a constitutional amendment removed the legal distinction between Brazilian companies and companies controlled by foreign capital but established in Brazil.⁷⁶

Figure 11. Food price inflation and deaths during food riots



Source: Myerson et al. 2012 from FAO data and media reports

“Stora Enso bought 86,000 hectares [sic] in the frontier area of Rio Grande do Sul... expelling small and medium farmers to impose the monoculture of eucalyptus, which is predatory on the environment,” affirmed Stédile [a national spokesperson for the MST]. And he made a convocation to the Army: “Attention nationalist military, help us to expel the Finns from the border!”⁷⁷

Two weeks later, about 900 women of the MST and other groups in La Via Campesina launched an occupation of one of Stora Enso’s farms located close to the Brazilian border with Uruguay in an action planned to coincide with public hearings in Congress about the newly introduced bill intended to regulate the accused “foreignization” of land.⁷⁸ The women cleared about 4 hectares of eucalyptus, but were violently repressed by the police before they could begin planting food crops in the area (La Via Campesina 2008; Kröger 2011). Still, the mobilization was considered highly successful because of its repercussion in the Congressional hearings. In his testimony, the president of INCRA was forced to adopt an increasingly alarmist tone: “search for Brazilian land by foreigners,

⁷⁶ The 6th amendment was passed during the height of neoliberal reforms in Brazil in order to allow foreign investors to incorporate privatized assets from Brazilian state-owned companies with fewer juridical risks and uncertainties. For more details on this legislation and its aftermath, see A. Oliveira (2010); Hage et al. (2012); and Perrone (2013).

⁷⁷ Estado de S. Paulo 04/03/2008: A10

⁷⁸ Estado de S. Paulo 05/03/2008: A8.

whether individuals or corporations, is growing sharply in several parts of the country and without any control”.⁷⁹ The hearings identified the sugarcane and forestry/cellulose sectors as the main targets of investments,⁸⁰ new financial actors as key to these dynamics,⁸¹ and recommended the “urgent adoption” of measures to restrict these sales: “This is not about xenophobia,” explained the president of INCRA, “the key issue is protecting national sovereignty”.⁸² In his own testimony in turn, the representative from the Attorney General’s Office (AGU) left no doubts that the updated regulations they were drafting would “put a break on Brazilian companies with foreign capital control”.⁸³ Stora Enso lobbied for a reduction from 150km to 50km in the border area restrictions, but after failing to secure public support in July 2008, it withdrew requests for land purchases beyond the 45 thousand hectares it had already acquired and froze its expansion in Rio Grande do Sul (Binkowski 2009; Kröger 2011).

The need for the government to regain capacity to regulate foreign investments in farmland continued in the public debate along 2008, highlighting the presumption that official INCRA data significantly underestimate the actual hectareage.⁸⁴ To address this issue, INCRA commissioned two studies on the topic. Those studies drew on information from the Central Bank of Brazil to show that direct foreign investments in Brazilian agribusiness increased from 4.3 billion USD in 2002 to almost 9 billion USD in 2008, the bulk of it in sugarcane/ethanol, ITPs, and food processing, finance, and distribution (Alvim 2009; Pretto 2009). The reports did show that direct foreign investments in farmland grew from 1% to 4.4% of the total during that period, but that does not factor in the farmland acquisitions associated with sugarcane/ethanol mills and ITPs, which are not disaggregated from industrial investments in Central Bank data and which certainly inflate that figure. The largest investors across all agribusiness sector were by far the Netherlands (26.7% of the total), the United States (14.1%), France (7.8%), and Canada (7.36%). These four alone were responsible for 56% of all investments during that period. The twelve next largest investors⁸⁵ accounted for another 37.5%, and were all European countries or tax havens, with the exception of Japan and Chile due to its own ITP investments in Brazil. Noteworthy for our present study, the Central Bank data reported placed China in the 40th place among the top origins of these investments, with its 21 million USD invested representing merely 0.04% of the total amount (ibid.).

After the burst of the financial crisis in the US and Europe in late 2008, commodity prices collapsed and fear of a new Great Depression captured corporate and business elites around the world. In Brazil, the sugar/ethanol and the ITP industries lobbied hard against a revision of the regulations, threatening to cancel and even withdraw investments from Brazil at a moment when they were considered to be most needed, and Stora Enso even succeeded in securing “prior consent” (sic) for its earlier acquisitions in Rio Grande do Sul state.⁸⁶ Congress referred the matter to the executive and judicial branches to clarify current status of foreign ownership of land and clear up existing regulations—conveniently punting on a taking legislative action that might subject them to the wrath of powerful agribusiness lobbies in a moment of crisis. In response to the unfolding financial crisis,

⁷⁹ Estado de S. Paulo 06/03/2008: A10

⁸⁰ For the reasons explained in footnote 71.

⁸¹ For more information on the new financial actors launching investments across agribusiness production chains, see HighQuestPartners-United States (2010), Fairbairn (2014, 2015), Isaakson (2014), Visser, Clapp, and Isaakson (2015); and Salerno (2017).

⁸² Estado de S. Paulo 06/03/2008: A10

⁸³ ibid.

⁸⁴ For example, Folha de S. Paulo 04/05/2008, 08/06/2008; Estado de S. Paulo 27/09/2008.

⁸⁵ Bermuda, Spain, Switzerland, Cayman Islands, Portugal, Luxemburg, British Virgin Islands, United Kingdom, Chile, Belgium, Germany, Japan, and Dutch Antilles.

⁸⁶ Valor 04/09/2009: B3; cf. A. Oliveira 2010; Lerrer and Wilkinson 2013.

the executive-branch revision of regulations was stalled and a judicial committee was created to research and make recommendations for future a decision that would only come about two years later.⁸⁷ But when it did, Stora Enso and other agribusinesses from the Global North were no longer in the spotlight—that shifted sharply to China. In the next section, I will show how this shift served took place, serving effectively to reignite the “China threat” discourse of Brazilian industrialists demanding protectionism, and as smokescreen for the massive inflow of agroindustrial and financial capital from the Global North into Brazil. It also obfuscated the similar manner in which powerful Chinese agroindustrial companies successfully gained control over Brazilian agroindustrial production through mergers and acquisitions of transnational companies, rather than direct investments in farmland and agricultural production itself.

6. The 2010 Chinese Invasion and Restrictions on Foreignization of Land

The 2008 crisis was a key moment that both reignited industrial protectionism in Brazil and propelled transnational agroindustrial investments into the spotlight. Driven by the explosive conjunction of the global financial, food price, environmental, and energy crises, the phenomenon was quickly characterized as a “global land grab” in which investors from the Global North sought relatively safe and profitable investment opportunities in farmland (as financial markets in New York and London fell into major distress), and new entrants from capital-rich/land-poor countries such as China, South Korea, and Saudi Arabia pursued investments throughout the Global South, especially Africa, that could secure their own food and energy needs into the future. Some influential reports estimated that as much as 20 million hectares had been “grabbed” between 2005 and mid-2009 alone (Cotula et al 2009; von Braun and Meinzen-Dick 2009), others ventured that upwards of 80 million hectares were negotiated worldwide by transnational investors during the 2000s (International Land Coalition, in HLPE 2011). Whatever the actual number, it was clear that after 2008 farmland became an even more highly coveted target of investments by domestic and transnational agribusinesses and financiers worldwide, and that Chinese agribusinesses were being highlighted as major new players (Grain 2008; The Economist 2009, 2011; Hofman and Ho 2012).⁸⁸ But the precise character of this phenomenon was uncertain—including the protuberant role of Chinese investors—given that most debate pertained to unconfirmed announcements, most deals remained largely non-transparent, and there was still limited verification through empirical fieldwork (Borras 2010; Liversage 2011; Scoones et al. 2013; Edelman 2013; Oya 2013). Notably for the present examination, when public debate on “foreignization” of land in Brazil escalated from 2007 to 2008, Chinese investors were hardly present or discussed at all. This changed suddenly in 2010, when the first large-scale Chinese investments in Brazil were finally undertaken in petroleum and energy infrastructure (CEBC 2011; Gallagher and Myers 2016), and Chinese agribusinesses announced negotiations for large-scale farmland acquisitions that became the absolute focus of the land grab debate in Brazil. Combined with broader debates about the geopolitical transformations unfolding as China, Brazil, and other emerging economies were able to sustain economic growth even while the Global North entered into deep recession, notably

⁸⁷ Personal interview with a Federal Prosecutor who sat on the judicial committee established in 2008 to address these questions, Dourados, MS, August 17, 2015; and congressman Beto Faro’s staffer responsible for the proposed bill regulating foreign investments in farmland, Brasília, July 3, 2012. A similar account is reconstructed by A. Oliveira (2010) based on media reports and statements from all three branches of the Brazilian federal government.

⁸⁸ The influential Anglophone periodical *The Economist* claimed in 2011 that “China is by far the largest investor, buying or leasing twice as much as anyone else” (The Economist 2011). It is unclear where *The Economist* was getting its data for this claim, but it cited the influential World Bank report from the year before (Deininger et al. 2010), and interviewed also authors of the studies by IFPRI (von Braun and Meinzen-Dick 2009), IIED (Cotula et al. 2009), and Grain (Grain 2008).

marked by the formalization of the BRICs group in 2009, it became evident that another round of both sinomania and sinophobia were in the making (Anderson 2010; Gallagher and Porzecanski 2010; Leão, Pinto, and Acioly 2011; Jenkins and Barbosa 2012; Myers and Wise 2017).

The idea that Chinese investors were becoming the main protagonists of the “global land grab” took off internationally with the signing of a Memorandum of Understanding in January 2007 between various Chinese companies for leasing over 500,000 hectares in the Philippines right when a food-price crisis began to be felt sharply in that country and elsewhere. Filipino and Anglophone media reports painted a very negative image of the deal, suggesting that it was intended to export rice to China even while the poor in the Philippines went hungry (e.g. IBON Media 2008; Chanco 2009; The Economist 2009). Filipino peasants led waves of massive protests and the Chinese deal was ultimately not consummated (Marks 2008; Asian Peasant Coalition 2009), but the stigma of “land grabber” stuck to China as more and more media and think tank reports began to implicate it in what was beginning to be discussed as a “global land grab” (Grain 2008; Cotula et al. 2009; von Braun and Meinzen-Dick 2009; Borras 2010; Sauer 2010; Liversage 2011). It was soon followed, after all, by another announcement that one of China’s state-owned oil companies (CNOOC) was seeking to invest \$5.5 billion USD in one million hectares of oil palm in Indonesia for the production of biofuels (Ali and Suhartono 2007; McCartan 2008).⁸⁹

This escalation of large-scale land acquisitions after 2008 into a veritable global land grab—and China’s prominent role therein—was notably articulated by the influential Grain report *Seized! The 2008 land grab for food and financial security* (Grain 2008). It identified a fast and massive flow of sovereign wealth, financial, and agroindustrial capital into farmland and agricultural commodities due to the conjuncture of a decade-long commodity boom culminating with a sharp spike in food prices in 2007, followed by the pronounced financial crisis that spread from Wall Street around the world in 2008. Although this report correctly cited financiers from the Global North shifting from the uncertainty of financial markets into farmland as a key aspect of the ongoing global land grab, it focused much more on high-profile negotiations and investment announcements from China. As Deborah Brautigam critiqued in a subsequent study of Chinese agribusiness investments in Africa:

The words “China” or “Chinese” were mentioned 47 times in [Grain’s] paper, mainly as one of a group of countries whose main goal was to “outsource their domestic food production by gaining control of farms in other countries.” [Yet] the report did not mention the United States or “American” at all, and the UK was featured as an investor country only once. [This] underpinned a general, if erroneous, sense among public policy specialists, civil society, and intellectuals that the Chinese were not only very active players in this arena but also almost alone among the major countries. (Brautigam 2015: 3; cf. Grain 2008)

This presumed leading role of China and other land-poor/capital-rich countries was accentuated by the South Korean Daewoo corporation’s proposal to lease 1.2 million hectares in Madagascar, which received especially bad press in Anglophone media, sparked massive protests by Malagasy peasants and urban workers, and ultimately led to the collapse of the Malagasy government and Daewoo’s proposal (Burgis and Blas 2009; O’Keefe 2009; Rice 2009; MST 2010). At the point that land grabbing became implicated in the downfall of a government and the world economy was falling in a downward spiral triggered by the financial crisis in the US, this discourse reached the upper echelons of all governments and multilateral institutions—and much like the debate over the “Asian

⁸⁹ This proposal also generated strong resistance within Indonesia and was soon cancelled, but also exemplifies how the cancellation of such projects usually receives far less coverage of their original announcements (Bowring 2013), and thus contributes to the production and perpetuation of a sinophobic discourse about Chinese land grabs.

timber companies” supposedly invading the Amazon during the late 1990s, it became the smokescreen behind which agribusiness and state interests from the Global North dissimulated their own role in the unfolding land rush in Brazil and beyond.

This evasion was notable in the manner that multiple Dutch, British, and US government affiliated researchers concerned about the impact that China’s foreign investments might have for Euro-American interests around the world presented the topic (Salidjanova 2011; Ellis 2012; HCSS 2013; UKTI 2014), as well as US agribusiness think tanks (Soy and Corn Advisor 2010) and agribusiness-financing institutions from the Global North, such as the Dutch agro-finance giant Rabobank (Rasmussen et al 2011). The subterfuge was reproduced in spades by the Texas-based corporate intelligence agency Stratfor, describing in how ‘Beijing’ was pushing its agribusinesses to ‘outsource farming projects overseas’ to guarantee the country’s food security, and situating this as part of a broader threat of ‘neo-imperialism’ through resource-seeking investments (Stratfor, 2008).

As global food prices continue soaring, food security has catapulted to the top of Beijing's priority list alongside energy and other key resources... As with China's overseas energy and mining projects, China's overseas farming investments come with political risk. Its mining and energy investments have already sparked a backlash in some host countries — especially in Africa where China is accused of “neo-imperialism”—and these agricultural ventures could invite the same kind of attacks (Stratfor 2008).

The evasive focus upon Chinese investments as threatening and contested, ignoring entirely the actors from the Global North who have actually led the global land rush, could even be identified in the emphasis given by Jacques Diouf, then director general of the UN Food and Agriculture Organization, to China and Saudi Arabia’s foreign agricultural investments as the main risk of “creating a neo-colonial pact” for their own food provision at the expense of economic development in poorer countries (quoted in Blas 2008; cf. Rice 2009). But the most influential instrument that generated a veneer of scientific certainty for this mistaken perception of Chinese agribusinesses as the leading land grabbers worldwide was a highly anticipated report by the World Bank (Deininger et al. 2010).

When food and commodity prices began spiking once again from 2009 to 2010 (Figure 11), dozens of countries imposed emergency taxes, restrictions, and even bans on agricultural exports (Sharma 2011), driving up food prices even further, and intensifying the global rush for farmland. When the World Bank announced it was preparing a report on the topic, it was widely expected that it would be able to obtain much more accurate information about the phenomenon through its extensive connections with governments and corporations around the world. But when the report was finally released in September 2010, it only discussed 14 countries and drew its data almost exclusively from the Grain database that was being generated online, and thereby it reproduced (intentionally or not) the disproportionate focus on investors from China over agribusinesses and financiers from the Global North, even as it noted the possibility of bias in strategic reporting:

Press reports allow identification of source countries without complicated searches in the company registry. Although part of this may reflect *reporting bias* or *strategic use of press reports by some types of investors*, most of the projects in the [Grain] database originate from a few countries. These include *China*, the Gulf States... North Africa... Russia, and such developed economies as the United Kingdom and the United States. (Deininger et al. 2010: 53, emphases added)

As Michael Goldman (2005) argued in his in-depth study of the World Bank’s role in formulating environmental (and political-economic) discourses, the institution’s power derives as much from its production of knowledge as from its financial capacity to shape investments and policies in recipient

countries. Unlike NGOs such as Grain, its reports are taken to carry much more “scientific” and policy weight, so even though it basically generated no new data or analysis of the phenomenon, it gave legitimacy to the peculiar emphasis on China that Grain had reported—and its report quickly became the most widely cited reference in journalistic and academic discussions of “the global land grab” in the next few years.⁹⁰

It is particularly important to note how the discussion of Chinese investments in Africa inflated the figures of supposed Chinese land grabs around the world, and portrayed Chinese investors as government-directed agents of a concerted geopolitical strategy. The most extensive and in-depth study to date on Chinese agribusiness investments in Africa largely debunks these perceptions, even as it demonstrates how “alarm about what was perceived to be a huge, state-sponsored program of African land grabbing swept through the press, governments, and civil society” between 2007 and 2015 (Brautigam 2015: 1). This sinophobia also included concern that the Chinese government sent (or plans to send) huge numbers of peasants to settle in Africa (ibid.: 73-74), echoing a long standing trope of orientalist fear mongering that did not escape the Brazilian debate (reigniting fears discussed in the previous chapters). Dovetailing with my own argument here, Brautigam also accuses that “most public fears about Chinese agricultural investment in Africa have been expressed in the West” (ibid.: 3), and largely fail to account for the *decentralized* manner that Chinese agribusinesses sought and negotiated investments around the world. But until several announcements of large-scale land acquisitions and other massive agroindustrial investments were revealed to have fallen through, and a more skeptical round of academic scholarship began to challenge the idea that China was “the biggest ‘land grabber’ in the world” (in the words of the chief economist of the African Development Bank in 2012, cited in Brautigam 2015: 1), the most widespread interpretation of Chinese foreign agroindustrial investments was that they amounted to a carefully designed strategy by “Beijing” to outsource its food production (ibid.; Hofman and Ho 2012; Kugelman and Levenstein 2013), *and* that these investments would lock-in countries across the developing world—Brazil included—in a neo-colonial cycle of natural resource extraction and de-industrialization (Gallagher and Porzecanski 2010; Leão, Pinto, and Acioly 2011; Jenkins and Barbosa 2012; Hung 2016; Myers and Wise 2017).

The increasingly asymmetric trade between Brazil and China, and the competition in domestic and international markets for manufactured products certainly sustains the “fear for manufacturing” (ibid.), but it was the connection between these industrialist concerns and the fears of specifically Chinese land grabs that was constructed without sufficient evidence. Above all, it entirely neglects the fact that domestic agribusinesses and trading companies predominantly from the Global North are the ones who control agricultural production and exports from places like Brazil, so opposing Chinese agricultural investments alone does not address the transnational patterns of trade at stake. The concern over Chinese agricultural investments, therefore, actually emerges from superficial understanding of the Chinese government’s “going out” policy for agricultural enterprises, imagining a powerful and coordinated effort by the Chinese central government to “interfere” in otherwise unproblematic international markets. This view fails to account for the fact that between 2001 and 2013, most Chinese efforts at foreign agricultural investment were actually led by private companies (Hung 2016), the central government did not have any explicit policy prioritizing farmland acquisitions abroad, and in fact there was a heated debate among policy experts, agribusiness executives, and

⁹⁰ See, for example, Nasser (2010), MST (2010), Sauer (2010), Sauer and Leite (2010), Fernandes (2011), and Faleiros et al. (2014), just to cite a few of the Brazilian journalistic, social movement, and academic sources that relied primarily on the World Bank report for this characterization; for a skeptical alternative analysis see A. Oliveira (2010) and Oliveira (2013).

government officials on how best to secure China's long term food security through international trade and agricultural investments.⁹¹

Undoubtedly, “developing foreign land resources” was never excluded from China’s “going out” policy since its inception in 2001, and president Hu Jintao called for Chinese agribusinesses “to go abroad *to develop land*, forestry, fisheries, and other resources” in 2003 (Brautigam 2015: 61). The construction of the “going out” policy includes the removal of restrictions on companies seeking to invest abroad (such as requiring prior approval of investment projects, and restrictions on capital outflows), but only provides positive encouragement for a few sectors considered to be strategic for China’s national and economic interests, which in agriculture includes soybean, palm oil, rapeseed, cotton, rubber, vegetables, livestock, and timber (NRDC 2006). Specific policies or special funds for agricultural investments remain very limited compared to all other sectors; for example, while certain pre-investment expenses could be subsidized (such as legal, technical, and business consulting services, and translation of regulatory documents and specifications), no operational costs would be subsidized, and subsidized loan disbursements for agriculture were relatively difficult to obtain (ibid.). “Despite the inclusion of agriculture in the outward investment policy, it obviously... has not been a priority” (Freeman et al. 2008: 19). This even generated criticism in China, as agribusiness officials accuse the “going out” policy is failing in its aims for agriculture, and “called on the government to improve its strategy, noting a lack of policy continuity and finance for the sector” (ibid.).⁹² Several Chinese agribusiness executives who I interviewed in both China and Brazil underscored difficulties obtaining pre-investment support and subsidized loans even after 2008, but expressed these concerns under condition of anonymity to avoid creating tension with financiers from whom they hoped to receive or continue to receive subsidized loans. Many asserted they had to cover initial expenses to launch foreign investments from their own company’s budget, as the China Development Bank or the Ex-Im Bank would only approve loans and disburse funds once the technical, legal, economic, and political viability of the project had been demonstrated. In some situations, demonstrating proof that land was obtained for the installation of the project was considered a prerequisite for the disbursement of funds (as will be shown to be the case in the BBKA Group’s agroindustrial project discussed in chapter 5, and the Shandong Guanfeng palm oil project discussed in chapter 6). While in some cases this may have provided encouragement to secure farmland acquisitions that could demonstrate the feasibility of an agribusiness project to prospective financiers, it was a far cry from the imagined state-directed policy of land grabbing abroad.

While these efforts were characterized in Brazilian and Anglophone journalism and policy discourse as especially worrisome because they act upon a “state logic” unlike the commercial interests of other investors⁹³, high-level officials responsible for China’s “going out” strategy stressed from early on that “agricultural cooperation in the new century must be conducted by enterprises and should be market-oriented,”⁹⁴ and that the Ministry of Commerce (MOFCOM) would be experimenting with “multiple approaches” to advance agroindustrial investments abroad (Brautigam 2015: 62). These

⁹¹ See for example “Don’t Use Distant Water to Quench a Present Thirst: Cultivating Grain Overseas is a Waste”, Xinhuanet, 9 May 2008; and “Agriculture Going Global to Lease Land to Cultivate Grain is Called Not Worth the Effort”, Renminwang, 9 May 2008; both cited in Freeman et al. (2008: 27).

⁹² See, for example, “Problems and Solutions in China’s Agriculture ‘Going Out’”, China Macro Economic Information Network, 9 August 2006; cited in Freeman et al. (2008: 27).

⁹³ For example, see Estado de S. Paulo, 08/03/2010: A3; Alméri (2011, 2012); DefesaNet (2011); Armamento e Defesa (2011); Forum Base Militar Web Magazine (2011); Conciência Crítica (2012); and my personal interview with congressman Homero Pereira, who was chairman of the congressional committee charged between 2011 and 2012 with producing new legislation to regulate foreign investments in farmland, Brasília, July 3, 2012.

⁹⁴ Wei Jianguo, China’s vice-minister of the Ministry of Foreign Affairs responsible for foreign aid, in a speech to delegates of a China-Africa seminar on agricultural cooperation in 2002, quoted in Brautigam 2015: 61.

efforts did increase substantially after the 2007-2008 food price crisis. The China Development Bank set up a \$1 billion USD China Africa Development Fund in 2007, for example, that same year the president of the China Export-Import Bank was reported to have encouraged Chinese farmers “to become landlords overseas” (Brautigam 2015: 56). Then in 2011, the Ministry of Commerce and the Ministry of Finance issued a joint Special Fund for Outward Economy and Technology Cooperation that contemplated the acquisition or lease of farmland among the various sorts of projects it could finance (MOFCOM 2011). But the exploratory character of this formulation was still very evident at that time, when the Chinese Academy of Science was commissioned to produce a study identified merely as “A *preliminary* study of strategies for China’s participation in the exploitation of land resources abroad” (Zou, Long, and Hu 2010, emphasis added), which identified Brazil as one of the best among the ten most strategic places for investment.

The Chinese debate on strategies for transnational agroindustrial investments came to the fore in a very high-profile conference on outbound investments by Chinese enterprises in April 2008—where Brazilian government officials even boosted investment prospects in their country—several Chinese agribusiness companies, officials from the Ministry of Agriculture, and policy banks recommended renting or buying land overseas to grow soybeans, grains, and other agricultural products for export back to China (Liu 2008). The following month, Chinese journalists reported the Ministry of Agriculture submitted a proposal to the State Council that specifically encouraged overseas land investments (Teng 2008). The story was quickly and loudly amplified in prominent outlets of Anglophone media, such as the *Financial Times*:

Chinese companies will be encouraged to buy farmland abroad, particularly in Africa and South America, to help guarantee food security under a plan being considered in Beijing. A proposal drafted by the Ministry of Agriculture would make supporting offshore land acquisition by domestic agricultural companies a central government policy. (Anderlini 2008)

The Ministry of Agriculture noticed immediately the negative effect such headlines could bring for Chinese agribusiness investments abroad, and directed its spokespersons to assuage fears in international media of central government directives for land grabbing abroad. They did not deny that a policy for increasing support for farmland acquisitions abroad had been under consideration, but underscored the tentative and exploratory nature of current discussions: “It is the government’s policy to encourage all companies to go abroad, including agricultural firms,” one spokesperson told the *Guardian*, but “it is not realistic to grow grains overseas, particularly in Africa or South America... the cost will be very high as well as the risk” (The Guardian 2008). This report, entitled “Chinese debate pros and cons of overseas farming investments”, was one of the few balanced journalistic accounts of the discussion within Chinese policy and agribusiness circles about the matter, but it represents an exception to the increasingly scandalous tone of Anglophone media about Chinese state-sponsored land grabbing around the world after 2008.⁹⁵ As observed in a report by the Brussels Institute for Contemporary China Studies that stands out for its attention to the tentative and experimental nature of the Chinese government’s “going out” policy for agriculture, the Ministry of Agriculture’s “denials were widely carried in the Chinese media, but their coverage in the international media was much more limited than the original reports claiming a new policy had been formulated” (Freeman et al. 2008: 24).

⁹⁵ Other balanced reports emerged in the *Australian* the following day (Callick 2008), as part of the Ministry of Agriculture’s same campaign to counter the “China threat” narrative that was emerging, and in the South African leftist news outlet *Pambazuka News* (Marks 2008) several months later, largely based upon the BICCS report cited in this paragraph (Freeman et al. 2008).

Significantly, and partially due to concern over the anti-China rhetoric that was emerging around discussion of transnational agricultural investments, the central government's preeminent policy formulation body (the National Development and Reform Commission-NDRC) reaffirmed the need to sustain ambitious goals of 95% self-sufficiency in rice, wheat, and maize in its national framework for food security for 2008-2020, and did not mention anything about securing access to foreign farmland for domestic food security (Zhou Zhihong 2008). Instead, the policy emphasized sustaining long-term commercial partnerships with major agricultural exporters, especially the United States and Brazil due to China's exceptional reliance on soybean imports from those countries (ibid.; Brautigam 2015; Oliveira and Schneider 2016; Guo and Myers 2017). This strategy conformed with the more market-oriented analysis of food security from the Ministry of Commerce (in contrast to the more productivist orientation of the Ministry of Agriculture), and the proposals of influential agricultural policy experts such as Huang Jikun⁹⁶, neoliberal economists such as Mao Yushi (Shi 2008; Tang et al. 2009; Mao 2010), and the leaders of powerful state-owned agricultural trading companies, such as Chinatex and COFCO, which were already pursuing investments targeting agricultural *trade* rather than production (as we saw in the last chapter, and will examine in greater depth on chapter 7). So when the Minister of Agriculture told a gathering of China's leading agribusiness executives in December 2010 that "the time is ripe for China's large agriculture enterprises to seize the historic opportunity of globalization, and make Chinese agriculture 'going out' a major force in international markets"⁹⁷, farmland acquisitions were not the only or even the primary strategy being promoted. Nevertheless, the idea that "China was the world's leading land grabber" was already central to the narrative emanating from NGOs, think tanks, state and multilateral agencies, and agribusiness competitors from the Global North by the end of that decade. And indeed, some key Brazil-China boosters and brokers like Charles Tang of the CCIBC began actively promoting farmland investments in Brazil to Chinese clients and the Chinese press.⁹⁸

When Chinese agribusiness delegations increased their efforts at "going out" to Brazil (and elsewhere) in 2009 and 2010, all of these delegations inquired about farmland acquisition possibilities and regulations *even* when their primary interest was in agroindustrial and logistics infrastructure for trade (such as the BBKA Group delegations that will be examined in chapter 5). Thus, they were perceived as embodying a government-sponsored effort at global land grabbing first and foremost (Chade 2010; Inácio 2010; Jornal Opção 2010; Portal AZ 2010). This transformation that took place over the course of 2010 was truly remarkable. Until then, only a few Chinese bureaucrats and agribusiness executives were searching for possibilities to participate in agricultural production in Brazil itself. In an important case (that will be discussed at greater length in chapter 6), a joint-venture between the private Zhejiang Fudi Agribusiness Company and the state-owned Beidahuang Group acquired a relatively small soybean farm (636 ha) in Rio Grande do Sul state in late 2008 without raising much alarm, and soon thereafter acquired also a larger farm (16,163 ha) in Tocantins state which they hoped to convert from pasture to soy production as well.⁹⁹ Their underlying assumption

⁹⁶ Personal interview with Huang Jikun, Beijing, July 1, 2011. See also Huang et al. 1999; Sonntag et al. 2005; Yang et al. 2008; Huang, Otsuka, and Rozelle (2008); Huang and Rozelle 2009; Huang et al. 2010.

⁹⁷ Quoted in Wang (2011), as well as Brautigam (2015) and Guo and Myers (2017).

⁹⁸ See, for example, his articles published in Chinese on International Finance News/China Daily on the week prior to the high-profile conference on promoting the "going out" policy, April 29, 2008; and again in another edition of the same newspaper on February 17, 2009; both reproduced in Tang 2013: 121-125.

⁹⁹ Zhejiang Fudi is a subsidiary of the private leather company Kassen, owned by the agribusiness entrepreneur Zhu Zhangjin. The Beidahuang Group is a major agribusiness conglomerate owned by the Heilongjiang provincial government, China's only large-scale soybean producer, and one of the few domestic soy processing companies that survived the country's entry into the WTO in 2001 and the subsequent "Battle of the Beans" in which transnational investments from the ABCDs seized control of about 70% of China's soybean imports and processing capacity by 2007 (Oliveira and

was that controlling production would enable them to bypass the oligopoly of the North Atlantic-based grain trading companies (ABCDs) by exporting their own harvests directly back to China. The possibility of profiting from agricultural production and the “valorization” of the land itself were considered merely an added bonus to the windfall profits expected from direct exports to China (usually calculated at 10% the import price from the ABCDs).¹⁰⁰ Thus, the exploratory character of their inquiries about farmland acquisition, when their interests were primarily commercial or even agroindustrial, was largely lost in an increasingly land-grab focused narrative of Chinese agribusiness investments abroad.

With the exception of Lu Weiguang’s misadventures in the Amazon, the few media reports about Chinese agribusinesses negotiating investments in Brazil before 2010 circulated mainly in local or regional newspapers, and press coverage was largely positive in tone. These early investors and would-be investors tagged along government delegations, but operated independently of any directives or overarching foreign investment strategy (Jian 2013), and flew largely below the radar of Brazilian and international media and public discourse. Nevertheless, the underlying history of the “Asian invasion” of the late 1990s and the spectacular example of Lu Weiguang’s supposed land grab (made public in Brazil in 2006) had already conditioned the Brazilian public imaginary to incorporate Chinese agribusiness investors as threatening land grabbers. This was aggravated with rumors that Chinese businessmen were pursuing farmland investments as individuals rather than corporations, seeking not so much to establish operational agribusinesses abroad, but safe havens through which they could launder illicit money and/or avoid domestic taxation on their financial assets. However, I was unable to confirm this activity, as those who spread such rumors were unable or unwilling to provide details or go on the record about such deals, and one Brazilian businessman who has established partnerships with Chinese investors even warned me that “they will kill you if you find out.”¹⁰¹ It is possible that these rumors have some truth to them, but the few Chinese businessmen who were willing to discuss the topic with me indicated that urban real estate in Canada, the United States, and Europe are much more frequent targets of such operations. After all, those places and assets are considered safer havens than Brazilian farmland, even though it has been historically used by Brazilians themselves and others from the Global North for such illicit purposes.

As Chinese delegations began to arrive in larger numbers and their supposed role leading the “global land grab” filtered into Brazil from international media outlets, the bill presented in Congress as direct result of the supposed “invasion of the Asian timber companies” in the late 1990s (PL 4.440/2001) was quickly approved in commission and sent to the Senate for a vote on November 2009. This accelerated the rush by foreign investors to secure farmland acquisitions, as they were being

Schneider 2016). Their Brazilian joint-venture was named Sol Agrícola Ltda, after the farm they purchased in Rio Grande do Sul state. The trajectory of their investment in Brazil is discussed at greater length in the next chapter.

¹⁰⁰ This was largely a consensus view documented in personal interviews from 2011 through 2015 with agribusiness professionals from the Chongqing Grain Group, Zhejiang Fudi, Beidahuang, CNADG, Sanhe Hopeful, the China Development Bank, and several Brazilian state- and federal-government bureaucrats who received these and other Chinese agribusiness delegations during the 2000s. These interviews usually included discussions about how misguided this strategy was in retrospect.

¹⁰¹ Personal interview under condition of anonymity during the Business Seminar held during Li Keqiang’s state visit to Brazil, Brasília, July 2015. In another personal interview with a land broker who did actively arrange for the sale of a sizeable farm in Brazil to foreign companies, my interviewee got carried away and told me more than they desired, and threatened to have me “taken care of” if I wrote about that particular deal they were then negotiating – thankfully for me it was not with a Chinese company, so I could leave it out from this text without significant loss to the project. This took place in a country where over 150 environmentalists and indigenous leaders have been assassinated just between 2010 and 2015, making Brazil the world’s most violent place due to territorial disputes in its frontier, and in a region where workers were liberated from conditions analogous to slavery by the hundreds in the same period, where labor and environmental inspectors require para-military escort... so death threats as these I was “warned about” are serious and very credible.

advised that this and even stronger restrictions were likely to be imposed soon.¹⁰² The head of the China-desk at one of Brazil's most prominent law firms serving Chinese corporate clients told me this concern over impending restrictions affected especially the Chinese agribusiness executives who were searching for investment opportunities.¹⁰³ Then in 2010, in the aftermath of the establishment of the BRICs group and another exchange of state visits by the presidents of both countries, a series of large-scale and high-profile Chinese investments were announced in Brazil, totaling an astounding 35.8 billion USD (CEBC 2011, 2014). Since only about 549 million USD were invested by Chinese companies in Brazil during the entire period between 2007 to 2009, this represented a remarkable jump in investments that would propel China from 45th to 9th place among the largest investors in the country (ibid.). Moreover, the most prominent announcements were all associated with state-owned enterprises and the extraction of natural resources, petroleum above all. The announcements included also a few very large-scale agribusiness negotiations, which quickly became incorporated in Brazilian and international discourse as further evidence of the sinophobic interpretation of the “global land grab” that had already taken shape in the Global North. Two cases in particular were widely covered in the Brazilian and international press: the negotiations led by the Goiás state government with the state-owned China National Agriculture Development Group (CNADG), and the proposed investments of the Chongqing Grain Group in Bahia state.

The Goiás state government began actively courting Chinese investors to finance the expansion of soy production in the north of the state in early 2009. They exchanged several delegations with the China National Agriculture Development Group (CNADG) and the Sanhe Hopeful Grain and Oil Company, which even led to the signing of Memoranda of Understanding between CNADG and the Goiás state government in April 2010 to facilitate yet undetermined agroindustrial investments in the state.¹⁰⁴ Ironically, the focus of the negotiations had always been on *financing* Brazilian soybean production in exchange for exports, and no discussions of farmland acquisition ever advanced beyond mere fact-finding. That same month the Chongqing Grain Group (CGG)¹⁰⁵ was reported to be negotiating for the acquisition of about 100,000 hectares of farmland in western Bahia state, where a mysterious Chinese investment fund named Pallas International also supposedly negotiated for an additional 250,000 hectares.¹⁰⁶ But before the CGG could conclude its acquisitions, the Attorney General's Office issued norms restricting foreign investments in farmland and its negotiations had to be suspended.¹⁰⁷ A similar restriction was also imposed shortly thereafter in Argentina after

¹⁰² Personal interview with staffer to congressman Beto Faro (PT-PA) who was responsible for the Workers' Party initiatives in Congress to restrict and regulate “foreignization” of land, Brasília, July 3, 2012.

¹⁰³ Personal interview with Heloisa di Cunto, São Paulo, February 12, 2015; cf. *Estado de S. Paulo* 22/04/2010.

¹⁰⁴ The CNADG is the main central government state-owned company responsible for foreign farmland investments, while Sanhe Hopeful is a private soybean processor that was able to grow during the 2000s with substantial support from the Hebei provincial government and reliance on cheap soybean imports. The trajectory of their negotiations in Brazil are discussed at greater length in the next chapter.

¹⁰⁵ The CGG was an agribusiness conglomerate established in 2008 by the prominent CCP official Bo Xilai when he assumed control of the party in Chongqing. It incorporated all other agribusiness companies owned by the municipal government to leverage major loans for foreign investments, which it began to seek in Brazil, Argentina, and Canada already in 2009. The trajectory of their operations in Brazil is also discussed in the next chapter.

¹⁰⁶ The CGG's negotiation was first reported in *Estado de S. Paulo* on April 22, 2010 (Trevisan 2010). I have been unable to trace the genealogy or denouement of these negotiations with Pallas International, which was mentioned in an alarmist opinion piece by Delfim Neto in *O Estado de S. Paulo* (03/08/2010: A3; *O Estado de S. Paulo* 2010). In multiple interviews with Bahia state government officials from 2012 to 2015, they denied having any knowledge of such negotiations with Pallas International and there are no records of its supposed MoU in government archives.

¹⁰⁷ The restrictions were imposed by the Legal Opinion LA-01 by the Attorney General's Office (AGU) on August 23rd, 2010. It determines that restrictions previously established by Law 5.709 of 1971 remain in effect despite the 6th amendment to the 1988 Constitution that removed legal distinctions between Brazilian companies and companies registered in Brazil but controlled by foreign capital. That law basically determines that foreigners and foreign-controlled

Beidahuang's MoU seeking as much as 320,000 ha in the province of Río Negro was exposed (Grain 2011a)¹⁰⁸, and these cases became emblematic of the extensive "Chinese land grabs" starting to take place in South America (Powell 2010; Trevisan 2010; Chade 2010; The Economist 2011; Decimo 2011; Maisonnave and Carazzai 2011; O Repórter 2011; Hearn 2012; Faleiros et al. 2014).

Some of the more careful studies on Chinese investments in Latin America attempted to exclude unconfirmed or cancelled deals, but still calculated that Chinese companies had invested in about 300,000 hectares across the continent by 2011 (Hofman and Ho 2012). Others ventured that Chinese companies had acquired from 500,000 (Land Matrix) or 800,000 hectares (International Institute for Sustainable Development) to more than 1 million hectares (Grain; all figures cited in Guo and Myers 2017: 101), referring primarily to the high-profile negotiations by the CGG in Brazil and Beidahuang in Argentina. The most alarmist accounts estimate an exorbitant 7 million hectares were grabbed by Chinese investors in Brazil alone during the immediate aftermath of the global financial crisis, an area the size of Ireland (Acioly, Pinto and Cintra 2010; Faleiros et al. 2014). It wasn't until 2013 that more sober assessments from both Chinese and Brazilian scholars began to emerge, based on more specific case studies, showing they fall far short of the extensive land grabs feared (Guo 2013; Lucena and Bennett 2013; Wilkinson and Wesz Jr. 2013; Ma and Tian 2015). And those that did report multi-billion dollar investments in 2010 (e.g. CEBC 2011) revised down their estimates significantly in the following years (CEBC 2013). In fact, one of the few qualitative case studies on the topic to date illustrated how both multi-billion dollar negotiations by Chinese agribusinesses in Brazil dominating headlines in 2010 and 2011 were halted altogether by 2013 (Lucena and Bennett 2013). Crucially for the construction of a sinophobic discourse of the "global land grab" is that these deals continued to inflate journalistic, NGO, and academic discussion of Chinese agroindustrial investments *even after they fell through* and became, as Deborah Brautigam calls them, "zombie deals" that continue to haunt the public imagination even after they are "dead" (Brautigam 2015; Guo and Myers 2017; cf. Faleiros et al. 2014).

These high-profile negotiations for large-scale land deals by Chinese agribusinesses were widely regarded as the trigger and justification for the restrictions imposed in 2010.¹⁰⁹ One of the land brokers who had been negotiating with the CGG went as far as accusing the law firm hired by the

companies cannot own or lease an area greater than 25% of any municipality, and no more than 10% of any municipality can be under control of foreigners of the same nationality. For more detailed discussions of this government restriction, see A. Oliveira (2010); Hage et al. (2012); and Perrone (2013). The suspension of CGG's negotiations at this moment was reported to me by the Brazilian brokers who were working with the CGG at that moment; interviews with broker who sold the farm to the CGG, Barreiras-BA, July 23, 2012 and October 8, 2015; Alberto Takamura and Fang Li-chung, São José dos Campos-SP, June 2015; and Marcelo C. Coimbra da Rocha, Correntina-BA, September and October 2015.

¹⁰⁸ In October 2010, the Beidahuang Group from Heilongjiang province struck a "Cooperation Agreement for the Project of Agro-food Investments" with the province of Río Negro in Argentina. The terms of the agreement were disclosed by food sovereignty social movements in Argentina, where it was revealed that Beidahuang State Farms was operating through an Argentinian partner or subsidiary named Strong Energy. The agreement identifies 234,500 ha in the province for investment by the Chinese SOE, while Río Negro provincial government officials declare that negotiations could extend to an even larger area of 320,000 ha. Within months, food sovereignty social movements in Argentina denounce the investment negotiations, expose the terms of the agreement, and successfully called for restrictions on foreign investments in farmland (Romig 2011; Perrone 2013).

¹⁰⁹ This view was expressed to me in interviews with Richard Torsiano, the director of INCRA responsible for regulating foreign investments in farmland (Brasília, May 12, 2014); the Federal Prosecutor who sat on the judicial committee established in 2008 to address these questions, Dourados, MS, August 17, 2015; congressman Beto Faro's staffer responsible for the proposed bill regulating foreign investments in farmland (Brasília, July 3, 2012); and congressman Homero Pereira, who was chairman of the congressional committee charged between 2011 and 2012 with producing new legislation to regulate foreign investments in farmland (Brasília, July 3, 2012). See also the analysis by A. Oliveira (2010); Pereira and Castro Neves (2011); Hage et al. (2012); Lucena and Bennet (2013); Perrone (2013); Fairbairn (2015); and Oliveira (2015, forthcoming).

CGG (to undertake due diligence of their farmland acquisitions) of leaking information about their negotiations to other clients, specifically agribusinesses from the United States, who felt threatened by the possibility that Chinese investors could establish large-scale soybean operations in Brazil and thereby bypass their monopoly on international grain trade.¹¹⁰ In his account, those competitors in turn sought to promote farmland acquisition restrictions that would affect newcomers who didn't already have their own Brazilian subsidiaries and/or domestic partners who could channel their investments—and coordinated an anti-China campaign with the leadership of FIESP and influential right-wing pundits such as Delfim Netto, who began whipping up another panic over the “China threat” to demand further protectionist measures against Chinese manufactured imports during the trough of the global recession in 2009. “The Chinese have bought up Africa, and now they are trying to buy up Brazil”¹¹¹, Delfim Netto accused in a highly influential interview—published merely twenty days before the Brazilian government announced the restrictions—explicitly linking the “Chinese land grab” narrative with the “China threat” to manufacturing. In that same page, the newspaper's editorial defended this concern as follows:

Delfim Netto is justified when he recommends caution in selling land to Chinese companies, [which are] controlled by the State or with participation by the State. Foreign investments are generally welcome and may bring important contributions for the growth of the Country... But the “business” changes its meaning when the investment is subordinated to the strategic reasons of a foreign State. In the case of natural resources, and land for agriculture and ranching, correctly evaluating this strategy is a question of [national] security.¹¹²

Whether or not the law firm hired by the CGG at that moment leaked information to other clients, and regardless if there was direct collusion between agribusinesses from the Global North and large-scale Brazilian landowners who feared they could be bypassed by the aggressive announcements of Chinese negotiations for large-scale farmland acquisitions (Scotton and Trentini 2011; Fairbairn 2015), along with Brazilian industrialists who wanted further protectionist measures for their manufacturing industries (Figures 8 and 9; cf. Cunha 2011; Sônego 2013), all these actors successfully mobilized an uptake in sinophobia and secured their own interests through the establishment of restrictions that disproportionately affected Chinese agribusiness investors. Moreover, the imposition of restrictions on foreign acquisition of farmland had already been demanded for several years by leftist social movements and some politicians within the Workers' Party (as shown in the previous section), and that year the Workers' Party needed to guarantee their support for the election of president Lula's chief of staff, Dilma Rouseff. In addition, while the ITP and sugarcane/ethanol agroindustrial sectors had been adamantly opposed to any such restrictions, by the late 2000s their position began to be challenged by other sectors of Brazilian agribusiness who were not benefitting from the “overheating” that the onrush of foreign investments were driving in farmland markets (Sauer and Leite 2012).

The boom in commodity prices and increasing flow of foreign capital into Brazilian agribusiness had been driving up farmland prices so much that several Brazilian landowners dependent on land rentals or seeking to expand their own operations began to feel priced out of the market. This certainly affected a middle stratum of the soy and cotton producers in the Cerrado region (Mier y Terán 2016), who were not large enough to lease out or engage in partnerships with foreign investors for large-scale land acquisitions, but rather have to pay increasingly higher prices to lease or acquire

¹¹⁰ Personal interviews, Correntina–BA, September 22, 2014 and July 16, 2015.

¹¹¹ *O Estado de S. Paulo* 03/08/2010: A3.

¹¹² *Ibid.*

farmland on their own in order to continue expanding. The president of the Mato Grosso state's soy farmers association (Aprosoja), for example, estimated in May 2010 that 1 million hectares of soy were already under control of foreign farmland management companies and investment funds, and warned that "even if [the rally in farmland prices] is financially advantageous to the producer who leases out farmland, the onrush of foreign investments is worrisome because it eliminates Brazilians from competition and allows [foreign] occupation of Brazilian territory" (quoted in Tavares 2010).

The mobilization of the ranching sector, particularly in Mato Grosso and other areas where ranchers lease much of their pasture, may have finally tipped the scale in favor of the restrictions in 2010. The Brazilian meat processing companies – which were quickly becoming largest in the world – constantly pressed the demand for China to open its markets, and without sanitary restrictions lifted, the processors in turn squeezed ranchers supplying them. If the Workers' Party, despite its close ties with the Chinese government, could not deliver on opening markets that could raise the prices they would be paid by processors, they needed to at least halt their mounting costs in the rising land rental prices. In the opinion of the head of the China desk at one of the top Brazilian law firms to specialize in Chinese among their foreign clients, the 2010 restrictions were sealed as Lula's last act to gain the support of the (generally right-wing) class of ranchers:

It was by the ranchers, it was a deal between Lula and the ranchers to block the Chinese, who were entering, the ones with money. And this way he would get the election for Dilma. That was my reading... It was in August, it was his last act that he could do! In the [ranching] sector, couldn't do anything else, he signed it.¹¹³

There were very strong sectorial divides, but also divides among large- and medium-scale land owners that had to be taken into consideration for the implementation of the restrictions. They needed to seem like they could curtail the "overheated" land markets to protect some, but still position others as necessary majority partners for incoming foreign investors so they didn't feel their own business opportunities were curtailed. Formal positions taken by various agribusiness associations reflect this divide. Those from areas where ranchers were prevalent and where large-scale landowners operate primarily with soy and grain production generally supported restrictions to limit foreign competition with their own expansion and place themselves as necessary partners to foreign investors (e.g. the Agricultural Federation of Mato Grosso–FAMATO, and the Association of Irrigators of Bahia–AIBA). On the other hand, the imposition of restrictions was immediately and forcefully denounced by the ITP and sugarcane/ethanol sectors, which were most directly affected by the restriction alongside incoming Chinese investors such as the CGG. They reported \$3.2 billion USD in frozen investments during immediate aftermath of the Attorney General's decision, and their sectors accounted for the bulk of the \$15 to \$25 billion USD in "lost investments" estimated by the Brazilian Agency for Rural and Agribusiness Marketing in 2011 (Borges 2010; Barros and Pessoa 2011). They were joined in their opposition by landowner associations from regions where those sectors were expected to lead agribusiness expansion (e.g. the Agricultural Federation of Mato Grosso do Sul–FAMASUL), and neoliberal economists and lawyers in Brazil who see the measure as yet another example of the unnecessary and irrational protectionism of the Workers' Party government that restricts foreign investments considered to be necessary for the growth of the Brazilian economy (Hage et al 2012; Nasser 2010; Pombo 2012).

Launching the restrictions on farmland acquisitions by foreigners at that moment, therefore, may not have gained support for the Workers' Party from certain sectors and regions where its base of support was already very weak, but enabled it to attend multiple others and conflicting interests

¹¹³ Interview with Heloisa di Cunto, São Paulo, February 12, 2015.

across much broader and more disputed sectors of the electorate during the few months leading up to the 2010 general elections. They could claim that rural social movement and leftists demands for restrictions on “foreignization” of land were being attended, that the middle-scale soy farmers and ranchers would be protected from being priced out from “overheated” land markets, and focus the restriction so much on direct investors from foreign-controlled companies that would still nevertheless allow foreign companies to sustain their investments by incorporating the Brazilian landed and financial elite as partners, thus increasing significantly the latter’s bargaining power during the key moments of the global land rush (Scotton and Trentini 2011; Fairbairn 2015). As Madeleine Fairbairn argued in one of the most insightful analyses of the process of foreign farmland investments and their regulation in Brazil:

The simplistic foreign/domestic dichotomy upon which the regulation was based also left substantial leeway for companies to locate financial detours around the law, [but on the other hand the] Chongqing Grain Group, whose undisputed affiliation with a single foreign nation made it one of the few entities adequately described by the legislation, cancelled its plans to acquire farmland and announced that it would instead build a soy-crushing plant in Brazil. (Fairbairn 2015: 585, 588; cf. Decimo 2011).

In fact, as I will show in chapter 6, the CGG did *not* actually cancel all its farmland acquisitions, but purchased instead a cheaper and relatively smaller farm of about 53,000 hectares through a questionable “partnership contract” with one of its land brokers (who owned the property *de jure* while the CGG’s Brazilian subsidiary Universo Verde Agronegócios Ltda. controlled it *de facto*). The CGG also incorporated the two farms of the Zhejiang Fudi-Beidahuang joint venture, and pursued an agroindustrial investment in order to curry political favor and support from the federal and Bahia state governments. This strategy made perfect sense from the point of view of a Chinese enterprise, but by turning to high-profile political negotiations and further inflating their proposed investments to over 4 billion USD in the soybean processing facility, vegetable oil refinery, fertilizer factory, warehouses, and even a railroad and port, their attempt at approximation actually backfired spectacularly, as their announcements became a naïve fanfare that only stoked further sinophobia.

The 2010 restrictions did halt negotiations between the CNADG and the Goiás state agribusinesses and government, and confirmed the opinion of the Sanhe Hopeful agribusiness executives that instead of carrying forward with negotiations in Goiás, they should invest in a new grain terminal project from which they could begin exporting soy without engaging directly in agricultural production themselves (as will be discussed in further detail in chapter 6).¹¹⁴ It also curtailed other low-profile investments and negotiations taking place at the time. One very telling example was the Asia Symbol company from Rizhao, Shandong province (then named April SSYMB), the only Chinese company in the ITP and pulp/paper sector to announce negotiations in Brazil. They were proposing the investment of 400 million USD in a Brazilian conglomerate for the construction of a large-scale wood pulp mill (capable of processing 1.5 million tons per year), and collaboration in ITP and tropical timber forestry projects that could encompass hundreds of thousands of hectares (Relatório Reservado 2012). The 2010 restrictions likely derailed those negotiations, and by 2013 the Sino-Brazilian collaborations in the sector became further complicated by the imposition of anti-dumping measures in China against Brazilian pulp exports, and in Brazil against Chinese paper exports (Silva and Zheng 2014; Wilkinson et al. forthcoming).

¹¹⁴ Interviews with the executive of the CNADG responsible for their negotiations in Brazil, Beijing, July 22 2013; and the executives from Sanhe Hopeful responsible foreign investment negotiations in Brazil, Beijing, July 8 and 14, 2013, and Sanhe, Hebei, March 16, 2015.

The other cases identified of negotiations that were halted or curtailed in the aftermath of the 2010 restrictions include the Amazonian forestry project of Sustainable Forest Holdings (Susfor, discussed below), the projects of Agrifirma and CalyxAgro, two farmland investment funds that channeled Chinese capital into farmland for soy production in South America (discussed in the next section), and the palm oil production and processing project of Shandong Guanfeng, which relied upon questionable “partnership contracts” with a local landowner and politician similar to CGG to launch their project in eastern Pará state (also discussed at greater length in chapter 6). All these cases illustrate the dramatic rise and fall of would-be Chinese land grabbers, that I dub “Paper Tigers”, which were actually pursuing large-scale farmland acquisitions as feared in Brazilian and international public discourse, but largely failed to establish themselves and operate profitably in Brazil.

The case of Susfor is very illustrative. Susfor, or Sustainable Forest Holdings, is a Hong Kong-based investment fund incorporated in Bermuda and listed on the Hong Kong stock exchange. On July 2009, the hitherto named Bright Prosperous Holdings Ltd. divested from its mining assets (and the next year from its construction materials and property development divisions), renamed itself Sustainable Forest Holdings (Susfor), and acquired the Amplewell Holdings Ltd. timber investment firm, which owned about 44,500 hectares of forests in Acre state in Brazil and 242,745 hectares of forests in Russia (Susfor 2010). The news of the Chinese investment was at first very welcome in local Brazilian media, as the Brazilian manager hired by the company claimed their operations would generate 450 jobs in the region (FIEAC 2009). Between November 2009 and February 2010, Susfor began negotiations for the acquisition of an additional 235,000 hectares of forests in Brazil and 800,000 hectares in Bolivia (which it falsely claimed were 100% certified by the Forest Stewardship Council), and claimed to have obtained an exclusive contract to clear the timber from about 200,000 hectares that were scheduled to be flooded by the construction of two hydroelectric power dams in Rondonia state in Brazil (*ibid.*). They were boosting their new forestry business aggressively in the Hong Kong stock exchange, claiming they would soon own and operate an exorbitant 1.3 million hectares (*ibid.*). However, in March 2010 the Acre state government issued a public statement that the forest concessions Susfor sought were only accessible through public bidding and not private purchase (Acre 2010), thus accusing the company of launching a deceptive scheme to defraud investors in the Hong Kong stock exchange. Then labor strikes in the hydroelectric dam project halted their harvest, and created tension between the Hong Kong executives of the company and its Brazilian manager, who had hired a contractor (Universal Timber Resources do Brasil Ltda.) for the service.

When the restrictions on acquisition of farmland by foreigners were announced in August 2010, Susfor had to halt their negotiations for further acquisitions in Brazil, even as they divested from their forest assets in Russia to acquire a sawmill in China, open operational offices in Brazil, and a commercial office in the US (Susfor 2011). Nevertheless, the company continued to aggressively sell stocks claiming they would reach “2-3 million hectare equivalent of natural forests in 24-36 months” (*ibid.*: 19). But their operations soon collapsed in 2011, when it was revealed they paid 1 million BRL in bribes to the leader of the Rondonia state assembly, who was investigating irregularities in the contracts associated with the construction of the dams (Leandro 2011; Alex 2014), and the tension between the Hong Kong executives and their Brazilian manager escalated into open conflict: the Brazilian manager accused Susfor of withholding pay for him and the contractor services he procured, while the Hong Kong executives accused the contractor of breaking their agreement, and their Brazilian manager of extortion and even death threats (Susfor 2012). The Brazilian manager sued Susfor in Brazilian courts, who then halted operations in their own forests in Acre state as well in 2012, since their staff were unwilling to continue work while facing death threats (Susfor 2013). Unable to continue expanding their forest assets in Brazil, facing lawsuits, criminal investigations, mounting public pressure, and losses of millions of dollars each year, Susfor began attempting to lease its 44,500 hectares of forest in 2014 and diversify its operations into other sectors (Susfor 2014). By 2016, they

began leasing 10% of their forest assets in Brazil, and shifting their operations to money lending in Hong Kong, aiming to exit the forestry business entirely as soon as possible (Susfor 2016).

The concern over Chinese land grabs that became embodied in the restrictions on acquisition of farmland by foreigners certainly contributed to the downfall of would-be large-scale land grabbers like the CGG, Asia Symbol, and Susfor, but it also served as the perfect scapegoat for the landowners' and agribusiness bloc in the Brazilian federal congress when they disputed with congressmen of the Workers' Party the legislative initiatives that were being negotiated. After all, land title officers were raising serious qualms about enforcing (and demonstrating the inability to enforce) the Attorney General's restrictions, which rested on the interpretation of a 1971 law that was arguably rendered unconstitutional in 1995 by a neoliberal amendment that erased any distinction between Brazilian companies controlled by foreign and domestic capital.¹¹⁵ A congressional subcommittee (within the committee on agriculture) was created in 2011 to conduct a series of public hearings and draft new legislation to address the situation. Beto Faro, the Workers' Party congressman from Pará who had introduced a bill to limit all foreign investments in farmland to 2,500 ha in 2007, was charged with conducting the subcommittee, and after four months of hearings and deliberations, he presented a report that basically wrote into law the Attorney General's restrictions (Faro 2011). However, the chairman of the committee on agriculture that oversaw the subcommittee accepted a last-minute alternative report and bill proposal drafted by Marcos Montes, a right-wing and pro-agribusiness congressman, that removed all restrictions on acquisition of farmland by foreigners *except* for international NGOs, sovereign wealth funds, and state-owned enterprises—thereby singling out “green entrepreneurs” like Eliasch and the perceived Chinese land grabbers (Pereira 2012). Their justification was that Brazil needed foreign investments in its agribusiness, particularly the ITP and sugarcane/ethanol sectors, and that it was only necessary to distinguish between “productive” investments from “speculative” and “politically motivated” ones (*ibid.*).

“There is nothing wrong with foreign investments,” congressman Homero Pereira told me in our interview, “what we can't have are other State interest like the Chinese dominating our territory.”¹¹⁶ Later in 2012, the congressional committee on agriculture voted to approve the right-wing report that de-regulated foreign investments, opposed only by the minority of Workers Party and Labor Party congressmen. The alternative report was then formulated as a new bill proposal and sent to the other committees that needed to approve it before it was brought to a vote in the plenary. “Our strategy now is to attach this bill to our earlier ones on restrictions in the Amazon,” Beto Faro's staffer responsible for this subject matter explained to me soon after the vote in the committee on agriculture, “so that we can block it from the plenary” and enable the current restrictions to linger without new legislative expression.¹¹⁷ However, instead of prioritizing juridical or legislative action to dismantle the restriction, most foreign agribusinesses and their Brazilian landowning partners found it easier to work around the Attorney General's restrictions (Fairbairn 2015). After all, as an attorney who specializes in working with Chinese clients explained to me, “no one wants to pick a fight with the federal government when you might be going to them to ask for subsidized loans and other benefits.”¹¹⁸ Once the Workers' Party administration was removed with the impeachment of Dilma Rousseff in 2015, and the sinophobia of the early 2010s began to dissipate, the new neoliberal administration that seized power expressed it would soon remove those restrictions.

¹¹⁵ See footnotes 102 and 104 for more information and references on this legal issue. Complaints by land title registration officers and attorneys emphasized the need for new legislation that would update regulations, since the 1971 law to which the Attorney General refers does not address the inability to verify foreign control of complex and dynamic corporate structures; see for example Carpes (2011), Camargos (2011), Sarmiento Filho and Barbosa (2012).

¹¹⁶ Personal interview, Brasília, July 3, 2012.

¹¹⁷ Personal interview, Brasília, July 3, 2012.

¹¹⁸ Personal interview with Heloisa di Cunto, São Paulo, February 12, 2015.

7. Invasions and Evasions *redux*

The panic over “Chinese land grabbing” that swept the world after 2008, and which became embodied in the restriction on acquisition of farmland by foreigners in Brazil (and in Argentina) affected the Chinese debate on the “going out” strategies for agricultural investments. The fact that the restrictions in Brazil were implemented as direct response to CGG’s announced investment was highlighted in an influential report in Chinese media, which also quoted the vice-chairman of China’s International Federation of Agricultural Producers warning that Chinese investors need to overcome fears their proposed investments amount to “neo-colonialism” (Wang 2011; cf. Blas 2008; Rice 2009; Yan and Sautman 2010; Brautigam 2015). At the end of 2012, as part of the broader revision of policies and strategies that was taking place together with the transition of power from the Hu-Wen to the Xi-Li administrations, the central government circulated an internal report that showed about 60% of foreign investments announced failed to materialize, while another 25% were delayed or operating at a loss, and called for more careful approach to future investments, particularly in sensitive regions and natural resources.¹¹⁹ While it seems that the China Development Bank and the Ex-Im Bank were relatively generous in their willingness to finance international agribusiness projects from 2009 to 2012, they became noticeably more strict in their requirements for issuing loans for such operations thereafter. In 2013, the influential business magazine *Caijing* published the key findings of a series of reports from the Ministry of Agriculture that revised the focus of foreign agribusiness investments, explicitly discouraging land acquisitions and promoting instead investments in agricultural processing and logistics infrastructure (Jian 2013, cf. Guo and Meyers 2017). That moment marked the consolidation of central government policy in favor of promoting foreign agribusiness investments through its leading state-owned agribusiness companies, dubbed Dragon Head Enterprises (Schneider 2017), such as COFCO and ChemChina, that were successfully starting orchestrate major M&As of transnational agribusiness companies operating primarily up- and downstream from farming itself. As the president of COFCO described their strategy, “the ABCD firms offer a good example for COFCO given their successful involvement throughout the industry supply chain’, explaining that the ABCD are not involved in farming but instead procure crops from farmers and provide agricultural services and infrastructure” (Guo and Meyers 2017: 99, quoting Patrick Yu in 2011). And indeed, in 2012 the chairman of COFCO announced they planned to invest as much as 10 billion USD in the next few years on M&As, and their acquisitions of the transnational agribusiness trading companies Noble and Nidera launched in 2014, alongside ChemChina’s incorporation of the world’s second largest seed and agrochemical company Syngenta in 2016, became the largest (albeit indirect) Chinese agribusiness investments in Brazil and the world. The sinophobic focus on feared “land grabs”, therefore, also largely detracted from a more accurate understanding of the complex and diversified strategies of Chinese agribusiness investments abroad, and obfuscated particularly the completely distinct strategy of transnational M&As pursued by the Dragon Heads.

The sinophobic manner in which Chinese agribusiness investments in Brazil (and beyond) were imagined to focus on “land grabbing” did generate enough concern and restrictions that halted or reduced some large-scale farmland investments that were being sought in the aftermath of the 2008 crisis. But while those companies were imagined to be powerful representatives of a concerted effort by “Beijing” to secure farmland abroad to attend domestic food security concerns, they turned out to be merely “Paper Tigers” operating independently during a moment of policy uncertainty and

¹¹⁹ The report was not made public, but it was referenced in several of my interviews with agribusiness executives, policy-bank officials, and government bureaucrats familiar with the topic from 2013 to 2015.

experimentation. Moreover, the Brazilian debates turned around concern over land grabs and the restrictions implemented (and subsequently debated among Congressmen, lobbyists, social movements, etc.), but actually overlooked how largely ineffective the measure was at halting the massive inflow of foreign capital into Brazilian agribusiness, including farmland, through new financial instruments such as farmland management companies and Argentinian *pools de siembra*, Timber Investment Management Organizations (TIMOs), and joint-ventures for sugarcane/ethanol mills and their associated fields (HighQuest Partners-United States 2010; O Globo 2013; Fairbairn 2015; Oliveira and Hecht 2016; McKay et al. 2016; IBA 2016). The focus on “Chinese land grabs” served to shift attention away from these investments, particularly in the sugarcane/ethanol and ITP sectors, which continued to be main channels through which foreign investors gain control over Brazilian farmland (ibid.). Most importantly, it also obfuscates how financial and agroindustrial capital from the Global North—especially the United States, western Europe, and Japan (see Tables 3 and 4 in Chapter 1, and also Starrs 2014; Hung 2016)—continued to far outpace incipient and highly troubled investments from new entrants such as China and other land-poor/capital-rich countries such as South Korea and the Gulf States.¹²⁰

Still, the most alarmist accounts of Chinese “land grabs” in Brazil draw upon the uncertainty generated by capital flows through tax havens, and the non-transparent nature of public data issued by the Chinese government and the Central Bank of Brazil to sustain their estimates that as much as 7 million hectares may have been “grabbed” by Chinese investors in Brazil (Acioly, Pinto and Cintra 2010; Faleiros et al. 2014; on the uncertainty of this data, see Oliveira 2015). However, I was only able to identify two examples of Chinese capital using such channels for obtaining farmland investments in Brazil, and both cases actually illustrate how such Chinese investments were fostered at a moment of sinomania in the aftermath of the 2008 crisis, but didn’t in fact characterize the sort of state-led land grabbing for attending concerns over food security. In fact, the attempt to leverage Chinese capital collapsed in both cases, and gave way to the consolidation of an alliance between Global North actors with Brazilian agribusiness and financial elite over the sector.

The first example is CalyxAgro, a farmland development and management company launched by the French-based Louis Dreyfus Commodities in late 2007. It incorporated the US insurance giant AIG as its most important minority shareholders in May 2008, and used those funds to acquire three farms with a total of 27,398 hectares for producing soybeans in northeastern Brazil. They hoped to reach 100,000 hectares already by the end of 2008.¹²¹ That expansion was halted, however, when AIG went bankrupt that September, as it was one of the largest holders of distressed mortgages when the housing bubble burst in the US that year—and the Hong Kong-based Pacific Century Group purchased AIG’s investment arm, including its 37% share of CalyxAgro. That stoked both sinomania and sinophobia, depending on one’s perspective on Chinese capital replacing the failed US insurance giant in this transnational agribusiness venture, and enabled CalyxAgro to continue operating in 2009 and seeking further farmland investments in Brazil and Argentina. But once restrictions on farmland

¹²⁰ The Brazilian Institute of Trees (IBA), which was created in 2014 by the merger of all forestry and timber processing associations in Brazil, calculated that between 2007 and 2010, about 2.1 million hectares were added to Brazil’s stock of ITPs. Expansion slowed down dramatically after 2010 due to the AGU restrictions, when only about 700 thousand more hectares were added, and the financing of the sector also transformed in a very illustrative way. While 46% of all expansion between 2007 and 2015 was publicly financed by the Brazilian national development bank (BNDES), the share of ITPs controlled by TIMOs jumped from less than 3% to about 10%, an amount that matches almost the entirety of the expansion of the sector since 2010 (IBA 2016). Notably, as many as 95% of TIMOs operating in Brazil until 2010 were controlled by capital and managers from the US and Canada (Pela 2010), and although China is alongside Brazil among the top timber producers, their ITP sector is similarly a recipient of transnational investments from the Global North, rather than a major source of such investments (Dauverne and Lister 2011; Kröger 2014, 2016).

¹²¹ Estado de S. Paulo 28/08/2008: B4.

acquisitions by foreigners were imposed in both countries, CalyxAgro halted the acquisition of another 33,954 hectares in Mato Grosso state and shifted its investment strategies to Uruguay and Paraguay, where it has expanded primarily through land leases rather than farmland acquisitions (Laperouse 2012). However, even there its expansion has been largely delayed after 2011, when it became targeted by a transnational social movement campaign to halt the approval of a major loan for its subsequent farmland acquisitions in South America, which used its request for World Bank funds to leverage a high-profile campaign against land grabbing (Grain 2011b; Correio do Brasil 2011). Having been unable to succeed in its farmland investment misadventures, Louis Dreyfus apparently began trying to divest from CalyxAgro in 2013 (Relatório Reservado 2013). Notably for the purposes of this investigation, the Pacific Century Group that incorporated AIG's share in CalyxAgro is led by Richard Li, son of Li Ka-shing, one of Hong Kong's most prominent oligarchs, considered by Forbes to be Asia's richest person. So its partnership with the French-based Louis Dreyfus in this project should be more carefully defined as a somewhat unsuccessful strategy of portfolio diversification by one of Hong Kong's leading conglomerates, a far cry from the imagined state-directed "Chinese land grabs" that some feared.

The second example, Agrifirma, is even more illustrative of the leading role played by actors Global North in farmland investments in Brazil, even when they were largely geared towards attracting Chinese capital, and how the latter were ultimately replaced by Brazilian agribusiness and financial elite themselves. Agrifirma emerged in late 2007 with a transition of a UK-based hedge fund from investments in minerals to agricultural production. Its British executives leveraged the 2008 food price crisis to boost their new venture, successfully assembled 154 million USD from the finance magnate Lord Rothschild and other (mainly British) investors, recruited the ex-Minister of Agriculture of Brazil Roberto Rodrigues to its board of directors, and hired his son as Chief Operating Officer (Mackintosh 2009). They acquired about 42,000 hectares in Bahia state, which they intended to "develop" for soybean production, but their plans for fast-paced expansion to set boost an Initial Public Offering were delayed by the dramatic crash in commodity prices and the onset of the global recession in 2009 (Foster 2009). That was when China became more than a mere market for agricultural commodity experts in their eyes, as the Hong Kong hotel and real estate oligarchs Raymond Kwok and Adrian Fu were willing to pour another 25 million USD to sustain Agrifirma's project in Brazil. "There is a shortage of farmland in China itself," Adrian Fu explained to the Financial Times reporters investigating their entrance into the UK-led agribusiness investment project in Brazil, "eventually China will have to go abroad to source crops" (Mitchell and Cookson 2010). Kwok and Fu's shares in Agrifirma were relatively small but extremely important, as they became the key strategists for Agrifirma's proposed IPO, no longer planned to take place in London, New York, or São Paulo, but in the Hong Kong stock exchange. Agrifirma was registered in Jersey, a tax haven through which its British capital was channeled through Brazil, but its operations were undertaken through a Brazilian subsidiary (Agrifirma Brazil Ltda.), and had Kwok and Fu's plan for its IPO gone through, it would have become the first "Brazilian" company to be listed in the Hong Kong stock exchange. In July 2010, Kwok and Fu also brokered negotiations between Agrifirma and several possible Chinese investors, including China's sovereign wealth fund (China Investment Corporation-CIC), hoping to raise between 100 and 200 million USD before its proposed IPO. But the CIC had prioritized its investment in the Noble Group (from which it would eventually coordinate COFCO's acquisition of its agribusiness operations in 2014), and Agrifirma's attempt to woo more Chinese investors ended with the Brazilian government's thinly veiled sinophobic imposition of restrictions on acquisition of farmland by foreigners. The plans for the Hong Kong IPO were scrapped, and Roberto Rodrigues, the Brazilian ex-Minister of Agriculture on the board, devised a way for his company to bypass the restrictions through corporate restructuring: Brazilian private equity investors (BRZ Investimentos) were brought in as minority partners, but through a corporate sleight-of-hand that left them with

majority share of a new subsidiary that held property of their farmland, while Agrifirma itself was renamed Genagro and retained the majority share in the new overarching corporate structure, but only indirect control of the farmland through its “Brazilian-owned” subsidiary (Agrifirma Brazil 2011; Jones 2011). It has since expanded its portfolio to 71,276 hectares, including 14,910 ha under lease and 56,366 ha of its own ownership (Agrifirma Brazil 2016), but hasn’t yet launched an IPO at any stock exchange.

Such deliberate evasions of the Brazilian government’s restrictions on foreign investments in farmland were widely practiced after 2010 by similar alliances between investors from the Global North and their Brazilian agroindustrial and financial partners (Fairbairn 2015; Oliveira and Hecht 2016), who as I have show largely stoked the sinophobic discourse of “Chinese land grabs” even while they jockeyed for minority partnerships in new farmland investment vehicles such as CalyxAgro and Agrifirma. However, a few among the savviest Chinese agribusiness investors were also making their own evasive deals, albeit in a much smaller scale than the hegemonic partnerships between agribusinesses and financiers from the Global North and their Brazilian partners. An example that brings the narrative of this chapter full-circle to Amazonian forestry investments is the interestingly named Brazil Timber Group Ltda.

The Chinese-owned Brazil Timber Group began operations in Brazil in 1999, as soon as private Chinese timber companies were allowed to “go out” and invest abroad, and selected this name at the suggestion of their Brazilian partners in a deliberate attempt to evade the orientalist xenophobia that had been boiling over the “Asian timber companies” that were “invading” the Amazon. The company continues in operation today and under majority control of its original Chinese investors, exporting round wood and minimally processed timber to China itself, but its operations have been entirely controlled by a Brazilian manager who, like Lu Weiguang’s Brazilian partner Durksi, made her career in brokering (*agenciamento*) timber sales from the Amazon. She accepted my request for an interview, taking me out for lunch in one of Belém’s most expensive restaurants to tell me about the success of their company: “This only works because He [the Chinese owner of the company] trusts me completely, and gives me full control of operations,” she explained, adding that most other Chinese timber companies that attempted to operate in Brazil since the late 1990s failed because they relied on their own “inexperienced” Chinese managers.¹²² When I asked if they owned any land, she scoffed: “That is completely unnecessary, it is much better to source the timber from third parties who extract it on their own... our work is really about brokering [*agenciamento*] and making all the paperwork.”¹²³ That paperwork is fundamental, and fundamentally flawed, as she confessed that “80% or more”¹²⁴ of all the paperwork used by the timber industry in Brazil (such as timber management plans, extraction certificates, and all other necessities for environmental licenses) are forged. “The regulations in fact only create a market for these papers,” she explained just as her cell phone rang and she interrupted our interview to deal with one of her subcontractors.¹²⁵ “Cellphone signal is terrible out in those boondocks, you know, so when they get a call through to me I must take it to make all the necessary arrangements.”¹²⁶ After further conversation, she revealed that He does in fact own land in Brazil, about 20,000 hectares on Marajó island, at the mouth of the Amazon river, “but that is just for him to have, we don’t need or use that for timber extraction.”¹²⁷ As we ended our lunch and the extremely frank conversation, she bragged about how their company has been able to grow even after

¹²² Personal interview with the executive director of the Brazil Timber Group, Belém, August 4, 2015. The name she mentions has been changed to a pseudonym.

¹²³ *ibid.*

¹²⁴ *ibid.*

¹²⁵ *ibid.*

¹²⁶ *ibid.*

¹²⁷ *ibid.*

the post-2004 downturn of Brazilian tropical timber exports to China, and even weathered the crisis years of 2009 and 2010 to remain profitable. I could not independently verify these claims, but I have no doubt that her account of what made their company successful when basically every other Chinese timber investment in Brazil failed is quite right. “We keep a low profile,” she asserted proudly, “and He basically allows me to run the company alone.”¹²⁸

This willingness to leave an investment in the hands of Brazilian or other foreign managers and keep a low profile are two of the key characteristics that largely distinguishes successful M&As by Dragon Head enterprises from the failed direct investments and operations of Paper Tigers, as I will argue in chapters 6 and 7. There I will show how a series of misadventures characterize the attempted land grabs and failed operations of the Fudi-Beidahuang joint-venture and the CGG in soy production, and the Shandong Guanfeng palm oil project. I will also explain how the Goiás state government attempted, and failed, to broker investments with the CNADG and the Sanhe Hopeful, showing that in parallel with the Brazilian social movement and government’s successful attempts to halt land grabs by the Paper Tigers, there was also a largely unsuccessful strategy to direct those investments to finance and infrastructure for Brazilian soy producers. That inability to channel Chinese agroindustrial investments according to the priorities of the Brazilian government and agribusiness sector is also expressed in the manner that the Dragon Heads that I examine launched M&As without reliance on Brazilian government officials or even Brazilian agribusiness partners. The essence of that approach will be exemplified by the successful entrance of the China Tobacco International into southern Brazil through a joint-venture with one of the three largest tobacco trading companies in the world (all from the Global North), and ChemChina’s acquisition of the Swiss-based Syngenta, which holds a significant market share of seeds and agrochemicals in Brazil (far outpacing other attempts by smaller Chinese companies to enter the Brazilian agrochemical sector through direct investments), and COFCO’s acquisitions of the transnational trading companies Noble and Nidera. Through this deal, COFCO acquired control over several seed production facilities, warehouses and ports for soy, cotton, maize, wheat, coffee, and sugar exports, and even about 145,000 ha of farmland associated with four sugarcane/ethanol mills. Ultimately, that invasion/evasion of Chinese agroindustrial capital into Brazil completely bypassed the entire framework of both land grabs and sinophobia examined in this chapter. Moreover, it was hardly a break from the existing neoliberal landscape of transnational agribusiness, but rather the inclusion of emerging elites from China and Brazil into this transnational class of agribusiness professionals. In the next chapter, I examine how these agribusiness professionals emerging from Brazil and China transform transnational investments into forms of power and profit by assembling Chinese capital with Brazilian agribusiness, advancing a theory-method of critical global ethnography for the study of the emerging Brazil-China agroindustrial assemblage.

¹²⁸ *ibid.*

Chapter 5

Boosters, Brokers, Bureaucrats, and Businessmen: Assembling Chinese Capital and Brazilian Agribusiness

1. A notable and illustrative exception

Three days after the World Cup final in 2014, about four hundred Chinese boosters, brokers, bureaucrats, and businessmen (mostly men) flocked into the National Industry Confederation (CNI) building in Brasília for a “Corporate Seminar”. Most were only passing through, but about a fifth lived or worked in Brazil most of the year. The occasion was the celebration of the 40th anniversary of diplomatic relations between Brazil and the People’s Republic of China, for which president Xi Jinping extended his visit from the championship final to a very high-profile state visit. In hosting her counterpart, president Dilma Rousseff wanted to set the strategic direction for their economic relations – in particular, lifting the Chinese embargo on Brazilian beef exports, and orienting Chinese investments from farmland and minerals to large-scale infrastructure and industry.

Despite all the pompous official speeches and pundit commentary about the commercial complementarity of Brazil and China, marked by Brazilian agricultural exports to China yielding in return a strong appetite for investments in the sector, it was not a good moment for direct Chinese investments in agribusiness. As seen in the previous chapter, the negotiations for massive Chinese investments in farmland for soy production between 2009 and 2011 had triggered a strident push-back against “foreignization” of land in Brazil, and most bureaucrats and businessmen who actually knew the few direct Chinese agribusiness investments taking place in the sector were realizing they were *far* more limited and troubled than most imagined.¹ The savviest among the Brazilians and Chinese brokers and businessmen engaged in the agribusiness sector realized that mergers and acquisitions (M&As) rather than direct investments were the best way to enter and gain control of market share in Brazil (as will be discussed further in the next two chapters). Yet none of those global-level M&As were announced on this state-visit, even though they already represented at that moment the largest, albeit indirect, influx of Chinese capital in the agribusiness sector that operates in Brazil. The BBKA Brazil agroindustrial project then underway in Mato Grosso do Sul state was a rare exception. But precisely for this reason, the BBKA BRAZIL case is illustrative of the conditions of possibility for direct China-Brazil agroindustrial partnerships – and particularly the key role played by an emerging transnational class of boosters, brokers, bureaucrats, and agribusiness officials who assemble Chinese capital with Brazilian agribusiness.

Among the Chinese executives that day at the “Corporate Seminar” in Brasília was a tall, soft-spoken man from Anhui province with a calm demeanor and slightly greying hair: Li Rongjie (李荣杰), president of the Anhui Fengyuan BBKA Co., known more commonly and in this dissertation as the BBKA Group, and his vice-president for foreign affairs Cao Mengchen (曹孟臣), a shorter man with a stern face. They were briefly introduced to the Brazilian president by their Brazilian business partner Ignácio de Moraes Jr. and his director of international relations José Augusto Rodrigues Gonçalves, known as Gonça. Ignácio smiled proudly in the brief photo-op with his not-so-new business partner and the Brazilian president (Figure 1), as this moment marked visually the inclusion

¹ Direct Chinese agribusiness investments in soybean and oil palm plantations (discussed in greater detail in chapter 6) were bleeding money and falling into serious crisis at that moment, while a handful of agrochemical and agroindustrial negotiations languished, and a minority investment in a new port terminal in Santa Catarina state was falling seriously behind schedule (as discussed later in chapter 7). See also Oliveira (2015, forthcoming).

of the agreement between the BBKA Group and his JIJ Group in the official roster of 45 agreements signed “in the context” of the state visit or “in the presence” of the presidents themselves. Even though Li’s company proposed the installation of a greenfield agroindustrial project (i.e. new construction, rather than acquisition and upgrading of existing assets), it involved maize *processing* rather than plantation, and the subsequent use of this processed grain for the production of citric acid (a major chemical commodity destined for beverage, food, and other industrial processing). In other words, it was regarded not merely as an agribusiness project, but a *chemical industry* project that could “upgrade” the Brazilian agroindustrial processing technology and capacity, aggregating value to agricultural commodities and generating employment within Brazil itself. Thus, the BBKA Group and its Brazilian partners in the JIJ Group were able to set themselves as an exemplar direction for Brazil-China agroindustrial partnerships.

Figure 1. “Bença madrinha!” (Your blessings, godmother!)



Source: www.jljempresas.com.br Left to right: “Gonça”, JIJ director of international business; Li Rongjie, president of the BBKA Group; Ignácio de Moraes Jr., president of the JIJ Group; and Dilma Rousseff, president of the Republic of Brazil. This extremely strategic meeting only lasted a few moments to exchange pleasantries and demonstrate political support for their partnership.

The formal Portuguese-language announcement of the BBKA-JIJ agreement itself only referred to the Brazilian-led effort at exporting processed foods from Brazil to China, while the maize processing and citric acid project was only included in the Chinese version of the document. In any case, the announcement hardly featured in most news articles in Brazilian and Anglophone media, as it was eclipsed by the higher-profile diplomatic declarations and financial, infrastructure, and oil-sector agreements. However, it was now a public fact that could be, and *was* mobilized to demonstrate political support for the agroindustrial partnership – particularly with the China Development Bank

and the China Export-Import Bank, the main financiers of the BBKA-JLJ partnership project in Brazil.² As a whole set, the business agreements signed during Xi's visit were well touted in most Brazilian media to celebrate the rising political and economic power of the country in the world stage. Moreover, Rousseff was up for reelection later that year, while Xi in turn had assumed office just the year before and sought to roll out his own administration's policy of accelerating Chinese foreign investments. Therefore, at this high-government level and for joint domestic and international audiences, the priority was to announce agreements that would inflame the figures of trade and investment in terms of billions. Even if most of the investment announced were actually established previously and with hardly any protagonism of the central/federal governments (as was the case for the BBKA-JLJ partnership). In fact, most Chinese capital that entered Brazilian agribusiness and related infrastructure before and after that event did so almost independently of the announcements of that day and the bulk of the people in those halls. Yet announcements such as these are often taken at face value in the existing literature on Brazil-China relations and transnational agroindustrial investments (CEBC 2011, 2013; Wilkinson and Wesz Jr. 2013; Faleiros et al. 2014; Ma and Tian 2015; Guo and Myers 2017; Powell 2017). "Globalization" appears as an epiphenomenal and inevitable process, capital appears to move and nestle seamlessly across borders, corporate and government elites appear to dictate policy and projects "from above", and somehow all pieces fall into place. Clearly, however, this underestimates the complexities of what it takes for transnational partnerships and agroindustrial investments like this to take place, and with what consequences for our empirical and theoretical understanding not only of Brazil-China agroindustrial partnerships, but also the "south-south cooperation" and transnational class formation that it illustrates.

Certainly this was a key moment in the *process* through which a Brazil-China agroindustrial assemblage emerges, a new set of linkages in transnational production networks and power relations through which new agroindustrial elites arise from these countries. Yet the non-linear, contingent, and contradictory nature of this process tends to be overlooked in the literature on Chinese investments in Brazil (*ibid.*), and on transnational capitalist class formation (Sklair 2001; Robinson 2008; Carroll 2010). In Part II of this dissertation (i.e. this and the two subsequent chapters), my purpose is to deepen these literatures through the practices of critical global ethnography (Burrawoy et al. 2000; Tsing 2005; Hart 2006; Roy 2012) and the conceptual apparatus of "assemblages" emerging in human geography (Hollander 2010; Anderson et al. 2012; Watts 2012; Prince 2014). Rather than equating announcements with investments themselves, and postulating a somewhat coherent transnational capitalist class from the interconnections between elites across the highest echelons of state and corporate governance, I argue we must adopt theory-methods that enable us to focus on the *process* through which actors seek class ascendance and transnationalization by assembling transnational investments. Thus, transnational class formation needs to be understood to take place at every link of this process, from high levels of corporate governance all the way to the local level technocrats that actually "ground" these transnational capital flows into specific places.

In this chapter, I trace the genealogy of the Chinese-owned Brazilian company BBKA Brazil and its agroindustrial project in Mato Grosso do Sul (MS) state. Thereby, I illustrate the conditions of possibility for Chinese direct investments and Brazil-China agroindustrial partnerships more generally. This approach improves our understanding of transnational class formation by situating the

² Personal interview with Cao Mengchen, Campo Grande, MS, October 27, 2015: "In China its always the same... When Mr. Xi visits [some place], you can get better attention... Its advertisement without paying anything... But actually... the most important is that when Mr. Xi personally participated in the signing, [people see that] these entrepreneurs are becoming very important [and] in China the government people will know this project. You know why this is important. All projects need money, support from the bank. [This way] the bank will give you less barriers: 'Oh, you have a project signed during Mr. Xi Jinping [i.e. his state visit]?! We should respect this politically.' Otherwise you many need to get approval from many different people. But when they see, 'Oh, this is signed during Xi Jinping? Ok then, done!'"

indeterminate, contingent, and contradictory structuring forces of Chinese agribusiness investments in Brazil, and the ways in which they are converted into forms of affluence and influence (cf. Watts, 2012). Moreover, I argue it is the particular work and set of skills of certain key characters, especially middling and local level technocrats who actually “ground” these transnational capital flows into specific places (cf. Roy 2012; Prince 2014), that both enables the successful implementation of transnational investments, and also explains why such projects propel them while marginalizing others, increasing social inequality, and aggravating environmental degradation. In this chapter, I first overview how the BBKA Group become world leaders in the citric acid industry, and why have they been seeking to expand to Brazil. Then I describe how the BBKA-JLJ partnership was established, and how their project was assembled in the small town of Maracaju, MS, despite significant social and environmental complications – particularly the rushed environmental licensing, expropriation of neighboring farmers, and marginalization of the indigenous Guarani-Kaiowá community. Finally, I draw theoretical/methodological considerations for the study of “south-south cooperation” and transnational class formation.

2. BengBu Citric Acid and the Huai River

3-carboxy-3-hydroxypentanedioic acid ($C_6H_8O_7$) is an organic compound that occurs naturally in citrus fruits, from which it had been crystallized directly for centuries to attend diverse uses like food preservation and medicinal concoctions. Industrial-scale production began in Italy in 1890, integrating the early arsenal of chemical industries that sought new compounds and applications for everything from dyes and fertilizers to pesticides and chemical weapons.³ In 1917, war-time interruptions in citrus and chemical trade motivated a food chemist in the US to synthesize citric acid by fermenting glucose with *Aspergillus niger* as yeast. Fermentation remains the predominant method still used today by BBKA and other citric acid producers, who crush sugarcane, maize, sweet potatoes, or other cheap feedstock to derive glucose as their main substrate. This need for large volumes of agricultural feedstock sustains strong linkages between citric acid producers and agro-industrial and food processing companies to this day all around the world. Over the course of the 20th century, citric acid became gradually incorporated into the production of hundreds of pharmaceuticals, cosmetics, detergents, and processed foods. Above all, citric acid has become the preeminent acidity regulator for Coca-Cola and other sodas and sugary beverages, gobbling up over half of all citric acid production worldwide. With the advent of modern biotechnology, *Aspergillus niger* has been replaced with genetically modified yeasts developed and maintained under the strictest industrial secrecy practices. After all, since there are no significant technical or economic differences in crushing sugarcane or maize to produce glucose, developing and controlling the most efficient biotechnology to reduce production costs and yield greater quality product has become the main way for citric acid companies to compete against each other. That, and forming price-fixing cartels, jockeying over international trade tariffs and anti-dumping measures, and relocating production facilities across continents to escape environmental regulations and international trade barriers, and to capture the benefits of cheaper inputs, lower labor costs, and government subsidies all around the world.

Citric acid production during the 20th century was almost entirely controlled by chemical and agroindustrial companies in the US, Europe, and in latter decades, Japan and South Korea as well. Like so many other industries, these companies began relocating to China during the 1980s to capture windfall profits from cheaper production costs the market-based and export-oriented reforms enabled

³ For broader context on the development of the chemical industry during the late 19th and early 20th centuries, and how it has always been intimately related with agriculture, militarism, and geopolitics, see Hager (2009) and A. Romero (2015).

there (Perlitz 2005, Feng 2008, KPMG 2013). Citric acid producers in China grew significantly during this period, and among them was the Anhui Fengyuan Company (established in 1958, it began producing citric acid in 1968). It operates on the banks of the Huai river in the city of Bengbu, Anhui province, alongside many other industries. Agricultural feedstocks and labor costs were certainly cheaper in China at the time, but it was the lack of environmental restrictions that really tipped the scales in favor of the burgeoning chemical industry in China, including the agroindustrial processing company that would become the core of the BBKA Group. Managing such environmental problems was key to the transformation of the BBKA under Li Rongjie's direction, and to their efforts at “going out” to Brazil as well.

Fermentation and processing of citric acid requires large quantities of agricultural substrate from which to extract glucose, processed with huge volumes of water, which become contaminated during the process. With the advent of biotechnology for fermentation, companies began to apply extremely toxic fungicides to their effluents in order to destroy any leftovers of their highly prized and rigorously protected GMOs. After all, if a competitor were able to steal the highly efficient GMO developed by another company, they could match their lower production costs and higher quality without having spent anything on research and development. And in fact, this is precisely what ADM – the leading citric acid company in the US – was unmasked to be doing against their European, Japanese, and South Korean competitors during the early 1990s (Eichenwald 2000). An agroindustrial chemistry expert who I interviewed on condition of anonymity also remarked that rumors of Chinese industrial espionage for GMOs are rife in the sector. I have no evidence to dismiss or corroborate such claims of Chinese industrial espionage, but there is no dispute about the fact that in the late 1980s and early 1990s China had a significantly more lenient environmental regime (the Law of Water Pollution Control was only enacted in 1996). So while ADM and other citric acid companies in the US, Europe, and Japan began facing mounting production costs to treat their contaminated effluents, the BBKA was able to simply flush out its toxic waste. And together with its neighboring industries, they quickly turned the Huai into the most polluted river in China.⁴

Bengbu (蚌埠) means “oyster wharf”, hearkening to the city’s reputation as a former freshwater pearl fishery – but oysters no longer survive on the Huai after the industrialization of Anhui at neck-breaking speed. A pollution surge in 1994 resulted in such massive fish kills, widespread human illness, and the need to shut down irrigation, industrial, and municipal intakes (World Bank 1997), that a central government crackdown was triggered. The State Environmental Protection Administration (SEPA) targeted BBKA as one of nineteen enterprises causing the most serious pollution, and demanded the company install effluent treatment mechanisms to meet national pollutant discharge standards (China Daily 2004). The company had already made heavy investments to expand production, and this need to make the additional investments for environmental upgrading could not have come at a worst time: during the early 1990s the US agroindustrial processing company ADM successfully organized a cartel with the leading Japanese and South Korean companies in the sector⁵ to fix prices of citric acid and lysine, and cut off competition from Chinese companies (Eichenwald 2000). With its exports undermined, the BBKA owed over 63 million RMB (7.24 million USD) by the end of 1994, while its assets were worth less than 50 million RMB (5.65 million USD).

⁴ The Huai river (淮河) is one of China’s most important – its basin produces 1/6 of China’s food and 1/4 of its cash crops, with only 1/12 of the arable land of the country. It runs through Henan and Anhui provinces, covering much of central China south of the Yellow river before flowing into Jiangsu province and the Yangzi river as one of its major tributaries. Centuries of deforestation on its banks, and the inflow and outflow of the Yellow river from its basin between the 12th and 19th centuries made it notorious for flooding. But with the accelerated industrialization of China since the 1980s, the notoriety and concerns over the Huai shifted from flooding to pollution.

⁵ Ajinomoto and Kyowa Hakko Kogyo in Japan, and Sewon and Cheil Jedang in South Korea.

Consequently, the BBCA had to suspend operations and found itself on the brink of bankruptcy. Recognizing the importance of the company for the continued economic development of the city and region, the Bengbu municipal government intervened, appointing Li Rongjie to restructure the company. An astounding reversal began to take place, tying the BBCA and Li Rongjie into “a legend in the citric acid business in China” (Zhao 2000) and, we may now say, the world.

Li was merely 31 when the Bengbu city government elevated him from plant manager to president of the company. Holding a master’s degree in food/chemical engineering and a penchant for cutting costs, Li embodied the shift from bloated and unprofitable management through rigid corporate reform and technological innovation. Immediately he dismissed 75 of the 132 managers in the company and 46% of the remaining workforce, and reshuffled its top management to bring in colleagues he could trust and who had also obtained advanced degrees in chemistry and engineering. Among them were his childhood friend Cao Mengchen, who already worked at the BBCA and had studied English in addition to chemical engineering, and the recent food engineering college graduate hired the following year Yu Shiqing (余诗庆), who would also obtain a master’s degree and teach at the university level at some moments on the side. Both would later become the key operatives of BBCA’s “going out” strategy. Li also pushed for a shift from sweet potato to maize as the main feedstock used by the company, which required substantial technological innovation in processing and fermentation, but also produced better quality citric acid, reduced polluting dregs from their effluents, and generated additional and more profitable co-products, particularly distiller’s dried grains with solubles (DDGS) and other byproducts that can be used for animal feed production. The mythology is that these business “bosses” are self-made men, and the subsequent success of the BBCA Group as well as the “environmental upgrading” of the company are an accomplishment of their improved management and technological innovation. This is partially true, as they have indeed played crucial roles in the process, and their story of class ascendance and transnationalization is indeed remarkable. But it is also undergirded by substantial financial support from the state and transnational capital (not to say anything about the labor of countless individuals that remain nameless in these accounts), and also strongly colored by political favors and contingencies.

The Bengbu city government injected massive amounts of capital to make the upgrades necessary for the company to comply with environmental regulations.⁶ Moreover, the much costlier environmental restoration was externalized to the central government that, together with the Anhui provincial government, began to invest hundreds of millions of US dollars each year in what became the first river restoration project in China. These projects obtained as well technical and financial support from the Asian Development Bank and the World Bank.⁷ This illustrates perfectly the dramatic shift in market reforms in China from the 1980s, when support flowed primarily to township and village enterprises that increased the income of peasants and decentralized industrialization, to the 1990s when state support and foreign capital were channeled instead to consolidating large-scale state-owned enterprises oriented towards exports and urban infrastructure that aggravated rural-urban

⁶ The BBCA Group has since been restructured several other times to incorporate additional companies acquired elsewhere in China, including an ethanol enterprise, and the incorporation of 50% of its flagship biotechnology company into a joint-venture with the central government-owned and top food processing company COFCO, taking as well the latter and two other of its subsidiaries into the Shenzhen stock exchange to raise further capital for “going out” (000153.SZ, 000409.SZ, 000930.SZ). Currently, the Bengbu municipal government remains the largest public investor in the BBCA Group, but its share has been reduced to merely 30%, while Li Rongjie himself, other top managers, and a few undisclosed “strategic investors” control the rest.

⁷ Asian Development Bank loans 1490/1491-PRC in the amount of 334 million USD for the Anhui Industrial Pollution Abatement Project (est. October 1994) and other related projects (ADB 2005); and World Bank Huai River Pollution Control Project, CNPA41888, in the amount of 78.5 million USD for environmental monitoring and restoration (report number PIC4348, World Bank 1997).

inequalities (Huang 2008). These environmental and financial subsidies effectively bailed out the BBCA, enabling it to avoid bankruptcy and survive the next two crucial years, until the ADM-led citric acid and lysine price-fixing conspiracy was unmasked by an informant within ADM itself (Eichenwald 2000).⁸ The break-up of the ADM-led cartel in 1996/1997, and the Chinese government and multilateral bank support for environmental upgrading, burst open the gates for the restructured BBCA to flood international markets with cheap citric acid, pushing China to surpass the US as the world's largest producer, and radically transforming the industrial geography of the sector since then. In 1998, Li added "BBCA" to the company's name, standing for BengBu Citric Acid, in order to facilitate its identification by and relations with international traders. By 1999, Cao Mengchen, company vice-president and Li's right-hand man for international operations, had opened trading offices in Los Angeles, Paris, and Rotterdam, and the restructured BBCA was not only generating profits, but also supplying 8% of the international citric acid market.

Between 1997 and 2007, while production and exports expanded rapidly in China, companies like ADM, Tate & Lyle, and Bayer that had been responsible for the bulk of global production until then shut down several citric acid factories in Europe and the US, accounting for 15% of global production towards the end of this period (Wippler 2011). Meanwhile, these companies shifted their citric acid production to countries with abundant and cheap sugarcane or maize, cheap but qualified labor, lenient environmental regulations, and favorable policies for transnational agroindustrial investments, such as Brazil.

The German chemical conglomerate Bayer had already purchased a bankrupt sugarcane mill in Brazil in 1990 (the Amalia Mill of the Matarazzo Group in Santa Rosa de Viterbo, São Paulo state) with the intention to modernize the facility for the production of ethanol and chemical products, but in 1998 it sold the mill to the leading English citric acid producer, Tate & Lyle, for 250 million USD. Two years later Tate & Lyle invested an additional 60 million USD to triple its citric acid production capacity, making it a large-scale producer (at 20,000tons/year production capacity). That same year, the leading US agroindustrial trading and processing company Cargill invested 88 million USD to expand its operations in Uberlândia (Minas Gerais state, Brazil) and incorporate citric acid production, also at large-scale (30,000tons/year).⁹ During the 2000s, Tate & Lyle and Cargill attended the bulk of the Brazilian market and even transformed momentarily the country into a net citric acid exporter, selling their surplus primarily to other countries in Latin America. By 2010, however, when Cargill invested another 114 million USD to increase its maize processing capacity by 70%, the company didn't expand its citric acid production, which had stagnated given mounting competition with cheaper Chinese imports. Indeed, between 2009 and 2012, Brazilian imports of citric acid from China expanded 60%, and the country became once again a net importer of citric acid. By then, the BBCA had become the world's leading citric acid exporter, holding single-handedly about 20% of international market share.

After losing their ability to manipulate prices and exclude Chinese competitors through a cartel, shutting down factories in the US and Europe, and shifting production to cheaper countries, when they began facing stiff competition from Chinese imports – above all from the BBCA Group – even in countries like Brazil, the major US and European citric acid producing companies launched coordinated lobbying efforts to set up anti-dumping measures against Chinese exports. Such trade

⁸ This became the first successful prosecution of an international cartel by the US Department of Justice in more than 40 years, resulting in 105 million USD in criminal fines (a world record antitrust fine at the time) and one of the best documented white-collar crimes in history, famously depicted in the corporate thriller *The Informant* (Eichenwald 2000) and adapted into the film by the same title starring Matt Damon in 2009.

⁹ Cargill had been established at that site with a soybean processing facility since 1986, and it had been crushing maize as well for the production of starch and glucose (the precursors to citric acid production) since 1990.

barriers had already been successfully established in Europe and the US by 2010, when Cargill and Tate & Lyle put aside their differences as local competitors to establish the Association of Citric Acid and Derivatives Industry (Abiacid) in Brazil. By then, Tate & Lyle's distribution became almost entirely restricted to São Paulo state, and at the end of 2011 Cargill suspended operations at its citric acid facility for two months in order to cut expenses and await the Brazilian government's decision on their request for anti-dumping measures.¹⁰ After their request was granted on January 26, 2012, Cargill resumed operations, and the anti-dumping measures originally scheduled for six months have been successfully renewed ever since. The successful imposition of these anti-dumping measures and other trade barriers in the US, Europe, and even Brazil became one of the central driving forces for the BBKA Group to internationalize its production. After all, if they were able to successfully establish their own factories in third countries like Thailand (where they inaugurated their first international citric acid factory in 2014), Hungary (where they began construction of their second citric acid factory abroad in 2015), or Brazil, they could attend those domestic markets directly, and also export from there to other countries and thereby bypass the anti-dumping measures established against citric acid exports originating within China itself. When I interviewed Yu in the headquarters of the Shanghai Nutriplus BBKA Company (the Brazilian-controlled joint-venture trading company that will be discussed below), he pointed academically to a whiteboard where he had been outlining chemical processes and prices to explain: import duties in Brazil became too high, and yet the price of maize in Brazil is very low, and suddenly he shifted from Mandarin to English to emphasize, “so we must *go out*, go [to] Brazil, go [to] America!”

But bypassing trade barriers and accessing cheaper feedstock was only the most proximate factor driving the urgency for the BBKA Group to internationalize, as the underlying political ecology of their domestic production on the banks of the Huai river continues to be a structural problem for their expansion. Cao and Yu would not admit environmental costs have been a barrier to expansion domestically, and assured me instead that the BBKA Group has not only conformed with environmental regulations since 1994, but that in fact their technological ability to properly treat effluents and convert the remainder into fertilizer is one of the main reasons why the BBKA has been able to launch transnational operations. Moreover, their company was awarded the “Excellent Contribution to Environmental Protection Award” at the 2004 China Environmental Culture Festival. But still, pollution levels remain critical on the Huai river. Between 2000 and 2003 the levels of pollution on the Huai actually *increased*, and in 2006 approximately 72% of the river continued too polluted for human consumption or irrigation (ADB 2005, World Bank 2000, 2007; cf. Figure 2). Even more concerning have been reports from the Woodrow Wilson Center's China Environmental Forum that water quality tests were sabotaged and villagers contesting alarming rates of cancer and continued pollution have been intimidated and beaten (Gilbert 2009). Whether or not the BBKA Group has been (partially) responsible for this continuing pollution, their ability to further expand production was severely compromised in 2007, when the central government's SEPA cracked down again on persistent industrial pollution on the Huai, prohibited temporarily the installation or expansion of industries on its banks, and imposed stricter limits on industrial effluents (Yuan 2007). The city of Bengbu, where BBKA is headquartered and where their largest citric acid factory is located (with production capacity of 220,000 tons/year, it is by far the world's largest citric acid factory), was blacklisted on July 2007. Three neighboring factories were shut down, four other companies had their executives detained, and several local officials of the environmental protection bureau were also detained and removed from office (*ibid.*). The BBKA Group was not directly implicated, yet journalistic reports raise serious questions about this notable exclusion:

¹⁰ MDIC/SECEX Process 52000.025919/2010-90

However, a local company, FY group (an assumed name [that coincides with the initials for the Chinese name of the BBCA Group, i.e. FengYuan]) which resident blamed as the prime culprit for polluting the Huaihe River was mysteriously not implicated in SEPA's investigation. The company extends several thousand meters along the Huaihe River, spreading a cloud of polluting dust. "The FY group pumps waste water into the river from underground pipes during the night," an environmental protection worker said... The Bengbu environmental protection bureau refused to comment on the FY Group, but local residents were unified in saying that its political connections helped it escape investigation. (Yuan 2007)

Figure 2. Pollution on the Huai river in Anhui province, 2007



Source: Yuan 2007, "Anhui rivers, lakes crying for help"

Such journalistic reports are corroborated by World Bank statements that much of the environmental problems on the Huai river derive from the fact that "state-owned enterprises have benefited from the presumption that environmental standards, already low, are negotiable [and] have regularly failed to install, or if installed operate, pollution control equipment" (World Bank 1997: 3, cf. World Bank 2000, 2007). Yet even though such reports appear to characterize the Anhui Fengyuan BBCA Group, and there is no doubt that Li Rongjie (whose political career began as party secretary in his early days at the company, and now serves as deputy to the National People's Congress) has become one of the most influential members of the Communist Party in Bengbu and Anhui province, they need not be implicated to be pushed towards "going out" to pursue new industrial developments abroad. Persistent pollution, mounting pressure from environmental NGOs and journalists, investigations from the central government, increased costs for operation in compliance with stricter environmental regulations, and the possibility of renewed restrictions on industrial expansion are structural factors that have become compounded with the anti-dumping measures described above to push Cao and Yu around the world in search of a place to invest.

I have described the historical geography of the modern citric acid sector, and significant structural reasons why the BBKA Group would search for investment opportunities in Brazil, but why exactly and how did they establish this partnership with the JLJ Group in particular? In the next section, I will provide a short background on the key executives of the JLJ Group and describe how they met Li, then Cao and Yu, to collaborate in establishing subsidiaries in each other's countries. Exchanging business expertise and favors to open subsidiaries in each other's countries became the precondition in this case, forming the first assemblage of Chinese capital with Brazilian land and labor in a "greenfield" (i.e. new) agroindustrial project.

3. Exchanging Expertise and the Shanghai Joint-Venture

Márcio Milioni and Ignácio de Moraes Jr. were friends from infancy in the small town of Salto, nestled in an industrial corridor of São Paulo state at a mere 100km from the metropolitan capital of the same name, and downstream along the (also terribly polluted) Tietê river. Márcio studied business management, and together with another friend from infancy that studied law they opened a video-rental store in 1986 when VCRs were first appearing in the homes of middle-class Brazilians. Their business flourished and they began purchasing local gas stations (six in total) during the early 1990s. In the meantime, Ignácio moved back to Salto with a degree in architecture and began working as partner in a separate construction company. The three friends were not yet in business together, but they shared an entrepreneurial spirit and even their housing arrangements from 1990 to 1995. Ignácio soon began reapplying profits from construction in the acquisition of other small companies, including a small backyard company called Nutriplus that sold pre-made take-out meals (commonly called *quentinhas* in Brazil). He expanded the company's kitchen, and his talents at brokering deals enabled him to quickly gain multiple contracts to supply pre-made meals to several local companies. Then with the neoliberal reforms sweeping the country in the late 1990s, public institutions were allowed to outsource services, including public school and hospital kitchens. Ignácio wanted to jump on the opportunity but he lacked sufficient capital, so in 1998 he invited Márcio and his partner to collaborate: they combined their companies into a small conglomerate dubbed JLJ Group, with the latter two taking charge of finances and administration, while Ignácio capitalized on his social skills to obtain commercial contracts (what his international relations director, Gonça, described to me as "political and commercial articulation"). They got the second-ever food outsourcing contract in Brazil to supply the public school system of their neighboring city, and from there Nutriplus and the rest of the JLJ conglomerate mushroomed (Figure 3).

At the time of our interview in their sprawling conglomerate headquarters in Salto on February 2015, in a spacious office decorated with gifts from their international partners in China and South America, Nutriplus serviced 25 distinct public contracts across multiple states in the south and southeast regions of Brazil, and they were in the process of establishing a new distribution center to operate contracts in the northeast of the country as well. This growth was enabled by Ignácio's ability to broker deals with multiple local governments, and as his conglomerate grew, so did his influence in the São Paulo State Industry Federation, FIESP. Nutriplus, now operating massive industrial kitchens and distribution centers, remains a major pillar of the JLJ Group, and Márcio's gas station franchise evolved into a broader automotive sector that includes companies specialized in car rentals and fleet services, van and construction machinery imports and dealership, auto insurance, and financing. Interestingly, Ignácio used his growing influence in FIESP to cultivate ties with the higher echelons of the Workers Party (governing Brazil's federal government, and widely opposed by the more staunchly right-wing business community that makes up the majority of FIESP). This political pragmatism colors the manner they began transnationalizing in 2005: rather than turn towards the US

and EU as the more right-wing São Paulo business community does, the JLJ Group prioritized the expansion of Nutriplus into the Mercosul (where they already service contracts in Paraguay, Uruguay, and Chile), and seeking partnerships with Chinese companies to import automobile and construction machinery into Brazil, and export agricultural and food products to China.

Figure 3. The companies of the JLJ Group



Source: www.jljempresas.com.br

It is only fair to mention that the JLJ Group also doesn't have an immaculate history, even though this doesn't seem to have factored into their search for (or success in) agroindustrial partnerships with the BBKA Group. Beyond the fact that labor outsourcing itself is widely criticized as central to the neoliberal exploitation of workers by the elite (Fernandes and Valencia 2013), Nutriplus, the crown jewel of the group, has been condemned for irregularities in public procurement contracts in Brazil. These irregularities began with bribes paid for public contracts and collusion to fix prices above market rates, but expanded to include money laundry, tax evasion, and formation of cartel from 2007 to 2010, when Nutriplus was convicted as member of what came to be infamously known as the "school meal mafia" (*mafia da merenda*).¹¹ Naturally, JLJ Group executives publicly deny any involvement in the cartel or other illicit operations (Ribeiro and Manechini 2009), and filed an appeal in the Superior Court of Justice that only partially reversed the lower court's verdict, fines, and sentence on October 2nd, 2014.¹² Yet the legal problems of the JLJ Group have not been limited to Brazil, as their subsidiary in Chile – the official partner of the BBKA Group in Brazil – has also been

¹¹ Investigations began at the São Paulo State Auditor's Office (TCE-SP), then expanded at the São Paulo State Public Prosecutor's Office (MPE-SP, investigation PJPP-CAP n.34/2009) and the Federal Public Prosecutor's Office (MPF, Process 5002282-74.2015.404.7202, 2nd Federal Court of Chapecó/PR, among others). For journalistic contextualization, see Clilson Júnior (2009), Macedo and Godoy (2011), and Valor (2016a).

¹² Superior Court of Justice, special appeal number 1.438.344-SP (2013/0175588-5).

fined at least twice in 2012 and 2013 for not attending the terms of contract and quality control regulations in public school meals.¹³

The BBKA and JLJ Groups first heard about each other in 2006, when BBKA executives participated in a delegation from Anhui province that visited Brazil at the invitation of the Rio de Janeiro State Industry Federation (FIERJ). Together with them were executives from the Anhui-based Chery auto company, which was courted as partner for the JLJ's planned expansion of its auto sector through importing cheap Chinese cars (and thereby outcompete the larger, wealthier, more established, and US-, EU-, and Japanese-connected auto industry that surrounds them in São Paulo state). In 2009, the JLJ Group became Chery's first importer and distributor in Brazil, and it was with and through this partnership that Ignácio and Gonça cultivated ties with the Anhui provincial government and experiences working with Chinese businessmen and bureaucrats. But it wasn't until two years later that the partnership struck with the BBKA Group yielded a subsidiary in China, and four years later that they launched the agroindustrial project in Brazil. Despite the possibility this deal could have been brokered by the Anhui provincial government or formal consultants hired by the BBKA to help identify ideal partners and locations for investment in Brazil, the JLJ executives told me the connection was actually made through much more informal and serendipitous means.

Sometime in 2008, Ignácio and Gonça were in Chile dealing with their new subsidiary there, so Márcio went in their place to Buenos Aires to participate in an event about attracting foreign investments to Argentina, where the JLJ Group was seeking to expand their industrial-kitchen services business. There a common acquaintance introduced him to Zhang "Armando" Kuo, a native of Hefei, capital of Anhui province, and longtime friend of Li Rongjie. Armando Zhang had moved to Argentina several years earlier, obtained Argentinean citizenship, and established himself as an informal broker for Chinese corporations seeking business with South American counterparts. He knew that the BBKA's erstwhile attempt to form a business partnership with a sugar-ethanol conglomerate in Brazil had just collapsed (more on which below), and Li was now looking for a new partner in South America. The JLJ Group seemed to fit the bill, as they were launching a collaboration with Chery and establishing companies not only in Brazil but also in other countries in South America, where the BBKA would also consider locating their agroindustrial project. The desires of both groups were equivalent: they needed local partners who could broker political support, act as legally necessary counterparts for joint-ventures, and provide the legal and managerial expertise to *establish companies* in each other's countries. Operational experience and capacity for industrial-scale distribution of goods in each other's countries was certainly considered an important asset for both sides, but on the other hand direct collaboration in operations were not necessary. So the JLJ Group's lack of experience in agroindustrial processing was not seen as a problem, and very quickly Li received Ignácio and Gonça in Anhui to propose the partnership. "Great minds think alike," was how Yu described to me that first meeting between Ignácio and Li, who formalized their partnership already in early 2009.

The BBKA Group would not formally establish a subsidiary in Brazil until 2013, but the JLJ Group executives soon began to prepare their operations in China, utilizing the BBKA Group's corporate structure – including, crucially, the transnational managerial experience embodied in Yu Shiqing and his team – to establish the Shanghai Nutriplus BBKA Co. Between 2011 and 2013, the joint-venture was organized under Yu's responsibility as an import-export company headquartered in Shanghai, with the JLJ Group owning 51% while the BBKA Group controls the remainder. "Our business structure and commercial channels are already mature, and we have stable customers," Yu declared during our interview in their glamorous office in Shanghai. "We have a young and very capable team, some speak Portuguese, and they are all good at import-export business. They work

¹³ In total, it was fined 12,778,994 CLP (25,262.58 USD), National Board of Student Aid and Scholarships, Resolution 3181, September 21st, 2012, and Resolution 2124, November 13th, 2013.

happily and live together happily.” I could not gauge the veracity of the last two claims, but they were certainly all in their 20s or early 30s, and Yu insisted that his assistant translate part of our interview from Portuguese, even though I had brought my own translator and research assistant who could do so much more effectively in English. It was clearly a point of pride for him, and perhaps also a good opportunity to check his assistant’s language skills. Communication, Yu stressed earlier in the interview, is a major challenge for transnational investment projects. In his capacity as director of international projects under Cao (the vice president of the BBKA Group who oversees all their international relations), he evaluated that among the reasons why it took several years for the BBKA Group to finally launch their agroindustrial investment there is the fact that “Brazil has few people who speak English.” And we might add, virtually none outside the relatively small Chinese diaspora who speak Mandarin.

After our interview, Yu took me and my research assistant to have lunch and visit their warehouse, over 45km away from Shanghai but very near the port. Until then, their business was relatively limited to an assortment of relatively small-scale transactions: importing into China small volumes of wine, champagne, brandy, and whisky from Chile, Argentina, Italy and the US, and exporting kitchen-ware, samples of small motorcycles, and other assorted items for JLJ’s operations and partners in South America. Yu declared part of their operations would involve export of citric acid from China to Brazil, and importing DDGS in return. This would characterize important operational synergies between the JLJ-controlled export-import project in Shanghai, and the BBKA-controlled agroindustrial project in Brazil. However, this operational collaboration was apparently tentative and tenuous at best. When the BBKA-controlled subsidiary in Brazil actually began importing and distributing meaningful volumes of citric acid in 2016 to start establishing direct relationship with customers in anticipation of the agroindustrial operations in Brazil, the Shanghai joint-venture was not involved. The citric acid was shipped instead from the newly constructed BBKA citric acid factory in Thailand (thereby bypassing anti-dumping measures), and the distribution within Brazil bypassed the warehouse and distribution network that Gonça told me the JLJ Group could put at the BBKA’s disposal.¹⁴ Despite apparent synergies and Yu’s avowed ambition to mediate commercial relations between both conglomerates, Cao’s priority was to operationalize their branch in Brazil independently from their JLJ partners and the Shanghai subsidiary they controlled.

In turn, the JLJ executives told me back in Brazil their efforts to increase the volume and value of their export-import business will focus especially on Brazilian food products and meat exports to China. But although they also pursue their own (agri)business projects and priorities towards China independently of the BBKA Group, the JLJ Group played an essential role in creating the business structure for the agroindustrial project in Brazil as well. Just as Li had assigned Yu to open the Shanghai joint-venture under control of his Brazilian partners in 2011, the JLJ Group assigned their own legal staff to establish the BBKA subsidiary in Brazil and Gonça to oversee the process. Creating a new company in Brazil can take over a year, and it is particularly challenging to do so relying on foreign capital. So the JLJ executives transformed a subsidiary of their own conglomerate dedicated to environmental consultancy (previously established in 2007, and associated with their real estate development company¹⁵) into an investment and holdings operation in March, 2013, and renamed it BBKA Brazil.¹⁶ Although the company was originally structured with only about 1 million USD (2.49

¹⁴ Skype interview with trade manager of the BBKA Brazil, February 18, 2016.

¹⁵ Terra Ambiental, Consultoria e Serviços de Gestão Ambiental, LTDA.

¹⁶ Official Diary of the São Paulo State Government, São Paulo State Board of Trade (DOSP/JUCESP), Alteration number: 84782/13-4 (March 19, 2013, p. 48).

million BRL) as capital in July, 2013 (out of the 350 million USD announced for the full project¹⁷), the substantially larger scale planned for the agroindustrial enterprise resulted in a far more uneven allocation of capital from each group: the BBKA controls 92.5% of the Brazilian subsidiary, while the significantly smaller JLJ investment (to reach 26 million USD upon completion of the project) yielded merely 7.5% of the enterprise.

BBKA Brazil remained formally headquartered in Campinas, São Paulo state, until November 2013, when an independent lawyer was hired by Cao in Campo Grande, capital of Mato Grosso do Sul, to transfer the company to their newly established office there and switch its operational categorization from “holding of non-financial institutions” to engage in everything from processing agricultural commodities and producing chemical derivatives, to wholesale and retail of such products as well as unprocessed maize and soy, timber, fertilizer, seeds, machinery, and even farming soy and providing non-technical consultancy.¹⁸ Until the time of my fieldwork in 2015 when I accessed documents submitted to the Mato Grosso do Sul and Maracaju governments and interviewed company executives and lawyer, BBKA Brazil had no *de jure* corporate management, but simply Gonça as its official legal representative. This was because, for the company to be “Brazilian” (even if controlled by transnational capital), it must not only be headquartered in Brazil, but also requires a Brazilian citizen legally responsible for it, or a foreigner with a permanent work visa. So until he could change his visa status, Cao was only nominally “vice-president” of the company, even though he and not Gonça has been running it *de facto* since it came into existence in 2013. Afterwards, as both conglomerates had previously agreed, Cao would become president of BBKA Brazil (and continue as vice-president of the BBKA Group), while Gonça would be vice-president (and continue as director of international business of the JLJ Group). In addition, the shift would also create a five-person board of directors with Li as chairman, along with Cao and another BBKA executive, while the JLJ Group would have two seats on the board, held by Ignácio and Márcio.

Upon hearing about these arrangements and expectations from Márcio, then, I remarked that it seems their priority is establishing the export-import business with China, and asked whether they would consider selling their share once the citric acid became operational (as some rumored in the Mato Grosso do Sul state government, feeling that the BBKA would drop them once they were no longer necessary). Márcio replied confidently: “Sell? Never. This is a new business for us, but we want to stay to the end. We won’t open hand of this, by any means. This is set up to be managed. It’s another arm of the Group.” I followed up on whether they then planned to increase their 7.5% participation in the company. He replied: “Whether we increase its up to them, but we certainly will keep. Our idea is to act as entrepreneurs (*empreender*) in this project.” Still, he confirmed the export-import business has been indeed their main orientation for establishing the partnership, and the agroindustrial project of the BBKA Brazil “was an opportunity that emerged” for their Group.

For the BBKA Group, however, the usefulness of the JLJ Group began to decrease after the establishment of the Chinese-controlled subsidiary in Brazil, and the claim of political legitimacy for their project before the Brazilian state and, thereby, the Chinese state-owned financing institutions as described above. The entire process of researching, elaborating, and implementing the agroindustrial project in Brazil has been directed entirely by Cao and Yu with their subordinates, reporting to Li as the final decision maker. Once their subsidiary became established in Brazil, the BBKA executives

¹⁷ Alteration of capital documented in DOSP/JUCESP (July 11, 2013, p. 88). Total investment of 320 million USD announced to multiple news outlets, and reported as “confirmed” by the Brazilian government (RENAI 2013) and by the Brazil-China Business Council (CEBC 2014).

¹⁸ Personal interview with BBKA Brazil attorney, Campo Grande, MS, November 7, 2015. Changes in the corporate structure documented in DOSP/JUCESP (November 5, 2013, p. 80) and the National Registry of Legal Entities of the Brazilian Federal Revenue Secretariat of the Ministry of Finance, CPNJ 09.079.829/000104.

started to consider their JLJ partners as little more than internal (and free) consultants, seeking their advice as merely point of reference alongside other consultants and legal or technical contractors. “The JLJ Group has their own work to take care of,” someone at the BBKA subsidiary in Brazil explained to me, “they opened the company here, but they cannot assign someone to work for this project. Plus, Cao doesn’t trust anyone, he always gets a third and fourth opinion on everything, and wants to control how everything gets done.”¹⁹ So I return my focus to Cao and his team to reveal how they ultimately found and decided to ground their investment project in the small town of Maracaju, in the heart of a booming agroindustrial frontier that is entangled with the most extensive and violent conflicts with indigenous peoples in Brazil.

4. State- and Municipal-level Boosterism and Regional Brokers

4.1. *The long road to Maracaju*

The sleepy ranching and farming town of Maracaju, Mato Grosso do Sul state, was only defined as the location for the BBKA investment in 2013, seven years after the BBKA first sent a delegation to investigate investment possibilities in the country. During the meantime, multiple BBKA delegations travelled to dozens of cities across at least six other states to consider the viability of their proposed investment in a new citric acid facility. A formal consultant claims credit for the matchmaking between Mato Grosso do Sul state and the BBKA, and indeed such services were hired by both parties to broker just such a deal, but the actual agreement was once again determined by much more circumstantial political connections and contingencies, in a process that Cao described to me as “like dating: you meet someone *by chance*, if you like each other, you start to see if things work, and then either make a deal or move on to try with someone else.”

The BBKA’s “dating” in Brazil first “got serious” in early 2007 with the Farias Group, a traditional family-owned sugar-mill-based conglomerate from Pernambuco, northeastern Brazil, that was seeking foreign investors to ramp up its agroindustrial processing and ethanol business during the hike of commodity prices during the early to mid-2000s. In order to do so, they hired the Brazil-China Chamber of Industry and Commerce (CCIBC) to bring them to the attention of Chinese companies that could be possibly interested in a partnership. At that moment, the BBKA Group had also been developing its own subsidiary for ethanol production in China, and saw the possible partnership with the Farias Group as an opportunity not only to establish a citric acid factory alongside an existing or newly constructed sugarcane mill in Brazil, but also to acquire managerial/operational capacities and more advanced technology for their own burgeoning ethanol business in China itself. Eduardo Farias, head of the Brazilian group that takes his family name, bragged to the press in June that year about how expansive their project was with the Chinese: they would build two of the largest sugar-ethanol mills in the country in merely two years, and he also expected his group would have control over the joint-venture and would “convince the Chinese government” to lower import tariffs on Brazilian ethanol exports (Wentzel 2007). But the timing for this would-be BBKA-Farias partnership could not have been worse, as rapidly shifting market and political conditions so altered the emergent global ethanol assemblage that the partnership was abandoned before it even formalized.

One week before Farias gave that enthusiastic interview, the Chinese government reversed its biofuel policies to prohibit the use of sugarcane, maize, and all other grain feedstocks for the production of ethanol. This was done to protect the country’s food security in response to an

¹⁹ Informal conversations like this with mid-level managers and other staffers in both corporate and government circles would frequently yield valuable information, but were usually shared only under condition of anonymity.

unprecedented spike in agricultural commodity prices that began the year before and would not stop until it became entangled with the global financial crisis the following year (Qiu et al. 2012). Moreover, the negotiations between the US and Brazilian governments for the establishment of international standards and cutting US import tariffs to boost an international market in ethanol collapsed a few months earlier (Hollander 2010). Consequently, the technological and strategic interests of the BBKA in the Farias Group were largely subdued, and simultaneously the projected growth of the sugarcane-ethanol sector in Brazil was starting to be questioned by other investors and financiers as well. In the next three years, projected expansion of sugarcane plantation and processing were deeply slashed all around the country, and capital flows shifted from the construction of new mills to the consolidation of the sector as larger conglomerates swallowed up smaller mills that could not service the debts they had taken on in times of spectacular growth projections (McKay et al. 2016) Two weeks after that interview, when Li was supposed to arrive in Brazil to close the deal, what instead came about was their “break up”. The “uncertainties” Li and his top advisors noticed in the sugarcane/ethanol sector at that time proved wise: that year Farias was forced to sell his ethanol that year below production cost, his group never recovered profitability, and filed for bankruptcy in May 2016, owing almost 2 million USD in late wages and over 250 million USD to its lenders (Goulart 2016).

After the attempted partnership with the Farias Group collapsed, the BBKA began looking for new partners in South America (as discussed above), and as soon as an agreement was reached with the JLJ Group, the latter took BBKA delegations to meet possible partners and explore other locations for their investment. Sugarcane mills were still being considered, and so Ignácio brought a BBKA delegation to his friend José Carlos Bumlai, one of the largest landowners of Mato Grosso do Sul and close friend of Lula, then president of Brazil, who facilitated cheap loans from the state-owned development bank BNDES for the construction of the São Fernando mill in Dourados, MS.²⁰ The mill was still under construction at the time, but the emergent crisis in the sugarcane/ethanol sector already forced Bumlai to search for additional investors to roll-over the debt acquired and operate profitably. In retrospect, BBKA executives recognize they dodged a bullet in not pursuing negotiations in Mato Grosso do Sul at that moment. The São Fernando mill entered operation in 2010 and soon became embroiled in multiple scandals, beginning with illegal production of sugarcane in indigenous territory and labor-rights violations in the sugarcane fields²¹, and escalating in 2015 when Bumlai stopped making payments to his creditors and the company’s debt reached over 1.2 billion BRL (about 332 million USD). The scandal swelled when BNDES (the largest creditor) requested the bankruptcy of the company, and then culminated on November 24th, 2015, when Bumlai himself was arrested on corruption charges.²²

Back in 2010, after the BBKA decided not to pursue negotiations with Bumlai in Mato Grosso do Sul, the JLJ executives started taking their Chinese partners to visit locations where they were already proposing the establishment of an automobile assembly plant in cooperation with the also

²⁰ BNDES issued a note on November 24, 2015, to counter rumors of irregularity on the loans. http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Institucional/Sala_de_Imprensa/Comunicados/2015/20151124_saofernando.html.

²¹ Due to these violations, the São Fernando Group was fined and forced by the Federal and Mato Grosso do Sul State Public Prosecutors to sign a "Cooperation Agreement and Commitment to Environmental, Indigenous, and Labor Responsibility" on April 22, 2010. <http://mp-ms.jusbrasil.com.br/noticias/2164515/usina-firma-termo-de-compromisso-de-responsabilidade-ambiental-indigena-e-trabalhista>

²² BNDES first proposed the bankruptcy of the company in mid-2015, and then demanded it immediately on January 4, 2016. <https://www.novacana.com/n/industria/financeiro/bndes-falencia-imediate-grupo-sao-fernando-bumlai-calote-040116/> It has also been widely speculated that Bumlai was acting as façade for Lula himself to control the investment (see link for more information on his arrest and ties to Lula): <https://www.novacana.com/n/etanol/politica/pf-prende-pecuarista-amigo-lula-lava-jato-241115/>

Anhui-based Chery. The sugar-mill city of Piracicaba in São Paulo state was briefly considered, but attention soon shifted to Uberaba in Minas Gerais state, merely 100km from Cargill's own citric acid factory. Uberaba had just been slated by the federal government to receive one of twelve special Export Processing Zones in the country. Locating the intended BBKA-JLJ agroindustrial enterprise there would require the Brazilian partners to own 51% of the operations and export 80% of its product, but it would also exempt them from all federal taxes for twenty years. The municipal government promised to cover the costs of paving the necessary roads and installing the necessary sewer and electric lines for the proposed agroindustrial processing industry, at an estimated cost of 5.7 million USD. However, as the sugarcane sector as a whole fell deeper into crisis, Cao and Yu shifted their attention to maize as a more profitable and useful feedstock, because the BBKA could replace its parallel interest in ethanol for the export of maize processing co-products (especially DDGS) for livestock feed in China. According to Yu, this shift occurred when "our financial studies determined it would no longer be profitable to partner with sugar mills." This required them to consider an entirely different geography of Brazil and South America, so the proposed location for the project in Uberaba was abandoned, and a new round of exploratory delegations were organized with increasing independence from their JLJ partners, expanding from São Paulo, Mato Grosso do Sul, and Minas Gerais to Mato Grosso and Paraná states where maize production is far more abundant (and where the company might also be able to partake in the highly profitable exports of Brazilian soy to China that were catching the attention of all Chinese agroindustrial processors and traders, particularly after the price spike of 2007-2008).²³

Over the course of 2010, BBKA delegations reporting to Yu began to define the city of Ponta Grossa, in the corn belt of Paraná state, as a suitable location for investment. The municipal government there actively boosted its town to the possible Chinese investors:

We offer qualified labor and we indicated an area for installation [of the processing facility]. They need lots of water. So we have even spoken with the landowner who expressed interest in selling the property [adjacent to the river]. We showed them not only the industrial district, but also all the infrastructure that the city offers... They even hired a local company to do the [preliminary] environmental survey [and] a dossier to show Ponta Grossa to China. (Brick 2010)

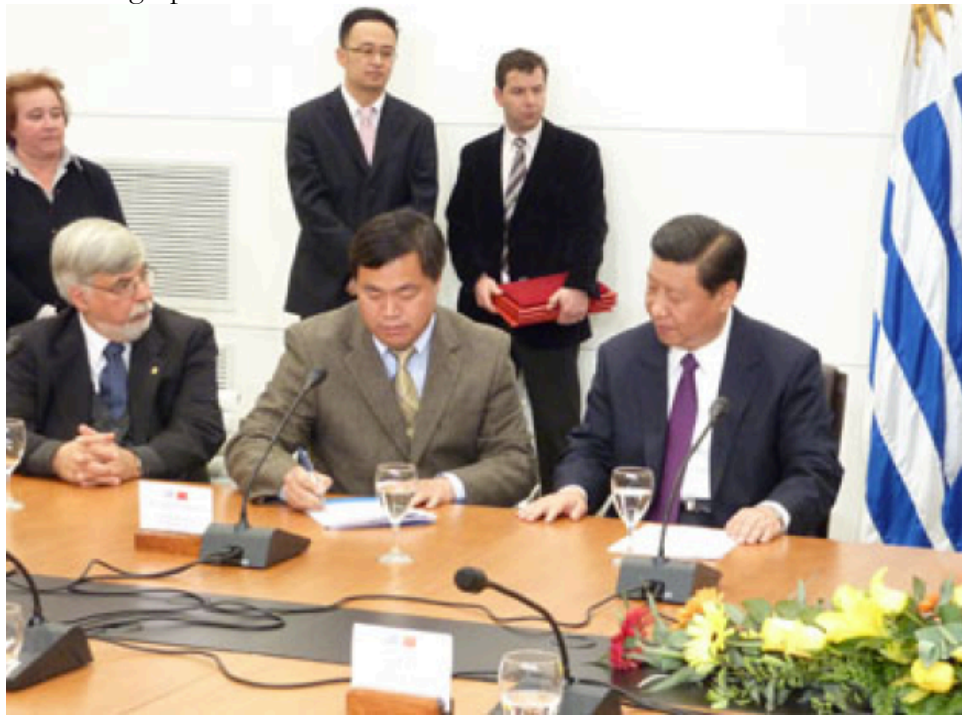
These dossiers, project proposals, production cost and market calculations were all assembled and analyzed by Yu in China, but he did not participate in these delegations himself. In the meantime, Cao was leading negotiations for a proposed investment in Europe, so it was Li and Yu who jointly evaluated the strategic (un)viability of the project:²⁴ they concluded that there didn't seem to be enough support from the governments (from the inability of the municipal government to donate land, and disinterest from the state and federal governments to offer comparable tax exemptions to Uberaba or Mato Grosso do Sul) to warrant locating the project in Ponta Grossa. Instead, Cao moved from Europe to South America to lead a new round of investigation and negotiations. But this time the BBKA shifted focus to Uruguay and Argentina, where soy and maize production were also considered

²³ The Uberaba municipal government has continued to boost itself as ideal location for Chinese companies to invest, hiring the Portuguese-speaking Chinese attorney Tang Wei, then president of the Brazil-China Chamber of Economic Development (CBCDE), to promote their ZPE in 2013 (Jornal da Manhã, September 17, 2013). As of the time of this writing, they have been unsuccessful at bringing any investment – Chinese or otherwise – to their proposed ZPE.

²⁴ This division of labor was described by both Cao and Yu for the period until 2013, when Yu began operating the Shanghai Nutriplus BBKA joint-venture, and Cao himself moved to Brazil to assume direct control over contracts, project elaboration, and everything else pertaining to the project in Brazil.

abundant and where they hoped to find even more favorable conditions from governments to “ground” their proposed investment.

Figure 4. Another high-profile but dud MoU



Source: www.bbcagroup.com/english/news-3.html. At the table from the right, PRC president Xi Jinping, BBKA president Li Rongjie, and the president of ANCAP. Uruguayan president José “Pepe” Mujica, and BBKA vice-president Cao Mengchen were also in attendance at the MoU signing ceremony.

Cao’s personal engagement and physical presence is quite significant. Rather than relying on the slow exchange of reports and dossiers elaborated by delegations of subordinates who have no decision-making authority, when Cao himself moves to a place full-time it becomes possible to advance quickly from a fact-finding mission to reaching agreements and closing deals. “Whenever a situation is ‘hot’, I move there. And [if it’s not so already], when I get there, it gets ‘hot’,” Cao told me with a proud smile softening his stern face. First he investigated Uruguay, and succeeded in convincing the country’s state-owned oil and ethanol company, ANCAP²⁵, to sign a Memorandum of Understanding (MoU) during Xi Jinping’s state-visit to Uruguay in June, 2011, for a joint venture in ethanol and citric acid production (Figure 4). Commodity prices and other factors seemed favorable enough, but apparently the amount of feedstock available in local markets was insufficient for the large-scale they sought for their agroindustrial enterprise. “Soon we saw that if we use 120 thousand [metric] tons of sorghum or corn, this would already consume something like 50% of their national production,” Cao exclaimed with laughter. So he shifted focus to Argentina. “We had people very interested in Argentina. Pharma [i.e. the biotechnology branch of the BBKA Group] wanted to do this in Argentina.” But after more than one year invested in negotiations, Cao ultimately abandoned Buenos Aires “when I recognized that Argentinean people seem welcoming, enjoying their barbeque, they talk a lot, but no one was being serious entrepreneurs.” In a subsequent interview, Cao also

²⁵ Administración Nacional de Combustibles, Alcoholes y Portland (ANCAP).

revealed that bureaucratic complications and requests for bribes and kick-backs also drove him out of Argentina. “If they are already asking for this now before you even start your business, how much more are you going to have to pay the rest of the time!?” he exclaimed. “Before [2012], we thought that Brazil was too difficult for business. But afterwards we saw Argentina is even more difficult, so decided to come back to try here again.”²⁶

Upon his return to Brazil in late 2012, Cao hired the Brazil-China Chamber of Industry and Commerce (CCIBC), which had introduced a previous BBICA delegation to Grupo Farias back in 2006 or 2007, to help identify possible locations for investment. The CCIBC claims to be the first and only official Brazil-China “Chamber” for business relations, and it competes ferociously against all other consultants attempting to operate on this turf. One way it does so is by forging connections/*guanxi* and legitimacy (in the sense of both making *and* faking) by promoting widely in print and (more recently) digital media the authoritative nature of its president, Charles Tang, his connections with powerful Chinese and Brazilian politicians, and his “success cases” (Figure 5). Grupo Farias remains listed as a “success case” on the CCIBC website, for example, even though the deal they brokered earlier with the BBICA was never even formalized.

Figure 5. Forging connections (*guanxi*) and legitimacy



Source: www.camarabrasilchina.com.br (n.d.). From left to right: CCIBC vice-president and president, Ute Schweizer and Charles Tang; Chen Duqing, ambassador from China to Brazil (2006-9); and PRC president (1993 – 2003) Jiang Zemin.²⁷

²⁶ Personal interview, Campo Grande, MS, November 5, 2015.

²⁷ Note the practice of exchanging gifts, which for transnational negotiations necessarily includes a “traditional/exotic” aspect. As shown here, large pieces of semi-precious stones from Brazil have been highly admired gifts by Chinese

Interestingly, the CCIBC had been hired by the Mato Grosso do Sul state government earlier in 2009 to attract Chinese investors like the BBKA, and they facilitated some of the BBKA meetings with the state government during the brief negotiations with Bumlai over the São Fernando mill. But other than those initial contacts, both the state government officials and Cao himself were adamant that the Chamber played no role in the advancement of their negotiations. “They [such Chambers and consultants] try to bring more people, even Chinese traders, and if they are not resident in Brazil, it is difficult to understand the situation here. So they are doing a necessary job,” Cao said. But he did not hide the fact there is no interest in maintaining their services longer than necessary: “Chamber is difficult sometimes. When they successfully introduce somebody, hmmm! They need to take their cost, and sometimes that’s difficult [to accept/pay]. But they are doing some business [brokering] that is successful.” In the next section, I discuss how key boosters and bureaucrats in the state government successfully turned the CCIBC’s introduction into a concrete investment project situated in the particular region of their choosing to benefit their own political/business group.

4.2 *Brazilian chuzhang and “the babysitter of the Chinese”*

As a way to introduce the characters I call Brazilian *chuzhang* and the “babysitter of the Chinese”, and argue they played key roles in the assemblage of the BBKA project in Mato Grosso do Sul, I must first explain how I adapt the notion of such characters from Liu Xin’s study of Chinese businessmen and their relation with government officials in China during the early 1990s (Liu 2002). First of all, the business “boss” (*laoban*, 老板) should be understood as a character rather than a simple descriptor: “*laoban* is not simply someone in the highest management position” (ibid., 38). While the title does require its bearer to own or control “a substantial amount of property and capital” (particularly privately) and “possess a group of talented followers working for him”, the *laoban* is also distinguished by “a high taste in culture [with] emphasis on education” (ibid. 38-39). In turn, *chuzhang* (处长) translates to “office chief” in some sectors of Chinese bureaucracy, but we employ the term more loosely to designate a character that occupies a strategic location in any government (and government-related) bureaucracy: *chuzhang* are characters (1) strategically positioned between implementation-and-decision over government resources, and (2) whose relationship with the business “boss” must be mediated by a third character who is employed specifically and instrumentally to articulate the exchange of personal, business, and political favors between them. In Liu’s research, the mediator is a young woman (*xiaojie*, 小姐) employed by the “boss” to provide entertainment and (sexual) favors that he cannot directly provide to the government officials (*chuzhang*) in exchange for political favors (Liu 2002). In the case of the BBKA Group’s story in Brazil, however, it is the *chuzhang* themselves who employ the mediator to serve the business “boss” in a way they could not themselves, and rather than providing personal pleasure and entertainment, the “*xiaojie*” provides personal assistance for business itself - especially translation - and other operational aid beyond the confines of “proper” government services. I am not suggesting anything sexual or illegal about the nature of this work, on the necessity of intermediation and its instrumental informality.

The two key *chuzhang* who orchestrated the “grounding” of BBKA’s investment in their state were Tereza Cristina, the erstwhile state government’s Secretary of Agrarian Development, Production, Industry, Trade, and Tourism (SEPROTUR), and Eduardo Riedel, then president of the

bureaucrats and businessmen, conjoining the aesthetics of the exotic with the precious, particularly as the gift’s sole purpose is showing-off wealth/power (cf. Liu 2002). JJJ executives also bragged about gifting a large semi-precious stone to Li Rongjie upon forging their partnership with the BBKA.

Federation of Agriculture of Mato Grosso do Sul (FAMASUL) and vice-president for international affairs of the National Agriculture Confederation (CNA), the country's most powerful agribusiness lobby and landowner's association. I had already met Eduardo Riedel earlier in my research, such as, for example, at the "Agribusiness Investment Forum" they hosted for Chinese government officials and business executives following the Corporate Seminar described above. A native of Maracaju who prioritized a career in agribusiness lobbying and government relations over his two thousand hectares of soy and maize, Riedel welcomed me enthusiastically, hoping that my research could boost further Chinese investments in Brazil – and in his state and region in particular. I arranged an interview with him for my very first day in Campo Grande, after which he personally called Tereza Cristina to ask her to receive me, and passed on word to Cao, in a positive tone, that I would be seeking contact with him as well. Tereza Cristina hails from a "traditional" large-scale landowning and ranching family in Mato Grosso do Sul, and became politically aligned with Eduardo Riedel and then-governor André Puccinelli. Similar to Riedel, she prioritized a political career over her family's *latifundia*, and also like Riedel, she highly values technical expertise, transnational experience, and the need to attract foreign investment to "develop" their mostly agricultural state. So when she received me for an interview later that week, she articulated just as much interest in learning about the BBKA and other Chinese agribusiness companies from me, as I expressed interest in hearing about her role in "capturing" this investment. By the end of our interview, she told me she would mention to Cao (who she was to meet later that day) that he should receive me for an interview. When Cao granted me an interview later that week, it became clear that he finally decided to invest there because these Brazilian *chuzhang* were honest and proactive in their attempt to provide him with everything he needed, and he understood their interests were becoming intertwined with his own in the success of this project. In Cao's own words, the significance of Riedel and Tereza Cristina's efforts was clear: "It's the dedication of the government people. Here they provide services, and don't charge. Here we have SEPROTUR, in Argentina nothing."²⁸

Eduardo Riedel's and Tereza Cristina's positionality as *chuzhang* is evident the manner they convinced Mato Grosso do Sul governor André Puccinelli to not only receive Cao and the BBKA delegations, but also provide extensive research on the agribusiness sector of their state, place substantial government resources at their disposal (including a full-time technocrat fluent in English, as discussed below), broker an agreement with a municipal government to donate the land on which the industry could be constructed, and last but not least, provide significant tax exemptions and subsidies for the foreign investors and push through the environmental licensing process without proper technical evaluation. It is worth noting this was no simple feat, beginning with the fact that governor Puccinelli is famously known as a crude and unsophisticated man who was likely to turn away "the Chinese" because of prejudiced ignorance.²⁹ Tereza Cristina led all government negotiations on his behalf, and secured commitment from her colleague on the Secretariat of Finance to elaborate an agreement for tax exemptions on extremely favorable terms. Eduardo Riedel in turn placed the extensive information and research apparatus of his agribusiness association at the disposal of the BBKA for their feasibility studies completely free of charge, and introduced Cao to an environmental consultant that he knew could get the licenses approved and, on Riedel's recommendation, agreed to charge only one-third of the cost that was being presented to the BBKA by other competitors. In other words, Eduardo and Tereza were strategically positioned to recognize the potential that the BBKA project would bring to their state and agribusiness sector, convince the governor to make favorable decisions, and articulate for the implementation of several key procedures that were necessary to support the business "boss" in his efforts to select a region for investment, secure

²⁸ Personal interview, Campo Grande, MS, November 5, 2015.

²⁹ Interview with MS government technocrats on condition of anonymity.

significant government subsidies, undertake preliminary feasibility studies, and find key consultants that he could trust.

Yet all the work of these Brazilian *chuzhang* required mediation by a third character, primarily due to the need for communication coming into tension with challenges around language barriers. “Capturing Chinese investment is a huge challenge”, Tereza Cristina stated bluntly, “because we have very serious communication problems. They speak English very poorly, and they *think* they can speak Portuguese [but can’t at all]. In turn we don’t speak Chinese, and English very poorly too.” The solution she arranged by the time the BBKA went back to her state the second time was hiring a staffer fluent in English and dedicated full-time to accompany possible foreign investors: a stocky and smiley economist who I will call Carlos Novak.³⁰

Carlos quickly became the primary instrument through which the Brazilian *chuzhang* mediated their relationship with Cao. He not only translated all meetings between Eduardo Riedel, Tereza Cristina, and others in the government with Cao (and did so much more effectively than BBKA’s own young and inexperienced staff who could barely communicate in broken Portuguese), but also accompanied Cao on all exploratory visits to multiple cities around the state, providing translation and technical support, personally followed-up on all government related issues (e.g. moving the necessary paperwork to secure the promised tax exemptions and complete the environmental licensing process), and even helped on necessary but more mundane tasks such as renting residential apartments, office space, and acquiring furniture.³¹ The instrumental informality of Carlos’s extensive services were expressed as “favours” from the Brazilian *chuzhang* to the BBKA “boss”. Moreover, the patriarchal power dynamics of this “permissive impropriety” remain remarkably similar to those described by Liu (2002) despite the reversed genders of Tereza Cristina (a female *chuzhang*) and Carlos Novak (a male “*xiaojie*”), as the former and everyone else who spoke about these dynamics constantly emasculated Carlos by calling him “the babysitter of the Chinese.”³² This instrumentality and assertion of uneven power relations was, naturally, deeply resented by Carlos, who constantly engaged me in our multiple interviews and informal conversations to argue that *he* was the one who deserves credit for convincing Cao to settle in Mato Grosso do Sul, rather than Tereza Cristina, who campaigned heavily on her success at bringing foreign investments in a successful bid to become elected congresswoman from her state, or Eduardo Riedel, who similarly drew on his clout as an effective president of the state’s agribusiness association to become chief of staff to the next state governor in 2015.

This extensive reliance upon Carlos made him by far the most knowledgeable person about the BBKA and their intended project and negotiations in Brazil from 2013 to 2014. But after Cao contracted a local lawyer (who he selected after months of “dating”, and esteemed especially because he studied briefly at Oxford³³), an environmental consultant, civil engineers, and began hiring his own Brazilian staff, Carlos was no longer necessary. Except, of course, for the Brazilian *chuzhang*. Carlos knew that, and enlisted himself into every situation that could drive his own class and transnational ascendance, from joining the state government’s delegations to China to reporting on their behalf to other business associations in the region. After Tereza Cristina left Campo Grande to begin her Congressional career in Brasília, Carlos lost his position in the state government but secured two

³⁰ Pseudonym.

³¹ The office rented for the BBKA Brazil headquarters in Campo Grande, MS, was actually indicated by the lawyer that Cao contracted, and whose office was in the building right next to it, but many necessary-but-mundane tasks involved were still undertaken by Carlos Novak until late 2014, when Cao began hiring Brazilian workers to execute such tasks.

³² The sexist assumption that babysitting is female work is not being asserted by the author, but reflected from the sentiment of the ethnographic subjects, and the linguistic fact that the Portuguese word for babysitter (*babá*) is feminine.

³³ The expression “dating” (*namorar*) was used by the BBKA Brazil attorney Marcelo Alexandre da Silva himself (personal interview, Campo Grande, MS, November 7, 2015), and this educational background was among the few details Cao mentioned when responding to me on why he selected this lawyer over others (Campo Grande, MS, November 4, 2015).

overlapping appointments: first as chief economist of the Commercial and Industrial Association of Campo Grande, where he assists the organization's president in attracting foreign investments, and then additionally as International Relations Advisor to the departmental government of Canindeyú, across the border in Paraguay, where he "promot[es] integration... with the neighboring state of Mato Grosso do Sul".³⁴

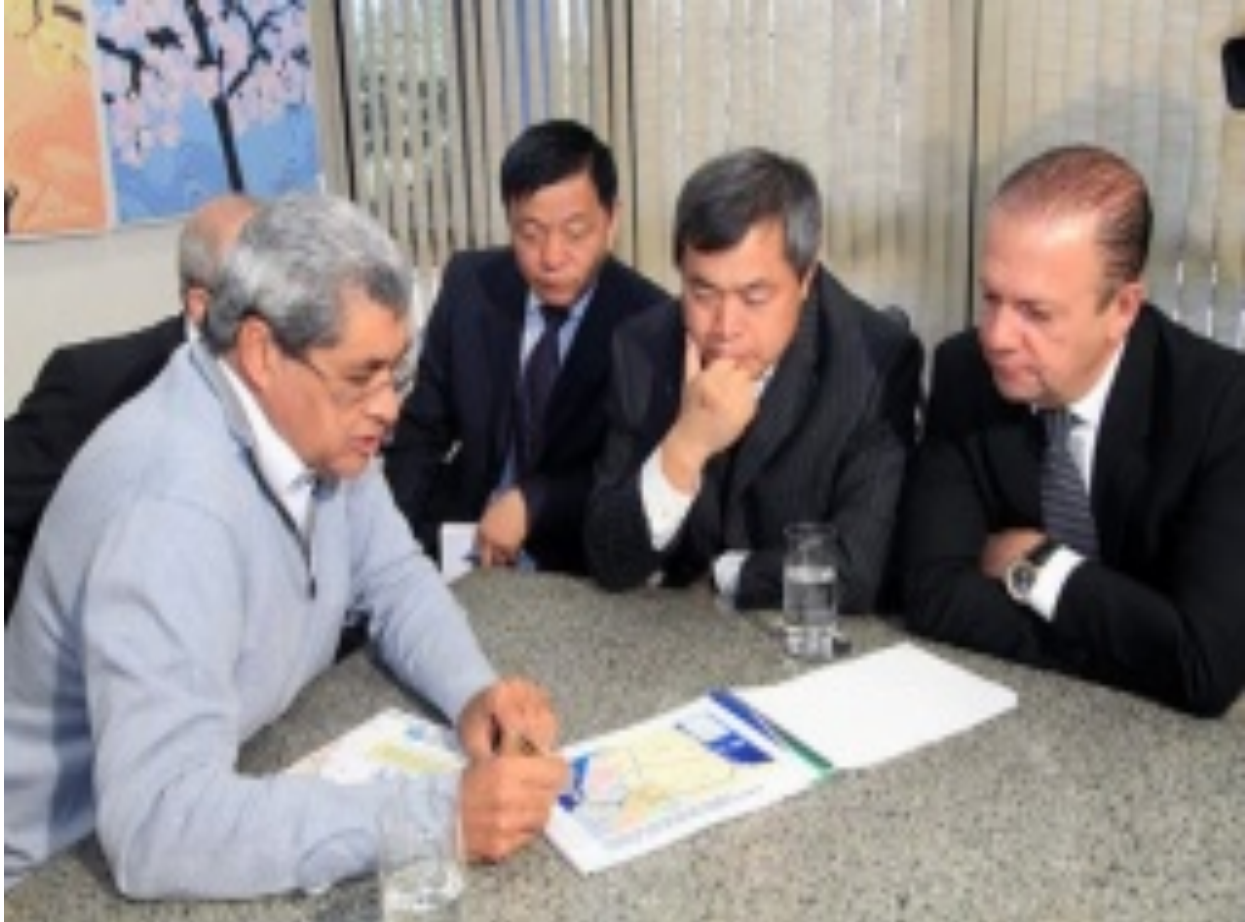
I have shown how Brazilian *chuzhang* play fundamental roles in boosting their own states and brokering the necessary public resources and private interests to attract and "capture" Chinese agroindustrial investments. In the next section I demonstrate how also at the municipal level of governance, the mayor of Maracaju relied similarly on the municipal attorney as his right-hand-man for deciding and implementing everything related to the BBKA Brazil project. But once again, although these individuals played absolutely essential roles in this process, it was ultimately by a conjunction of chance and political disputes that the BBKA Brazil project was located in Maracaju instead of other municipalities in Mato Grosso do Sul. After visiting all regions of the state and making exhaustive studies with the data supplied by Riedel's and Tereza's bureaucracies, Cao contemplated locating his agroindustrial enterprise either in Maracaju or in the larger neighboring city of Dourados. Both towns are merely 100km apart and form the core of the soy/maize production zone of Mato Grosso do Sul, and both have large enough rivers that could be tapped for industrial use. Ultimately for Cao, the decision would depend on where *chuzhang* could provide more favorable conditions to access land for construction. He even floated the idea of locating the maize crushing facility in Maracaju and the citric acid refinery in Dourados to make the municipalities compete against each other to offer more favorable terms and get the whole project for itself. In the end, the competition would not be resolved between the mayors, but by the governor himself.

Dourados seemed more promising since it already had an established industrial district, but the industrial district was controlled by the state government, not the municipality. To negotiate for the donation or subsidized sale of an industrial lot, therefore, Cao needed more than the support of the local mayor, he had to take the proposal directly to governor Puccinelli. In early 2013, however, the governor was reeling from a political break with his vice-governor, who had just switched to the opposition and become elected mayor of Dourados. More than one technocrat at the Mato Grosso do Sul government who witnessed the exchange between Puccinelli and Tereza Cristina, who was intermediating negotiations with Cao, related that the governor slammed his fist on the table when he received Cao's proposal for Dourados and said: "If he [i.e. the mayor of Dourados] thinks he is getting this investment, he can go fuck himself. I'm giving this to Maurílio in Maracaju." Dr. Maurílio Azambuja, a medical doctor from Maracaju, had just become elected and taken office in the beginning of 2013 as a major political ally of governor Puccinelli and the Maracaju-centered faction of landowners and agribusinesses led by Eduardo Riedel. Less than three months after taking office, and drawing on resources from SEPROTUR and FAMASUL in the state capital, Maurílio's administration received Cao and presented a booster package, translated into English and Chinese, about the strategic location of the municipality in terms of maize production and trade logistics, water resources, etc. But most important of all, in a meeting called by governor Puccinelli in his office, mayor Maurílio Azambuja gave Cao guarantee he would find a suitable plot with access to the Brilhante river and the (disabled) railroad, build an access road to the federal highway, and cover half the costs for purchasing the lot for the entire BBKA Brazil agroindustry. They shook hands and the deal was done. Only several weeks later, when these terms were more clearly defined and the search for an appropriate plot was already underway, Li, Ignácio, and Gonça went to Maracaju to formalize the agreement (Figure 6). That would become the standard division of labor from then on: the state and municipal governments would work directly with Cao to elaborate whatever was necessary for the implementation of the

³⁴ As reported on Carlos Novak's profile on LinkedIn.

project, and then Gonça would fly in just to sign documents on behalf of the company, and Ignácio and/or Li would fly in on even more rare occasions when publicity was necessary to safeguard the project with government partners or international financiers.

Figure 6. Dr. Maurílio shows the strategic location of Maracaju to BBKA Brazil executives



Source: Maracaju Municipal Government Archives. Mayor Maurílio Azambuja points out the location of Maracaju in a transportation logistics map of South America; behind him is Carlos Novak; next to him are Cao Mengchen and Li Rongjie, vice-president and president of the BBKA Group; and their business associated Ignácio de Moraes Jr., president of the JLJ Group.

4.3 *The executioner, the executed, (and the invisible): Or, how Salerno defeated the Dolorini (and the Guarani-Kaiowá)*

The area that is now the municipality of Maracaju sits on the northern portion of the territory of the Guarani-Kaiowá, which expanded over the whole southern half of Mato Grosso do Sul state (the area that now produces all the maize that the BBKA Brazil intends to process), as well as similar area of what is now Paraguay. Although there had been contact with European missionaries and diseases took a serious toll on their population since the early 16th century, the Kaiowá maintained their semi-nomadic life and territory without many European enclosures well into the 19th century. They then suffered two waves of displacement. First after Brazilian troops marched through the region during the war between Paraguay and the Triple Alliance of Argentina, Uruguay, and the Empire of

Brazil (1864 - 1870), and upon their victorious return the Brazilian government granted massive tracts of land to the officers who fought in the war. This established the first *latifúndia* under the ownership of patriarchs of those families that call themselves “traditional” in the region, and some of whose descendants remain among the ruling elite of the state. These include the Azambuja family, including not only the mayor who got credit for “bringing” the BBCA Brazil project to Maracaju, but also his cousin Reinaldo, who was also mayor of Maracaju (1997 - 2005), then state and federal congressman (2007 - 2014), and finally state governor (since 2015). Most past governors, as well as Tereza Cristina and several other cabinet members of the state and municipal government also hailed from “traditional” families. The land grants/claims of these families were imposed against the Kaiowá violently but relatively slowly, cutting down the forests to make pasture for cattle. Then conflicts intensified as result of a 5-million-hectare concession granted to the Larangeiras Matte Company in 1895 and the virtual enslavement of the indigenous people for the plantations of *erva-mate* (*yerba mate*). The company’s operations were extinguished during World War II, when Argentina placed restrictions on exports of Brazilian *erva mate*, and until the 1960s a precarious balance was struck: the Kaiowá who were able to remain outside reservations were “allowed” by the ranching elite of Mato Grosso do Sul to continue living on some of the plateaus and valleys that remained forested, providing cheap labor as farmhands or loggers when needed. But in fact, there wasn’t much of an alternative for the ranchers, as much pasture was becoming degraded, landholdings were gradually broken into smaller parcels by inheritance, and the extensive ranching regime of the region was falling steadily into crisis.³⁵

The next wave of violent displacements began in the early 1970s, when the federal government encouraged the migration of commercial farmers from southern Brazil to the Center-West hinterlands (Oliveira 2016a; which included the establishment of a settlement in Mato Grosso do Sul by a Japanese-Brazilian cooperative with funding and support from the Nipo-Brazilian PRODECER project discussed in chapter 3). These were largely poor farmers of German and Italian descent (commonly called *gaúchos*) who bought smaller plots from the failing *latifúndia* of the ranching elites. But with the boom of soy production and the integration of the region into transnational agroindustrial assemblages, particularly since the 1990s, some among these southern farming families increased their landholdings and propelled themselves into the local and regional elite. Among them are Eduardo Riedel’s family, and the family of Antonio Salerno³⁶, the municipal attorney who directed the municipal government’s efforts to broker the BBCA Brazil investment there. Salerno’s father owns some of the last large-scale grain silos in Maracaju that have not been bought out by transnational trading companies or cooperatives from southern Brazil. Finally, among the southern families that moved to Maracaju in the 1970s were also the Lombardi³⁷ (who would sell their 290 ha farm to the Maracaju municipal government and BBCA Brazil), and their neighbors, the Dolorini³⁸ family, who would become embroiled in a bitter land dispute with the municipal government. This dispute reverberated with a palpable cultural tension between some from “traditional” ranching families and “new” southern farmers, underlined by resentment for the rise of the latter on the lands previously controlled by the former. But both are essentially united in their disdain for the indigenous Kaiowá. Before elaborating on how these tensions unfolded with the efforts to provide an adequate location for the BBCA Brazil investment, it is important to describe the role and character of Antonio Salerno in more detail.

³⁵ Interviews with senior analyst at FAMASUL, the director of the private Fundação MS research agency in Maracaju, and informal conversations with “traditional” family members and Kaiowá individuals in Maracaju and Dourados. For some of the history of “traditional” families in Mato Grosso do Sul and Maracaju in particular, see Ferreira and Rosa (1988). For an excellent account of the displacement of the Guarani Kaiowá since the 19th century, see Brand (1997).

³⁶ Pseudonym.

³⁷ Pseudonym.

³⁸ Pseudonym.

From the point of view of Tereza Cristina in the state government, Antonio Salerno may have been just another “babysitter of the Chinese” who could host Cao in Maracaju and free up her own “babysitter” to work on other projects. But from the point of view of the municipal government in Maracaju, Antonio Salerno was an essential and formidable *chuzhang* (Figures 7 and 11). When I first arrived to interview mayor Maurílio, he was enthusiastic about me and my research, and told me: “Here, speak with Antonio. Whatever he says, you can say that I said it too. Whatever information you can share with us about this company, the sector and such, please tell him. He is the person who knows all the information and makes the decision with me.” Mayor Maurílio was not exaggerating, nor was he simply shrugging me off to someone else. Over the course of several days, I was allowed to sit in Antonio’s office and review several public documents regarding the BBCA project, and I witnessed the dynamics in the municipal government hall: all questions, documents, demands, indeed everything related to the BBCA went through Antonio Salerno. There were documents to and from the secretary of infrastructure regarding the construction of the access road to the planned BBCA construction site, there were documents to and from the state government regarding the installation of power lines, and of course, there was a substantial amount of work being done to enable the municipal government to expropriate the Dolorini if they failed to reach an agreement to exchange parcels of their farms with BBCA Brazil. On all these topics, the mayor would simply ask Antonio for an update and then sign whatever document Antonio presented him.

Figure 7. Who is responsible, and who is in charge



Source: Maracaju Municipal Government Archives. From left to right: Cao Mengchen, vice-president of the BBCA Group; Maracaju mayor, Dr. Maurílio Azambuja; his municipal attorney, Antonio Salerno; and Li Rongjie, president of the BBCA Group. Note both pairs of men include one who is nominally responsible, and another who is actually in charge.

In addition, there were visits from Cao with other Chinese businessmen or bureaucrats. This is where Antonio's transnational characteristics comes to the fore, as he stood out for being fluent enough in English to communicate directly with Cao and translate negotiations between him and the mayor.³⁹ One day while I was there, Cao arrived with an assistant and three members of the China Development Bank. Observing their interactions, and interviewing participants from their meeting afterwards, it was evident that the mayor was there just to state his political commitment to the project, and beyond that every aspect of the discussion was controlled by Antonio Salerno. That day in particular, Antonio was boosting the "logistical importance" of Maracaju as central hub for a proposed expansion of the BBKA Brazil operations in international trade: the CDB was interested in the BBKA Group's assertion they could take over the fluvial port at Porto Murtinho (about 300km to the west) to export not only citric acid and DDGS, but also soybeans down the Paraguay-Plata basin. By that time, Tereza Cristina had told me "we are not talking any further of Porto Murtinho until we see the factory built in Maracaju", so Cao turned instead Salerno to showcase the region and convince the CDB officials that the BBKA Group could become a strategic vehicle for broader agroindustrial and logistics investments in Brazil (discussed at further length in chapter 6).

In addition to this free support from Antonio Salerno and the municipal government, Cao did not have to hire anyone to undertake the search for an adequate location within the municipality because a southern grain broker and agribusiness consultant working in the region volunteered his services in the hope of being subsequently hired or paid commission upon the purchase of the land. The place identified as ideal was located inside the estate of a very "traditional" patriarch who fumed at the mere suggestion that a part of his property should be sold off. With family ties that stretch back over a century, mayor Maurílio wanted to avoid conflict with them, and continued to search for a secondary but still adequate location. Luckily for them, Antonio Salerno identified that Mauro Lombardi was struggling to maintain their soy/maize production in Maracaju, and convinced him to sell his 290 ha farm. The plot was located a few hundred meters to the south of the ideal area originally identified, and even though it didn't quite reach the railway or the river, it was close enough to consider negotiating access routes through the neighboring farms in exchange for an unused portion of the Lombardi farm. Mayor Maurílio, Antonio Salerno, and the secretary of political affairs brokered the first negotiation with the neighbors, two brothers from the Dolorini family. At first, the Dolorini were told they would only need to exchange about 24 ha on the access to the railroad, and an 18-meter-wide corridor for access to the river, and they expressed willingness to make a deal. But unforeseen circumstances in the environmental licensing process soon derailed negotiations.⁴⁰

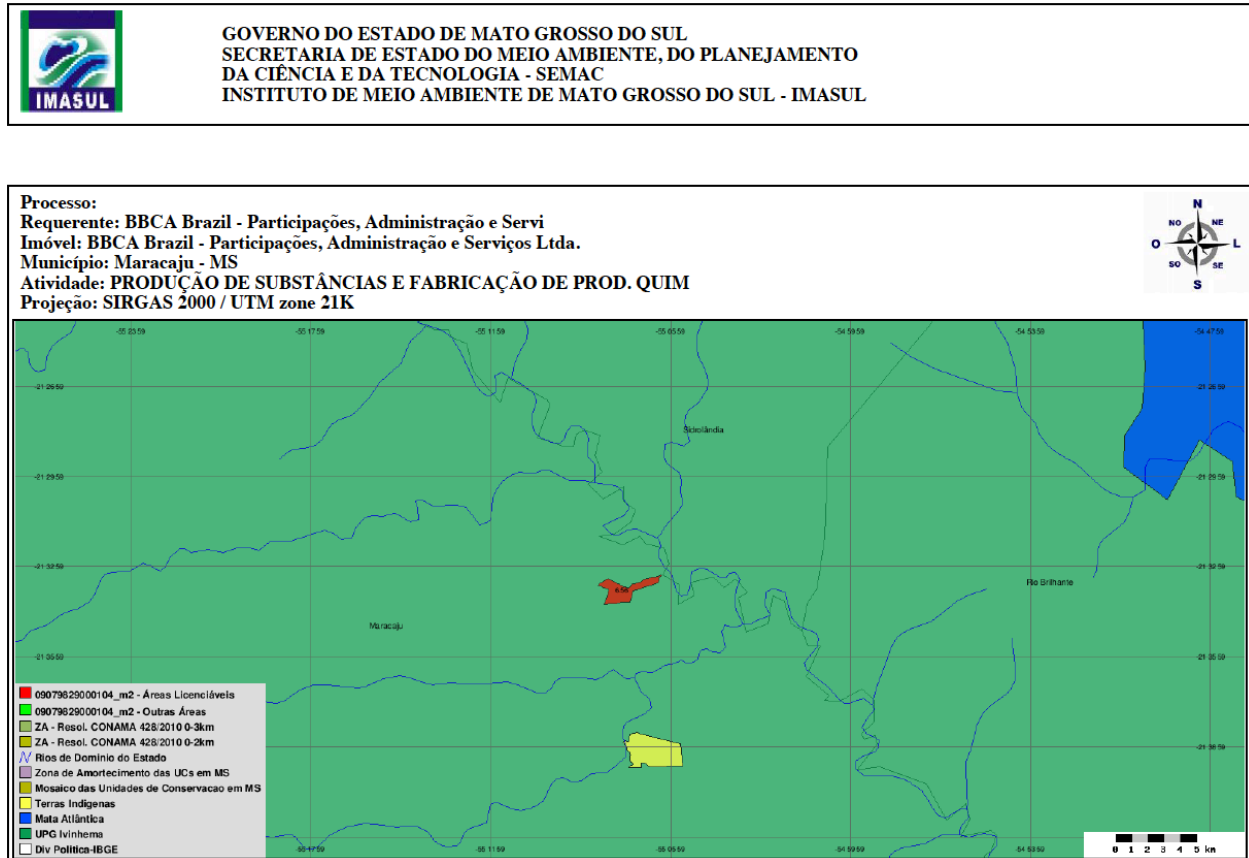
Soon after BBKA Brazil purchased 190 ha of the Lombardi farm and the Maracaju municipal government purchased the remaining 100 ha, the BBKA Group sent a copy of their blueprints for the citric acid factory they were building in Thailand at that moment, and Cao hired an environmental consultant to translate it from English and adapt it for Brazilian environmental and engineering standards to request the Preliminary License for the project and its proposed location. At that moment, a twin problem emerged: the blueprints sent from BBKA Thailand did not include sufficient water treatment facilities to attend Brazilian environmental regulations, and adding those to the project

³⁹ Antonio Salerno learned English at a young age while studying law in Campo Grande. He even provided private English lessons in Maracaju for some time. At the time he was brought into the government, he was expanding a law firm with a few colleagues (including one who would also serve in the municipal government with him as secretary of political affairs).

⁴⁰ This narrative is drawn from multiple formal interviews and informal conversations with the Dolorini family, mayor Azambuja, Antonio Salerno and others at the Maracaju municipal government, the BBKA Brazil attorney, Cao himself, and other individuals familiar with the situation in Campo Grande and Maracaju.

would require it to expand further south and within the 8km radius of a legally recognized indigenous territory named Sucuri'y (Figure 8).⁴¹

Figure 8. Relative location of the BBKA Brazil industry (red) and Sucuri'y Indigenous Territory (yellow) as identified in the installation license request process



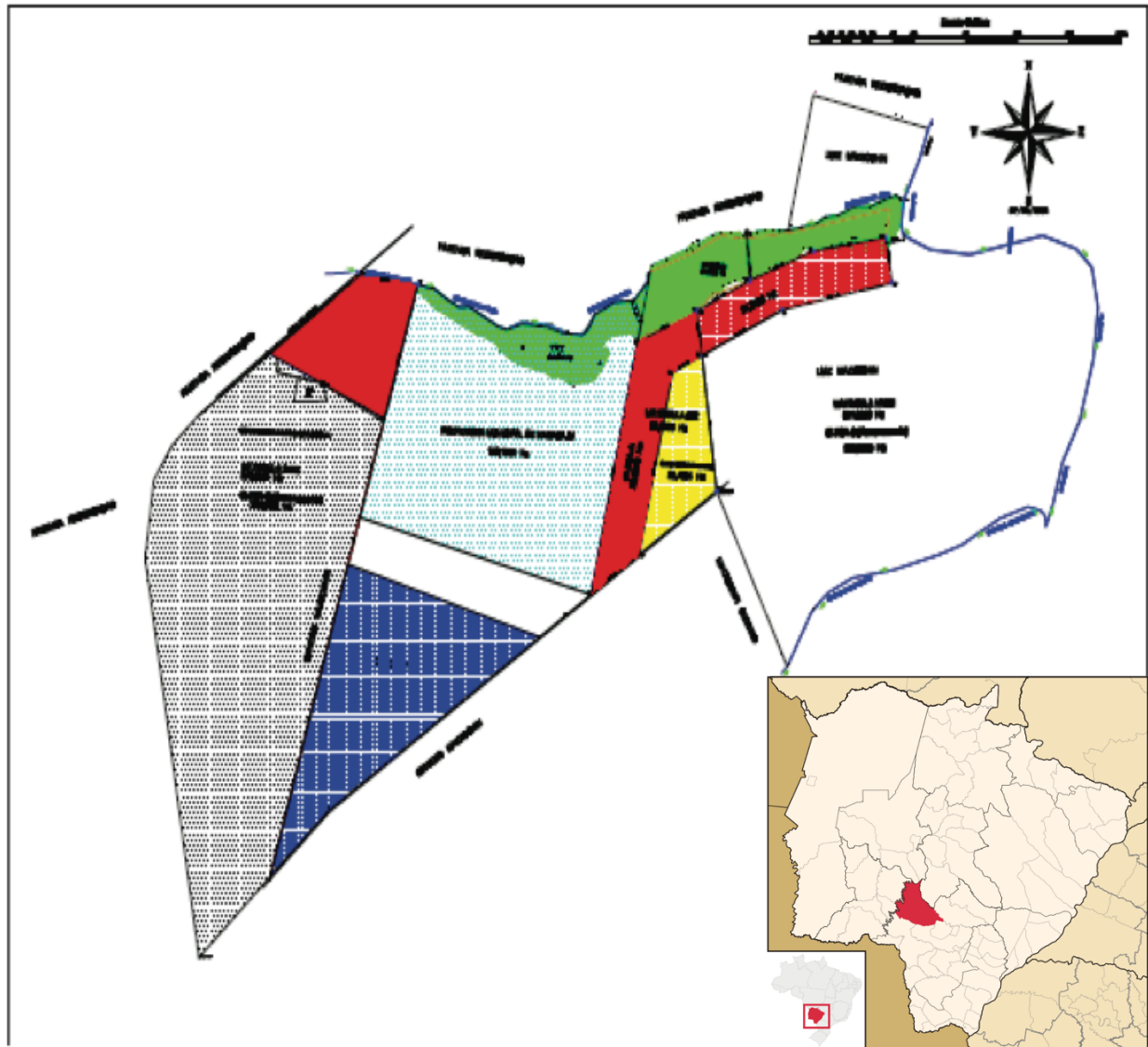
Source: Institute of the Environment of the Mato Grosso do Sul State Government, IMASUL.

If any part of the agroindustrial enterprise was located within that radius, the licensing process would need to be transferred from the state government's environmental agency (IMASUL) to the federal government, and FUNAI (the National Indian Foundation) would need to participate in the process to guarantee both free, prior, and informed consent from the Kaiowá in Sucuri'y, and most likely some compensation for them as well due to the negative environmental impact of the BBKA Brazil facility in their region, particularly its water resources. At the very least, this would have delayed the environmental licensing process and increased its cost, and in the worst case this could even halt the project entirely, removing the process from the bureaucratic spaces where governor Puccinelli

⁴¹ During the 1970s, a wealthy rancher in Maracaju donated an area three kilometers outside town for a livestock research station to be operated by the federal government. But the winds of capitalist agribusiness had changed during the following decades, and as the regional economy shifted from ranching to soy and maize farming, the research station was abandoned. So in 1996, a group of Kaiowá who had been previously driven from Maracaju occupied the station and successfully demanded its demarcation as their own. The area of 535 ha was designated as the Sucuri'y Indigenous Territory (named after the river Sucuri, meaning boa or anaconda, that flows to the south of the area), and remains now the smallest Kaiowá territory officially recognized by the Brazilian state, home to about 393 individuals living in simple wood and straw shacks or small brick cottages, and no electricity or running water.

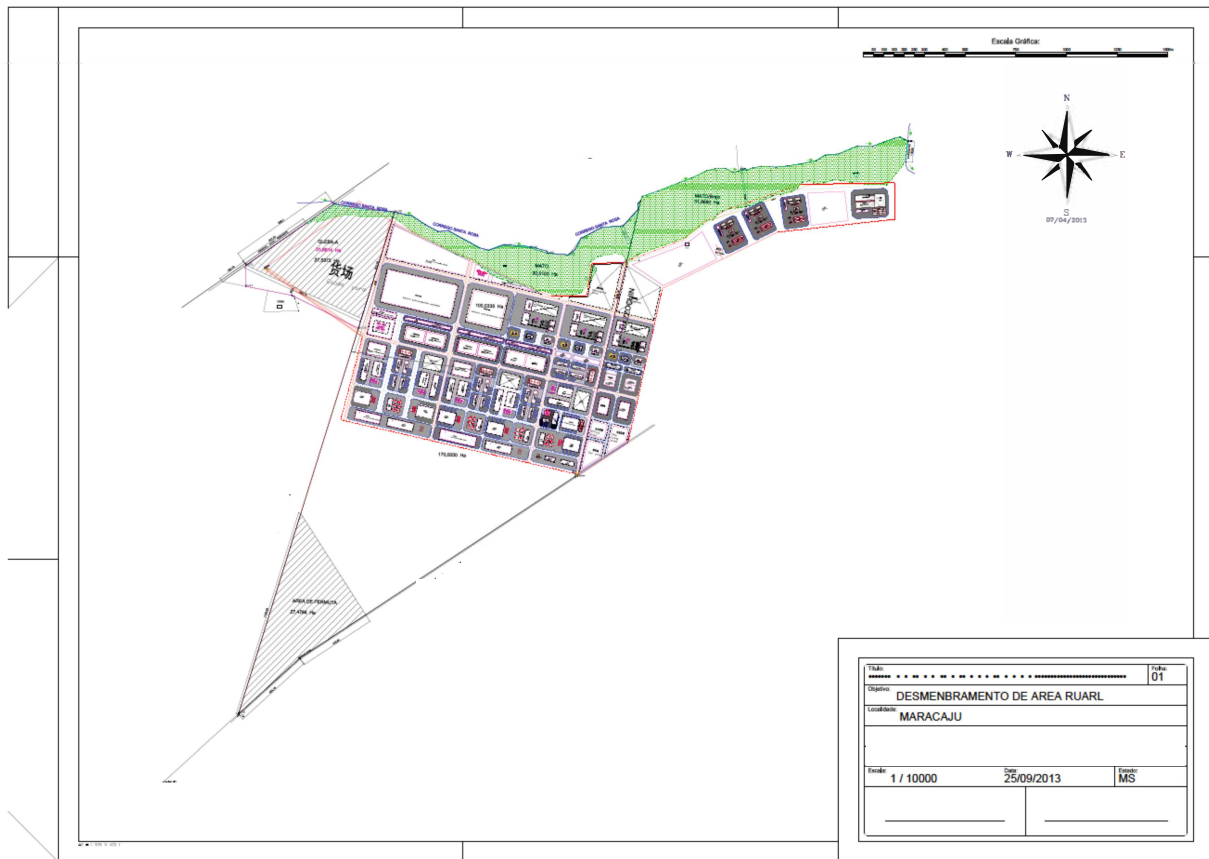
could safeguard the necessary environmental licenses. The solution Salerno designed with Cao and his environmental consultant was to seek the exchange of a far larger chunk of the Dolorini farm on the access to the river, where the necessary water treatment facilities could be installed and thereby maintain the entire agroindustrial area just outside the 8km radius of the Sucuri'y indigenous territory (Figures 9 and 10).

Figure 9. Land purchased and slated for exchange/expropriation for the BBCA project
ANEXO III DO DECRETO Nº 056/2014, DE 17 DE ABRIL DE 2014.



Source: Official Diary of the Municipality of Maracaju, April 17 2014. Appendix 3 to Decree 56/2014 that enabled the municipal government to purchase and donate the light blue area for the BBCA Brazil. The triangular remainder of that lot to the south was purchased by the BBCA Brazil itself, with the dark blue area slated for exchange (or later resale) for the areas in red, located on the neighboring farms owned by the Dolorini brothers (the remainder of one farm is in grey to the west, and the other in yellow-white to the east). Inset of Maracaju municipality, MS, Brazil, from Wikipedia.

Figure 10. “Dismemberment of rural area”



Source: Maracaju Municipal Government Archives (anonymized). The upper shaded area that gives access from the BBKA Brazil-owned farm to the railroad is marked for exchange with the lower shaded area (within the 8km radius of the Sucuri’y indigenous territory). Note the water treatment facilities on the corridor on the right, running through the Dolorini farm on the way to the river.

Engineering and environmental maps were altered, and the preliminary license was obtained on March, 2014. But no agreement was forthcoming with the Dolorini, who were upset to hear that a much larger portion of their farm would need to be exchanged, and began to question whether mayor Maurílio was taking advantage of them. Mayor Maurílio, Salerno, and Cao, on the other hand, felt the Dolorini thought they could pressure the BBKA to pay a significantly higher compensation, seeing them as “a big Chinese company full of money”. I cannot know what their motivations were, but in our interviews and informal conversations it became clear that the complications with the preliminary environmental license made the Dolorini to realize they should be much more careful: after all, this was not merely a maize processing facility, but a chemical factory that could bring significant environmental harm to the waters around their property, and the area of the Lombardi farm they would receive in return for granting access to the railroad and river could not easily be re-sold for additional industrial enterprises that might follow the BBKA project “because of the indians”, as they framed it. But unsurprisingly, this “indigenous question” was never even broached in municipal politics: the public hearing on the project took place in February 2014, without inviting the local Kaiowá. Afterwards, the leadership of the Sucuri’y territory told me their requests to meet with the mayor were repeatedly denied. Their lack of access stood in glaring contrast to multiple days that the mayor and Salerno dedicated to discussing the case with me. In these conversations, this “indigenous

question” would sometimes emerge as a limiting factor for the location of the project (or subsequent industries) in the southern half of the Lombardi farm, but whenever I asked directly about the Kaiowá, the question was quickly dismissed: “they have nothing to do with this,” I was told much to my dismay.

Figure 11. Who is responsible, and who is in charge (redux)



Source: Maracaju Municipal Government Archives. From left to right: Li Rongjie and Cao Mengchen, president and vice-president of the BBKA Group, look at a map of the areas slated for construction and exchange/expropriation; while mayor Maurílio Azambuja and his municipal attorney Antonio Salerno host and take them on a tour of the area they purchased.

During 2014, a series of meetings took place with mayor Maurílio, Salerno, Cao, and his Oxford-trained lawyer on one side, and on the other the Dolorini brothers who owned the land and a third one who was also a lawyer, arguing over the proper terms of compensation for the larger-than-originally-expected exchange. When negotiations stalled and Salerno first threatened that the municipality could force through the expropriation of their land, the Dolorini became infuriated. Their anger was compounded by the fact that mayor Maurílio refused to consider an expropriation when considering the neighboring farm of the other “traditional” family whose land was considered most suitable for the project in the first place. The mayor responded that “this will be a good thing for the development of our whole region”, and argued that another “traditional” family who had a 3.5km stretch of their farm expropriated for the construction of the access road from the highway to the proposed construction site was “happy and excited” about the project. But this only frustrated the Dolorini further, “as the mayor’s ‘people’ get the benefit of the road,” they explained, “and we get stuck with the part that has all those indian problems (sic).” Without reaching any agreement, Maurílio and his team accused the Dolorini of being “against the development of the municipality” for selfish reasons. To make matters worse, the regional Cargill manager had begun spreading rumors that “the

Chinese are not really coming”, seeking to destabilize the BBCA’s plans further and thereby limit competition with his own company’s citric acid production in Brazil. As 2014 rolled on, his rumors were gaining traction with news reports emerging that a similar investment announced by a Chinese company three years earlier to build a soybean crushing facility in Bahia state had been apparently abandoned (cf. Oliveira 2015, and the discussion of the Chongqing Grain Group in chapter 6). I arrived in Maracaju at the peak of these tensions and uncertainties, with the installation license application still under elaboration, Cao asking me as a favor to help convince the Dolorini to accept his last offer, and the mayor, his staff, and many large-scale farmers asking me whether I thought the BBCA Brazil would go through or pull out of the project entirely.

Instead of playing into either side of the local debate, I used the opportunity of a request to present an independent report to the municipal and state governments to raise additional considerations on the potential negative impacts of the citric acid industry, promote more rigorous environmental regulations and a second public hearing on the project with active participation of the Kaiowá community in Maracaju, as well as the regional agents of FUNAI and the Federal Public Defendant, among other technical recommendations for the municipality to improve its healthcare, education, and urban planning in anticipation of any further industrialization. These reports were received with respect and apprehension by the Maracaju municipal government and the president of the state government’s environmental agency (IMASUL), who told me in our interview that they could indeed consider imposing greater restrictions for the installation license, but these independent recommendations ultimately went unheeded. Two weeks later the BBCA Brazil presented their application for their installation license, and in less than month, a few days before governor Puccinelli left office, the license was granted. From my interviews and informal conversations with IMASUL analysts and Federal Public Defendants in Mato Grosso do Sul, it became evident that the license was granted in far less time than needed by the environmental agency to undertake proper analysis, much less to consider additional recommendations for more rigorous regulations. “The governor made a phone call,” someone explained under conditions of anonymity, “and barked at the IMASUL folks saying that he wanted to see this license on his desk the next day because he promised to the Chinese he would give it to them before the end of his administration.” And so it was done. The installation license was granted on December, 2014, and the following month Salerno filed the expropriation of the Dolorini farmland to grant access to the railroad and river from the area purchased by the BBCA Brazil. This expropriation provided far lower compensation price than had been considered during their negotiations, and it turned out to be illegal without altering the municipal zoning laws and creating an industrial district that could benefit from the expropriation, rather than a private company on its own. But with the completion of the land allocation for the project, the China Development Bank finally released the first installment of their loan for the project. Soon afterwards in early 2015, machinery and equipment for the installation of the facility began to arrive from China in Brazilian ports. In the meantime, Salerno and his father began negotiations with Cao to purchase a portion of the remaining Lombardi farm in order to relocate their silos. They plan to become the main intermediaries for the purchase of maize from the region to supply the BBCA agroindustry, and if he is successful, Salerno will be propelling himself from municipal *chuzhang* to transnational business entrepreneur.

In the meantime, the 393 individuals at the Kaiowá community in Maracaju continue living in poverty, exposed to pesticide drift from neighboring farms, and drinking water from wells contaminated with herbicides, pesticides, and chemical fertilizers.⁴² “If we were not made invisible”

⁴² During my participant observation of the environmental licensing process of the BBCA Brazil project in Maracaju, I collaborated with the Indigenous Missionary Council (Conselho Indigenista Missionário – CIMI) of the Catholic church, the main NGOs struggling for indigenous rights, above all the right to their own territory. They already had ongoing

by the manner that Salerno expropriated the Dolorini and reconfigured the layout of the BBCA Brazil project to maintain the process of environmental licensing at the state level, the leadership of the Sucuri'y indigenous territory explained to me, "we would be able to get some compensation from this project. We could install water and build better houses with that money." But instead, the Maracaju municipal government (in a collaboration between Salerno and the secretary of infrastructure) framed the only demand for environmental compensation as the establishment of a municipal ecological park along the north side of the new industrial zone retroactively designated to legalize the expropriation of the Dolorini. Ironically, the area immediately to the south of the BBCA Brazil agroindustrial plant (i.e. just within the 8km radius of the Sucuri'y indigenous territory) was designated for housing the 300 workers that Cao wanted to bring from China for the construction of his factory. One of the engineers hired to adapt the BBCA blueprints to Brazilian engineering and legal standards told me with some amusement and frustration: "All this here," indicating the Chinese-style barracks immediately to the south of the industrial design he received, "this is completely illegal under Brazilian laws. The [insufficient] number of toilets per person, the presence of cooking stoves inside the bedrooms, this whole design is something I just have to pretend is not there for now. Later, when Cao realizes he will need to hire a Brazilian construction firm and workers, we will make this here into a nice new little neighborhood." And indeed, this significant public and private investment is going forward on the exact area that the law would have required consent from and attention to those most marginalized in the community, and it provides almost the exact amount of housing and residential infrastructure needed by the residents of the Sucuri'y indigenous territory. "This project will benefit everyone here," Antonio Salerno exclaimed, but failed to elaborate on how it benefits some more than others, and doesn't seem to benefit the Kaiowá at all.

5. Transnational Class-Formation and South-South Cooperation

Paradoxically, this account of how the BBCA-JLJ partnership was established, and how their agroindustrial project became "grounded" in Maracaju, demonstrates both that this case is exceptional for having succeeded at a moment that was not propitious for Chinese agribusiness investments in Brazil, and also illustrative of the conditions of possibility for Chinese direct investments in agribusiness in Brazil and Brazil-China agroindustrial partnerships more generally. By tracing the

campaigns in Mato Grosso do Sul to denounce assassinations of indigenous leaders, and demand the legal recognition of indigenous territories occupied and/or disputed by sugarcane/ethanol mills and soybean/maize farmers. But in the case of Sucuri'y in Maracaju, collective discussions between the local leadership of the Kaiowá, the regional directors of CIMI, myself and other scholars working on the region determined that it would be most strategic to leverage the concern over water contamination from the proposed agroindustrial enterprise into the broader and ongoing campaign against intoxication of workers and community members by agrochemicals. Accompanied by an epidemiologist, I prepared a preliminary survey of symptoms of agrochemical contamination to be applied through participatory methods among the Sucuri'y community. Preliminary results from about 20 individuals confirmed suspicion of symptoms of chronic contamination by agrochemicals, but in order to further pursue the research, it would be necessary to go through extensive bureaucratic procedures to secure legal permissions from FUNAI and other organs of the Brazilian government, and the Institutional Review Board at UC Berkeley. Given limited time and resources, therefore, it was necessary for me to abandon the epidemiological investigation at that point. For more information on agrochemical contamination in indigenous communities in Mato Grosso do Sul see Glass (2012), and for high-profile scientific studies on agrochemical contamination in other regions with extensive soybean/maize production in Brazil, see Palma (2011) and Moreira et al. (2010, 2012). See also the report by the Federal Public Defendant's office on the creation of a commission in 2014 to investigate the agrochemical contamination and related health problems in Mato Grosso do Sul (with which my work with the Kaiowá and CIMI was articulated): <http://www.prms.mpf.mp.br/servicos/sala-de-imprensa/noticias/2014/02/mpf-e-mpt-ciam-comissao-para-monitorar-uso-de-agrotoxico-em-ms>

genealogy of the BBKA Brazil and its agroindustrial project in Mato Grosso do Sul state, my account illustrates how transnational investments do not simply take place as a function of “top down” state policies or corporate decisions, but require extensive and complex labor of assemblage, undertaken primarily by an emergent class of transnational boosters, brokers, bureaucrats, and businessmen who assemble Chinese capital with Brazilian land, labor, and expertise. It is not that high-level governance and publicity are less relevant, but it is how the broader diplomatic and economic conditions that appear in most literature actually play out in the business partnerships that are established and investments that materialized due to far more serendipitous and informal arrangements between emergent transnational businessmen and bureaucrats. Consequently, what I illustrate with this chapter – and will carry on in the analysis undertaken in the two subsequent chapters – is how an ethnography of China-Brazil agroindustrial assemblages advances our understanding of the conditions of possibility of Chinese transnational investments, and reveals how a new transnational class of boosters, brokers, bureaucrats, and businessmen emerges through the labor of assembling (Chinese) capital with (Brazilian) land, labor, and expertise.

While they might not constitute a transnational capitalist class in the traditional sense (Sklair 2001; Robinson 2008; Carroll 2010), their ability to convert transnational investments into forms of affluence and influence sets the emerging Brazil-China agroindustrial assemblage as its common terrain and most fitting object of investigation. Consequently, our empirical and theoretical understanding of Chinese foreign investments and the rise of transnational elites from the Global South benefits from ethnographically nuanced regard for the practices of assemblage undertaken by these characters, particularly those operating at the “middle levels” of state and corporate governance. After all, it is their work and set of skills that enables the formation of partnerships and the successful implementation of transnational investments, and also explains why such projects propel them in transnational and class ascendance while marginalizing others, increasing social inequality, and aggravating environmental degradation even when legal restrictions and governance priorities exist to assure otherwise. This is thus a theory-method for researching the simultaneous construction and contestation over new global connections, and transnational class production and struggle.

As evident not only in the class-ascendance of business executives like Li Rongjie and Ignacio de Moraes Jr., but also of their deputies and other “mid-level” bureaucrats and managers like Cao Mengchen, Eduardo Riedel, Tereza Cristina, these individuals propel themselves in both class and transnational ascendance across the entire spectrum of their operations, and through their cross-class and transnational partnerships, and so the study of transnational (capitalist) class formation must not limit itself to the top echelons of corporate or multilateral/international governance, and the mapping of their own interlocking interests across boards or political institutions. Such limitation would overlook entirely the key manner the emergence of transnational capitalists is predicated on the transnationalization of more local level technocrats/businessmen like Carlos Novak and Antonio Salerno, who also propel themselves in class and transnational ascendance thereby.

Ultimately, the rhetoric of “south-south cooperation” and “national/regional/local development” employed by these individuals masks highly uneven distribution of benefits, risks, and harms from the agroindustrial projects pursued. More specifically, the boosters, brokers, bureaucrats and agribusiness business officials assembling these projects benefit primarily themselves (through access to public resources and subsidies, and the manner they navigate land and environmental politics), at the expense of many, especially the most marginalized. Nevertheless, as will be discussed in greater detail in the next chapter, the majority of such transnationalizing agribusiness professionals who attempted to assemble Brazil-China partnerships “from the ground up” (i.e. through direct investments in specific plantations and agroindustrial projects) largely failed in their endeavors. Without an extensive, socially-embedded, and racially favored diaspora – and still confronting “yellow peril” discourses more than “model minority” racial forms in the Brazilian imaginary – the botched

attempts by these boosters, brokers, bureaucrats, and agribusiness professionals to establish Chinese owned/financed plantations in Brazil ultimately reproduced more sinophobia than sinomania in Brazil. Whether they were feared to be powerful land grabbers or seen as savvy investors who could help Brazilian agribusiness sustain economic growth and profit accumulation despite the slowdown of the Global North economies in the aftermath of the financial crisis of 2008, most turned out to be mere “Paper Tigers” (i.e. something that appears threatening but is actually quite ineffectual). In the next chapter, I turn to an analysis of these failed negotiations and miscarried agribusiness investments, which will be contrasted subsequently with the successful operations of the companies that I call “Dragon Heads” (adapting the discourse of the Chinese government). And as will be shown then, these Dragon Heads distinguish themselves not merely through their access to relatively greater financial capacity and political power (which generally run hand-in-hand), but also through their twin capacity to poach agribusiness professionals from leading companies in the Global North and rely on the technocrats at Brazilian (and other) subsidiaries that become integrated via global-level M&As. In these cases, even more clearly than in the BBKA Brazil case analyzed above and the Paper Tigers that will be discussed in the next chapter, we witness the effective incorporation of new elites from China and Brazil into the transnational landscape still dominated by capital from the Global North. Collectively, therefore, the material in this and the two subsequent chapters that comprise Part II of this dissertation sets up my critique of the “South-South cooperation” discourse that masks the cold and crude elevation of agribusiness professionals into transnational elites at the expense of the rest.

Chapter 6

Pratfalls of Paper Tigers: Misadventures in Soybean and Oil Palm Plantations

1. Dragon Heads and Paper Tigers

There has been a boom of journalistic, NGO, think-tank, and academic literature from multiple disciplines about “the environmental and social impacts of Chinese investments overseas” (Zhen 2016; cf. Lang and Chan 2006; Scissors 2010; Leão, Pinto, and Acioly 2011; Friends of the Earth 2012; Smaller, Wei, and Liu 2012; Xu, Qi and Li 2014; Brautigam 2015; Myers and Wise 2017). Much of this literature, however, assumes the view of “China” as a monolithic actor causing positive or negative impacts in far-flung places, and when they do attempt to discern more nuanced distinctions between various Chinese actors, the distinction between private and state-owned companies is prioritized, and less frequently distinctions between coastal/inland or central- or provincial-government-owned companies are also employed. Ownership structure and geographical basis do have some repercussions for the variable abilities and strategies of companies to launch foreign investments. However, in my empirical investigation of Chinese agribusiness investments in Brazil, I find that such public/private dichotomies are not actually helpful for analysis, since we find examples of public-private partnerships that destabilize these categorizations (e.g. the Zhejiang Fudi-Beidahuang joint-venture), companies from different regions that display similar patterns of investment (e.g. the coastal Shandong Guanfeng and the inland Chongqing Grain Group), companies with similar ownership structure but operating very differently (e.g. the state-owned Beidahuang and CNADG on the one hand, contrasting with Chinatex and COFCO on the other), and companies with different ownership structure pursuing similar strategies (e.g. the private Sanhe Hopeful, Shanghai Pengxin, and Nutrichem, whose projects replicate at smaller scale the larger take-overs by COFCO and ChemChina). Therefore, I argue instead that we can most usefully distinguish between what I call “Dragon Heads” and “Paper Tigers.” Paper Tigers are the companies that attempted large-scale direct agribusiness investments, particularly in farmland, but largely failed to establish themselves and operate profitably and successfully. Dragon Heads, on the other hand, are companies that have largely succeeded through global mergers and acquisitions of transnational corporations operating primarily up- and downstream from farming itself. This distinction cuts across public/private, central/provincial, and coastal/inland dichotomies to address specifically the financial and administrative capacities and strategies that most clearly account for the “success” or “failure” of Chinese agribusiness investments in Brazil and beyond.

In this chapter, I begin by examining a series of misadventures by Paper Tigers that invested in soy and oil palm production in Brazil. I demonstrate how these companies were feared as powerful “land grabbers”, or were expected to launch large-scale agroindustrial enterprises, but failed largely due to insufficient understanding of the Brazilian terrain; overreliance on government officials who prioritize their own personal goals above investor interests; relying primarily on Chinese managers inexperienced in Brazil, and under strict control from headquarters; and exposing themselves to social-environmental and labor conflicts. In other words, these are companies that attempted to assemble “greenfield” agroindustrial investments and plantations in similar manner that the BBKA Group accomplished, but unlike the case illustrated in the previous chapter, they succumbed to various internal tensions and external challenges. Along this analysis, I also discuss the overarching trajectory of Brazilian state and agribusiness interests in promoting Chinese agribusiness investments, including a concerted effort to shift them towards agribusiness finance and relevant infrastructure projects. This

chapter will illustrate the inability of these Brazilian actors to secure successful infrastructure investments by Paper Tigers, and the subsequent chapter will demonstrate their inability to coordinate the operations of Dragon Heads. In that next chapter, I will examine the Dragon Heads that entered Brazilian agribusiness through a series of global-level M&As, particularly up- and downstream from farming itself. These companies are becoming leaders in their sectors, ranging from tobacco, seeds and agrochemicals, agroindustrial processing and trading infrastructure for sugar, soy, grains, and other important agroindustrial commodities. In contrast with Paper Tigers, their operations are characterized by cultivating careful understanding of the Brazilian and global agribusiness, legal, financial, and commercial terrain – with their higher echelons staffed by executives trained in the best business schools of Europe and the United States. Their deals largely bypass government officials in Brazil (and elsewhere); they rely primarily on transnational and Brazilian managers, who are given full operational autonomy from headquarters, and these locally-rooted managers in turn are more capable of defusing socio-environmental and labor conflicts. Ultimately, discerning Chinese agribusiness investments in Brazil as I do in these chapters will enable us to better understand the character and dynamics of Brazil-China agroindustrial partnerships and their real challenges and opportunities for South-South cooperation and agroecological initiatives that cultivate food sovereignty.

My narrative is assembled from the triangulation of (1) about one hundred extended interviews and informal conversations with key protagonists and numerous other actors who may not appear in this account, (2) government and company reports and documents, (3) field site inspections and participant observation of some environmental licensing processes, (4) extensive research of media sources and local archives, and (5) the relevant secondary literature. In the second section that follows, I examine how a small group of boosters, brokers, bureaucrats, and businessmen used the Goiás state government to recruit possible Chinese investors for their projected expansion of soybean agribusiness in the north of their state, but the central government state-owned farm management company (CNADG) that had participated in negotiations gave up on the project after the 2010 restrictions on acquisition of farmland by foreigners, and the private soybean crusher Sanhe Hopeful determined to invest in a new port terminal in southeast Brazil instead. Nevertheless, Syngenta and Nidera, transnational companies acquired by Chinese Dragon Heads since 2014, play central roles in the expansion of (and extraction of profits from) soybean agribusiness in the region, and trump as well Sanhe Hopeful's port investment in southeastern Brazil. Then in section three, I investigate the first Chinese agribusiness investment in soybean production by a joint venture between the private Zhejiang Fudi Agribusiness Company and the provincial-owned Beidahuang Group, which purchased a small farm in southern Brazil and a larger one in the north around 2008, but failed to operate profitably and resold these assets to the Chongqing Grain Group after the latter was restricted from acquiring large-scale farms of its own after 2010. So in section four, I turn to the Chongqing Grain Group's misadventures attempting acquiring farmland for soy production in Bahia state—which became the highest profile Chinese agribusiness investment in Brazil—and explain why and how they failed to accomplish the large-scale investments pursued not only in soy production, but also in agroindustrial processing. These cases are significant not only due to the manner they articulated with the “China as land grabber” discourse discussed in chapter 4, but also for the concrete socio-ecological struggles they triggered at the sites of their investments – conflicts that contributed significantly to the withdrawal of such Paper Tigers from the assemblage of Brazil-China agroindustrial partnerships. In the fifth section, I briefly describe yet another misadventure by Paper Tigers, but this time regarding palm oil production near the Amazon river delta by the private Shandong Guanfeng agribusiness company – case that shows these characteristics transcend the high-profile investments in soy. After examining how these Paper Tigers failed to successfully establish themselves and profitably operate farms in Brazil, I revisit this characterization of largely failed Chinese agribusiness to underscore what makes (and unmakes) the conceptual category that I name Paper Tigers.

2. Soy Misadventures, Part 1: How soybean agribusiness expanded in northern Goiás

In April 2010, during the second BRICS summit held in Brasília, several Chinese agribusinesses accompanying Hu Jintao's presidential delegation announced they were planning to make large-scale investments in the Brazilian soy sector. Most of these negotiations had already been taking place since the year before, and although no formal agreements had been reached, the announcements integrated the broader excitement and concern around the "rise of the BRICS" in the aftermath of the 2008 financial crisis rooted in the US. While the farmland-oriented investments by the Chongqing Grain Group in Bahia state would become the highest profile case, and also the main factor triggering restrictions on acquisition of farmland by foreigners later that year (as discussed in chapter 4), it was a set of negotiations brokered by the Goiás state government that would produce the most impressive announcements. By late 2010 and early 2011, Brazilian and Anglophone media outlets were reporting that two Chinese agribusiness companies were planning to invest an astounding 7.5 billion USD to expand soy production in the state of Goiás, in exchange for a yearly supply of 6 million tons of soy (Vital 2010, 2011; Maisonnave and Carazzai 2011; O Repórter 2011; Carfantan 2012; Todeschini and Rydlewski 2012). However, those numbers were highly inflated. The two companies involved in those negotiations—the central government-owned China National Agriculture Development Group (CNADG) and the private Sanhe Hopeful Grain and Oil Company—went as far as signing Memoranda of Understanding (MOUs) with the Goiás state government, but their deals never materialized. The CNADG abandoned negotiations entirely soon after the restrictions on acquisition of farmland later that year, and Sanhe Hopeful pursued instead a minority-share investment in the construction of a new grain terminal next to the port of São Francisco do Sul, Santa Catarina state.

In this section, I describe how a group of agribusiness professionals in Goiás attempted to assemble Chinese capital with Brazilian agribusinesses for the expansion of soy production in the north of their state, but failed. I argue that they failed because they did not actually understand the interests and capacities of the companies they were courting, even while a key bureaucrat/businessman from Goiás did springboard from those failed negotiations to develop his own private partnership with another Chinese company for the adaptation of high-yield varieties of Chinese rice to the Brazilian Cerrados. This illustrates how the agribusiness professionals assembling Chinese capital with Brazilian agribusiness may ultimately benefit themselves in class and transnational ascendance even while their projects oriented towards "public benefit" largely fail. On the other hand, when soybean production began expanding in the region, it was through private Brazilian investments coordinated primarily by Syngenta distributors, who would soon become incorporated by ChemChina (as mentioned above). Unlike ChemChina's relatively late but successful control over the flows and profits from key technologies and technicians establishing soy agribusiness in northern Goiás (discussed at greater length in the next chapter), the CNADG and Sanhe Hopeful exemplify what I call Paper Tigers: the CNADG's orientation towards farmland investments and Chinese-management-based business model contributed to stoking xenophobia over Chinese land grabs even as the company recognized it wouldn't have capacity to undertake its own investments, or those proposed by agribusinesses and the state government of Goiás; while Sanhe Hopeful diverged from the "land grabber" model but lacked sufficient capital and expertise to successfully establish itself in Brazil, whether in Goiás or elsewhere.

We begin with a brief historical-geography of Goiás. Situated at the heart of the Brazilian Cerrados surrounding the national capital of Brasília, a commercial agriculture sector had consolidated in southern Goiás since the early 20th century, when the region was connected by rail to the industrializing southeast of the country (Estevam 2004). The northern half of the state, however, remained covered by extensive ranching on increasingly degraded pastures, and it was only around 2010 that Brazilian soy farmers began leasing or buying land in the region. A major impetus for this

expansion of soybeans, in addition to the rallying of soybean prices during the previous decade, was the expected inauguration of a railroad that would connect the region to the existing railways from southern Goiás to the ports in southeastern Brazil, as well as new ports being built in the north of the country. However, this railroad construction project has been a slow and frustrating project. Originally proposed in 1985, construction began in 1987 on the stretch from northern Tocantins state (north of Goiás) to the port of Itaqui in Maranhão state, but that stretch was only completed in 2008. It was around that time, when the international prices of soybeans and other commodities were spiking, that agribusiness professionals in Goiás and China began to negotiate investments alongside the remaining stretch of the railway that would connect northern Tocantins to southern Goiás. Another 133km of the railroad in Tocantins state were completed and inaugurated by March 2010, but the remaining 736 km of that stretch were delayed until 2014. Even after completed (Figure 1), there is only a single terminal, still barely operational, along this entire stretch of the railroad in northern Goiás. But during the years of 2009 and 2010, it seemed the project was finally moving forward, creating opportunity for new entrants in the region.

Figure 1. The North-South Railway, inaugurated but almost unused in Goiás state, 2014



Source: Photo by the author near the Cargill warehouse in Uruaçu, GO, April 2014

There were three Brazilian *chuzhang* (cf. chapter 5; Liu 2002) who played the central role coordinating efforts to attract Chinese agribusiness investors to the new frontier of soybean production they expected to be opened alongside the railroad. Oton Nascimento was from a powerful

Goiás family that made their wealth through their engineering company and its intersections with the state government, where Oton was then serving as Secretary of Planning. Pedro Arantes was a pioneering soy farmer from southern Goiás state, among the earliest members of the powerful Comigo cooperative, and established himself as an expert economist with the state's landowners' association (Federação da Agricultura do Estado de Goiás – FAEG), working especially in the elaboration of new projects and negotiations with the state government. Joining him was Alécio Maróstica, who has been through the revolving door between the Goiás state government, FAEG, and the regional agribusiness cooperatives more times than I can figure out. None spoke English, but they were architects of the projects, negotiations, and MOUs elaborated between 2009 and 2011 under the rubric of what was known among them as the “China Project”: they sought Chinese agribusiness capital to finance soy farmers from southern Goiás to rent or purchase land in the north of the state, purchase seeds and inputs, and obtain better terms through selling their products directly to Chinese buyers. “Although soybean prices were at record highs, the producers (i.e. soy farmers) were being squeezed very hard by the ABCDs and input providers (e.g. Monsanto and Syngenta, among the leading seed and agrochemical providers in the region). We knew the Chinese were also suffering with the high prices from the ABCDs and looking for direct purchase agreements with Brazilian producers, so we figured we could broker investments that would enable that direct partnership,” Pedro Arantes explained to me the origins of their proposal.¹

The representatives from FAEG organized a meeting with the state government in late 2008, where the Secretary of Planning Oton Nascimento was tasked by the governor with elaborating a project proposal they could take to China when accompanying president Lula's delegation in his state visit to China after the founding of the BRICs in 2009. Oton explained their rationale thus:

I was concerned to create a long-term strategy. The idea is that Goiás is already a leader of soy production, but we still have a large area for expansion in the north (of the state), 11 million hectares with ranching. There aren't grains there yet because we don't have the logistics for export. But the federal government was finishing the railroad, so our goal was to show this current and future potential to the Chinese authorities. We were already producing 8 million tons (of soy). If we were to put 20% of each ranching estate under cultivation to renew pastures, we would have almost 3 million hectares. At 3,000 tons/ha, we can offer an additional 9 million tons (of soy). But in the current system... the relationship with the trading companies is not favorable to the farmer. So we told the Chinese, if you have the market and dollars, and we have the production, it would be easy to come together for this expansion in the north. But since there are hundreds of farmers, 150 associations, the representation of FAEG, we in the state government stepped in to facilitate.²

The Goiás state government, alongside the Bahia state government, were the first to send delegations to China in 2009 to boost agribusiness investments. They held a series of meetings with the Chinese Ministry of Agriculture and other government agencies, as well as agribusiness companies, including not only the CNADG and Sanhe Hopeful, but also COFCO (a Dragon Head that was not interested in pursuing further negotiations with them, and will be discussed later in this chapter). After that first meeting, they invited those and other companies to visit their state, and arranged further travels of their own to China to pursue further negotiations. At least three visits were exchanged from May 2009 to April 2010. The most proactive among the Chinese companies negotiating with Goiás state at the

¹ Personal interview, Goiania, July 11, 2012, and March 17, 2014. Pedro Arantes is a key advisor to the directors of FAEG, and the person at FAEG primarily responsible for organizing negotiations with Chinese companies.

² Personal interview with Oton Nascimento, Goiania, March 17, 2014.

time was the CNADG, which visited Goiás in January 2010 accompanied by the Chinese ambassador and his economic attaché to Brazil. CNADG is the main SOE for foreign farmland management in China, and it was among the leading enterprises seeking foreign investments throughout Southeast Asia, Africa, and Latin America during those years. It's business model, however, was not centered on establishing large-scale production of its own, but rather relatively small demonstration farms that would foment agricultural development in the region by local initiatives (cf. Yan and Sautman 2010; Scoones, Cabral, and Tugendhat 2013; Xu, Qi and Li 2014; Brautigam 2015). That first delegation to Goiás was primarily about getting to know the region and its existing agribusiness production systems, without any concrete investment proposals, as the CNADG didn't have any technical or technological innovations of its own that could be integrated with the highly advanced soy production system they found in Brazil. It was only two months later, when the CNADG hosted yet another agribusiness delegation led by the Goiás state government, that the latter began to elaborate an investment plan they could bring to the CNADG (and other Chinese agribusinesses) instead. In order to coordinate the interests of soybean farmers, cooperatives, and agribusinesses in Goiás, who were the agroindustrial pillar of the region (in competition with expanding sugarcane/ethanol mills and production), Oton Nascimento set up in May that year a permanent "Goiás-China Working Group" with Pedro Arantes and Alécio Maróstica as they main protagonists representing FAEG, as well as representatives from the state's industry association (FIEG) and some of the main agribusiness cooperatives of the state (represented by their association, OCB-Goiás).

Figure 2. The PRONORTE map presented to the CNADG on November, 2010



Source: PowerPoint presentation by the Goiás-China Working Group to the CNADG and Chinese Ministry of Agriculture, Goiânia, Goiás, November 17, 2010. The colored areas in the northern half

of the state indicate how many hectares they predict could be brought into production with soy in each region. The dark blue line indicates the trajectory of the North-South Railway, noting it extends northwards to the port of Itaqui in the state of Maranhão, and the key informs it would be concluded in 2010 (it was only concluded in 2014). The dotted purple line indicates another stretch of railway that would reach a fluvial port in the Paraná-Tietê waterway, and the key indicates that would be concluded in 2011 (it is still under construction in 2017).

The Goiás-China Working Group organized hearings during early 2010 with soy farmers and their cooperatives in the south of the state, and ranchers and land-owners in the north of the state, where they determined “the viability of a development project for the (northern) region,” underpinned by the production of soy and maize, integrated with ranching in a way to restore degraded pastures. Their project was based upon a preliminary study for Chinese agribusinesses to finance the expansion of soy production, but under control of Goiás farmers themselves. After all, anti-Chinese sentiment and fears of land grabbing were growing in Brazil during 2010, and their hope was to take advantage of Chinese interest in securing soybean supplies in exchange for financial support for their expansion to the “undeveloped” northern portion of the state (Figure 2). They changed the name of their proposal from the informal “China Project” to the official “Project for the Development of Agribusiness in the North of Goiás” (PRODEAGRON.GO, or PRONORTE), which was modeled on the Japanese-financed PRODECER project that first consolidated soybean production in Goiás and the rest of the Cerrado after the 1970s.³ Unlike PRODECER, however, there was never any plan to set up a company like CAMPO that would executive the project. Instead, they hoped a Chinese company would provide subsidized credit directly to Goiás farmers and cooperatives to acquire or lease their own farmland in the northern portion of the state, “clean” the pastures and “correct” the soils for soy production, purchase agricultural machinery, build storage silos, and purchase seeds and other inputs. They estimated this total cost would amount to about 2.5 million BRL per 1,000 hectares, or 500 million BRL (about 280 million USD) for a first stage of 200,000 ha. Both the English-speaking executive of the CNADG leading negotiations as well as the head of Sanhe Hopeful’s foreign investment operations, who was skeptical of this project all along, suggested instead elaborating a pilot project over a much smaller area, around only 50,000 ha. That could possibly facilitate the incorporation of the CNADG’s own experimental farm, and decrease the investment risk for a soybean crusher and trader like Sanhe Hopeful. The Goiás-China Working Group, which wanted to ultimately develop millions of hectares, reluctantly settled on 100,000 ha as the target for the project’s first stage.

The PRONORTE basically amounted to a rural finance project with very favorable terms. They sought 3% fixed APR, to be repaid in 18 years, with a 2-year grace period so farmers could first bring the land into production before starting payments. These were extremely generous terms, even when compared with the erstwhile PRODECER loans before the devastating debt crisis of the 1980s. They estimated that in three to five years, the project could leverage the production of 2.4 million tons of soy, reaching 6 million tons in ten years (almost doubling what was already produced in the state in 2010). Notably, however, there was nothing in the study or formal proposal that would

³ This reference to PRODECER was not mere coincidence. Alécio Maróstica, one of the key organizers of the PRONORTE, first moved to Goiás to work with CAMPO on the PRODECER project itself during the 1980s, when he oversaw the establishment of soybean farms and the extension of production credit, irrigation, and grain storage infrastructure in the southern region of Goiás. It was his experience with this project that made FAEG appoint Maróstica to develop a regional development project to expand soybean production over the degraded pastures of northern Goiás. Before reaching out to Chinese agribusinesses, Maróstica attempted to contact CAMPO and the Japanese International Cooperation Agency (JICA) once again, but (for the reasons explained in Chapter 3), they were no longer interested in this project. Personal interview, Goiania, March 13, 2014.

guarantee that this additional volume of soy would be sold to Sanhe Hopeful (which is primarily a soybean processing company that was only beginning to undertake their own trading operations in the US and Brazil in recent years) or the CNADG (which is a farmland management company, not a commodity trading enterprise). Nevertheless, it was publicly acknowledged and reported in the media that the guaranteed yearly supply of 6 million tons of soy were the terms in which the Chinese agribusinesses would participate, and the hope was this could have been brokered through the regional cooperatives of agribusiness trading companies (e.g. Vital 2011; Carfantan 2012).⁴

According to information presented by the Goiás-China Working Group in November 2010 to CNADG officials, “the reception of the project was excellent among farmers, ranchers, and political institutions,” and “the logistics being built in the region favors the development of the project.” On that same occasion, the Chinese Minister of Agriculture was visiting Brazil to promote cooperation and investments, and in that context the CNADG and the Goiás state government signed a Protocol of Intentions to coordinate investments. Instead of the bearing the specific terms set in the PRONORTE preliminary study, however, the agreement simply determined that the CNADG would continue negotiations to invest in the agribusiness sector of Goiás, while the state government (accompanied by the other entities in the Goiás-China Working Group) would continue to provide information and facilitate investment negotiations with Goiás agribusinesses and cooperatives.⁵ Although I have no doubt all parties were sincerely hoping to reach an agreement that could actually be implemented, the impetus to make a public agreement at that moment was primarily political. After all, it was election season in Brazil, and both the state-owned CNADG and the ministers of agriculture from both countries surely wanted to leverage public announcements that would show how effectively they were pursuing “development cooperation” projects, even if there was absolutely nothing concrete to their agreement and no immediate plans for investments.

But with the onset of stricter regulations on foreign acquisitions of farmland in Brazil that same year, the CNADG withdrew from negotiations and shifted their focus to farmland investments in the Ukraine and Sudan.⁶ The “China Project,” rebranded as PRONORTE, also shifted emphasis from credit for Goiás farmers to the constructions of a “dry port” and grain silos in the region of Porangatu, which would be the main terminal in northern Goiás of the North-South Railway then under construction. This shift in focus to transportation logistics became necessary as Sanhe Hopeful insisted (very reasonably) that it could only provide finance to Brazilian farmers once it had its own warehouses and logistics access to export routes to secure its share of the predicted expansion of soy production. After all, even though Sanhe Hopeful was one of the largest soybean processors in China (at 3 mmt/year crush capacity), and it began importing soy from Brazil since at least 2008, without its own warehouses and port terminals to “originate” soybeans directly from producers, it would necessarily rely on Brazilian or transnational trading companies to intermediate the sales. Thus, it could not coordinate the financing requested with the supply it required. “The (Goiás) state government wants us to give them credit for production, but they don’t have warehouses and a trading company of their own to partner with us,” complained “Todd” Tao Zhu, Sanhe Hopeful’s executive president for foreign investments.⁷ The only alternative, therefore, would be partnering with medium-sized

⁴ The details of this plan are derived from documents of FAEG and the Goiás-China Working Group that elaborated it, as well as the documents presented to Chinese delegations visiting Goiás on November 17, 2010, when the CNADG signed a Protocol of Intentions to pursue investment negotiations in Goiás. These accounts were also triangulated with interviews with Oton Nascimento, Alécio Maróstica, Pedro Arantes, and executives from Goiás-based agribusinesses, the CNADG, and Sanhe Hopeful, all interviews undertaken between 2012 and 2015 in both Goiás and China.

⁵ Protocol of Intentions between CNADG and the Government of Goiás, November 10, 2010. I obtained copies of this document in the Goiás-China Working Group’s archives.

⁶ Personal interview with the executive director of foreign investments of CNADG in Beijing, July 22, 2013.

⁷ Personal interview, Sanhe, Hebei, March 16, 2015. His name has been changed to a pseudonym.

trading companies or cooperatives from Goiás to build new warehouses that could be integrated with existing infrastructure for export.

It was at this point the astounding figure of 7.5 billion BRL began to circulate in the press. It was apparently a rough estimate by Brazilian journalists of the total amount of investments that the PRONORTE tentatively projected over the next ten years in the region, including not only warehouses and credit for soy farmers, but also additional agroindustrial processing facilities and railroad hubs that had not even been projected by the government or the Chinese companies themselves. Tao Zhu told me with frustration simmering behind his calm demeanor: “The news people put all the companies that have potential to do business in Brazil in a chart, and make it look like a huge investment. That is kind of misleading.”⁸ Yet it was useful for the Goiás state government officials, whether leaving or entering the state government’s administration, as a way to promote the supposed success of their efforts at attracting investments to the state from China, at a moment when the Global North seemed to still suffer the economic slowdown of the Great Recession.

Figure 3. The Comigo agroindustrial complex in Rio Verde, Goiás



Source: Comigo. Note the cooperative has additional warehouses and agroindustries elsewhere.

Away from the public and these speculative announcements in the media, Sanhe Hopeful did pursue negotiations with Goiás soy producers’ cooperatives. Among them, Comigo and Comiva were most actively engaged in the negotiations brokered by the Goiás-China Working Group. Comiva⁹ was the smaller of the two with 1,200 members, a handful of warehouses for grains, stores for agroindustrial products, and milk processing facility. Generating only around 200 million BRL of its own, Comiva lacked sufficient capital and operational capacity to engage in the scale of construction sought by the Goiás state government and Sanhe Hopeful. Their goal remained primarily focused on obtaining production credit for its own members, rather than expanding into a trading company in a

⁸ *ibid.*

⁹ Formally the Mixed Agricultural and Ranching Cooperative of the Araguaia Valley (Cooperativa Mista Agropecuária do Vale do Araguaia), it was founded in 1973 by 31 farmers and ranchers in the town of Mineiros.

joint-venture with a Chinese partner. Comigo¹⁰ on the other hand is far larger with about 6,000 members, operating 17 warehouses in southern and central Goiás with over 1 million tons of capacity, as well as 13 stores to supply credit, agrochemicals, and machinery to its members, and even a relatively large-scale agroindustrial complex (Figure 3) that includes soybean, seeds, and milk processing facilities, vegetable oil refinery, and production of livestock feed and fertilizer.

With over 2 billion BRL in income, Comigo has become one of Brazil's ten largest, most vertically integrated, and powerful agribusiness cooperatives. Nevertheless, their entire business model is oriented towards synergies between the production of its members and the domestic market in and around Goiás state, lacking access to any port terminals, railway, or waterway logistics for export. A partnership with Sanhe Hopeful, therefore, would be predicated on the latter's ability to secure a foothold in a Brazilian port on its own. Moreover, Comigo executives were hesitant to participate in investments that might ultimately compete with their own domestic-oriented agroindustrial enterprise through the expansion of export-oriented infrastructure. "We would still welcome their partnership to finance our members," the president of Comigo explained to me in 2014 after the PRONORTE was basically abandoned, "but our own business is about aggregating value of our product here in Goiás, we are not so interested in just exporting the raw materials to China the way they want."¹¹

Without reaching a deal with the main cooperatives (which only engaged in those negotiations through the encouragement of Pedro Arantes and Alécio Maróstica in the first place), Tao Zhu from Sanhe Hopeful tried to pursue an acquisition or a joint-venture with medium-sized Goiás-based agroindustrial and trading companies, particularly Caramuru Foods (Caramuru Alimentos S.A.). A family-owned agroindustrial conglomerate established in 1964 in Maringá, Paraná state, Caramuru expanded primarily in southern Goiás over the next five decades with warehouses and processing facilities for soybeans, maize, sunflower, and canola, reaching 65 warehouses with 2.1 mmt in storage capacity in 2010, and a revenue of 2.3 billion BRL.¹² Most significantly, Caramuru also invested heavily in agroindustrial processing and logistics infrastructure. It operates a handful of agroindustrial centers in Goiás, processing over 1.5 mmt/year of soybeans and 0.7 mmt/year of maize, making it the largest agroindustrial processor in the state. It is also a major vegetable oil producer: with 8% of total Brazilian production, it is tied with Louis Dreyfus as the fourth largest in the country (after Bunge, Cargill, and ADM). It also exports unprocessed soybeans from Goiás, competing with the ABCDs through its advantageous logistics network set up since 2000 through the Paraná-Tietê waterway, connecting southern Goiás to the rail network in São Paulo state, from where it flows to their own 200 thousand ton grain terminals in the port of Santos.¹³ Although Caramuru remains among the largest Brazilian soy-based agribusinesses that survived the massive wave of takeovers by the ABCDs since the 1990s, its relatively smaller size also allows it to specialize in the niche market of exporting non-GM soy, something that made it particularly attractive to Tao Zhu and other Chinese agribusinesses who envisioned capitalizing on the premiums that non-GM soy could yield, as Chinese consumers became increasingly concerned about the uncertain health impacts of GM foods (Oliveira and Schneider 2016, Yan, Chen, and Ku 2016). Caramuru, therefore, seemed like an ideal partner for a joint-venture that could provide Sanhe Hopeful with the infrastructure and managerial capacity to "originate" its own

¹⁰ Formally the Agroindustrial Cooperative of Rural Producers of Southwestern Goiás (Cooperativa Agroindustrial dos Produtores Rurais do Sudoeste Goiano), it was founded in 1975 by 31 rice and grain farmers in the town of Rio Verde. For more on Comigo and the broader agroindustrial cooperative movement in southwest Goiás, see Chase (2003).

¹¹ Personal interview, Rio Verde, Goiás, April 11, 2014.

¹² Caramuru has since continued to grow, operating 73 warehouses with 2.5 mmt storage capacity in 2017, increasing its soy and maize processing capacity, as well as production of vegetable oil, biodiesel, and myriad processed food products.

¹³ Caramuru also owns 23% of the much smaller grain terminals in the port of Tubarão, Espírito Santo state, which it shares with ADM and two Brazilian companies slightly smaller than itself, Granol and Capri. Their terminal in Tubarão is also interconnected with the railway network that reaches southern Goiás through Minas Gerais state.

soybeans in Brazil, including the entire logistics network from warehouses through waterways and railroads to deep-water ports.

As much as the boosters, brokers, and bureaucrats in the Goiás-China Working Group wished Caramuru could establish a partnership with Sanhe Hopeful to operationalize their PRONORTE project, that deal would ultimately be a negotiation between two private agribusinesses, facilitated by banks hired by the would-be investors to prospect an acquisition or joint-venture on their behalf. One of the brothers who owns and directs the company, César Borges de Souza, participated in at least two of the Goiás government-led delegations to China, and hosted Tao Zhu and the other members of Chinese delegations several times in Goiás, when he boasted about the agroindustrial capacity and niche of their enterprise. “When we showed them the company and explained that we like to industrialize, they didn’t really like that,” César Borges explained to me when I asked why their negotiations with Sanhe Hopeful didn’t yield results.¹⁴ “They just wanted to export the grain, but we don’t have vocation for that, its not our motivation. We prefer to be a smaller, more balanced company, making some exports but also supplying the domestic market with added value products”¹⁵ (Figure 4). This “vocational” difference was indeed a significant hurdle, but it also reverberated with a broader set of both personal and institutional barriers. Tao Zhu had explained they were not seeking to take over Caramuru entirely, since they would still need the Brazilian owners to stay on as managers to continue running the enterprise. Nevertheless, even if they would only make a minority share investment or establish joint-ventures for specific new warehouses in the north of Goiás, both sides couldn’t come to an agreement.

Figure 4. Caramuru’s vegetable oils and processed food products, branded *Sinhá* (*Ma’am*)



Source: Caramuru

“We don’t have a good impression of the Chinese,” César Borges admitted to me.¹⁶ He recounted the 2004 “red soybean incident” (cf. chapter 3) as a narrative of Chinese “trickery”

¹⁴ Personal interview, Brasília, May 13, 2015.

¹⁵ *ibid.*

¹⁶ *ibid.*

(*malandragem*) through which they defaulted on their contracts and “stuffed” Brazilian sellers.¹⁷ That interpretation of the events was apparently compounded by his own personal experience sometime in the early 2010s, when Caramuru sold a large volume of soy to Multigrain, a Brazilian agribusiness trading company that had just been quietly incorporated by the Japanese trading conglomerate (*sogo shosha*) Mitsui. Multigrain’s shipment was then sold (through Mitsui) to a Chinese buyer, who defaulted on the contract and triggered a wave that reached all the way back to Caramuru’s own port terminal, where they were “stuck” with grain until they could find another buyer, increasing their storage costs and port fees, and clogging up their operations all the way back to Goiás. “So even if you avoid the Chinese here,” concluded César Borges, “you might still fall there because ADM or Mutsui might push their problem back to you.”¹⁸ Given this difficulty even maintaining commercial operations with Chinese buyers, therefore, it was not surprising the executive at Caramuru hesitated about investment partnerships. “We have lots of fear of them, and I won’t make a partnership with someone that I don’t have a good deal of trust.”¹⁹ This issue of trust was compounded by the fact that Sanhe Hopeful needed to present itself as the majority shareholder of an acquisition proposal or specific joint-venture projects (e.g. new warehouses) in order to secure favorable loans from the China Development Bank or other financial institutions that were actively promoting China’s “going out” strategy from 2008 to 2011. “The Chinese want to control [the business], become owners of Caramuru. But we even prefer to stay as a small company than being in the hands of the Chinese, or Petrobras [the Brazilian energy sector SOE that was investing heavily in biodiesel production at the time], or anyone else like that.”²⁰ Although I understood his reasoning perfectly well, what I became curious about instead was why then they even bothered to participate in the exchanges of visits and negotiations brokered by the Goiás state government in the first place. “All those talks were very theoretical,” César Borges told me, “they [the boosters, brokers, and bureaucrats] are playing for the crowd, for the press. But you can’t really criticize them, you just have to play along.”²¹ Apparently, then, it was a matter of maintaining good institutional and public relations, “nothing more.”²²

Without reaching agreement with any cooperative or Goiás-based agribusiness company, Sanhe Hopeful’s last hope to seize the impetus of investments proposed by the Goiás-China Working Group was to seek political and financial support to establish its own independent warehouses and trading infrastructure from Goiás to the ports. However, it lacked the financial capacity to engage in the large-scale infrastructure construction projects under consideration. So in order to continue those negotiations, they invited the Hebei provincial government (where Sanhe Hopeful is located) to take up the role of financier for the project. “If the Hebei government would do that investment, we would be the vehicle,” explained Tao Zhu.²³ “We would love to do that. It would be money from the government [rather than the company’s own], and we could build silos, set up logistics, do that project we were talking about. [Moreover,] if the Hebei government wanted to do that, the bank would support.”²⁴ Tao Zhu played the leading role brokering negotiations between Hebei and Goiás governments, coordinating mutual visits and the elaboration of an MoU, which was eventually signed in March 2012 between the Goiás and Hebei provincial governments. In the meantime, Tao Zhu was moving ahead with investment negotiations for a new grain terminal at deep-water ports independently of the Goiás negotiations. “The most difficult [part] in Brazil is the port,” he

¹⁷ *ibid.*

¹⁸ *ibid.*

¹⁹ *ibid.*

²⁰ *ibid.*

²¹ *ibid.*

²² *ibid.*

²³ Personal interview, Sanhe, Hebei, March 16, 2015.

²⁴ *ibid.*

underscored, “without that access there is no point investing inland.”²⁵ The first port he considered was Itaqui in Maranhão, to which the North-South Railroad was expected to give access already in 2010. He also discussed investment possibilities in Santos (the country’s largest, most well established, and busiest port), and São Francisco do Sul, a small town in southern Santa Catarina state that was growing in prominence with soy exports as the rails and roads to both Santos and Paranaguá ports became intensely congested. Sanhe Hopeful would be unable to make a bid for the new public terminals being constructed in Itaqui, the private Santos project hasn’t been developed yet, and it was into São Francisco do Sul that Tao Zhu took his company.

Todd Tao Zhu’s role was essential for the advancements of negotiations with Goiás after the CNADG withdrew. Born in rural Shanxi province, he obtained a PhD in economics with focus on international grain trade and worked as a professor, but left academia around 2000 to gain practical experience working at a small Canadian trading company. He had already become a naturalized Canadian citizen when that company was absorbed by Bunge in 2004. He was offered a high-level position leading Bunge’s new and most strategic expansion, but since his wife did not want to move to the company’s new Asian headquarters in Singapore, he accepted instead an offer to work directly under the president of Sanhe Hopeful to increase the company’s profits from grain imports and to launch foreign investments, particularly in Brazil where potential for expansion was greater than the US. He briefly considered moving to Brazil, but determined “that would not work well,” so he settled instead in Iowa, where he can directly observe the conditions of US soybean production, and travel between Brazil and his residence on the northern outskirts of Beijing.²⁶ Remarkably, even while he is in China his daily life is more synchronized with the trading hours of the Chicago Board of Trade (CBOT) than with the local time zone. When we first met, he invited me for lunch at a very low-key restaurant in the northern outskirts of Beijing. He showed up dressed very casually in a polo shirt, and pillow-marks were still fresh and visible on his face. “I just woke up,” Todd Tao Zhu explained without being prompted.²⁷ “The markets [at the CBOT] were very active yesterday, so I had been keeping up with them all night.”²⁸ With economic and practical expertise, strong language skills (he is fluent in English and learned very good Portuguese), business savvy and charisma, Tao Zhu consolidated his position as chief executive of Sanhe Hopeful’s international operations. The company, after all, emerged from the largest state-owned soybean processor in Hebei province, which was privatized during the 1990s by its erstwhile manager, but they lacked the language and transnational trading skill set that Tao Zhu embodies.

Todd Tao Zhu began traveling to Brazil and Argentina in 2005, personally established Sanhe Hopeful’s first foreign trading office (in São Paulo) soon thereafter, and gradually cultivated a thick network of personal ties with Brazilian agribusiness professionals at the commodity markets in São Paulo and Paranaguá, and also with the leaders of the soybean farmers’ association in Mato Grosso (Aprosoja) and the landowner’s association in Goiás (FAEG), among others. Since he has learned some Portuguese, Tao Zhu became the leading “Chinese soybean expert” in Brazil, having been invited by Brazilian government and private agribusiness professionals to lead lectures tours about the Chinese grain market and processing industry throughout Brazil. When I prompted him about his unique and significant set of skills, he humbly brushed aside his strategic importance for the company’s

²⁵ *ibid.*

²⁶ Personal interview, Beijing, July 14, 2013.

²⁷ *ibid.*

²⁸ *ibid.*

international trade and investments. “My job is to eat,” he joked with me in a later interview after we had developed good rapport.²⁹

You need to make friends with the guys (sic), otherwise you don’t get anything [in terms of business deals]. We have a team of lawyers here [at the headquarters in Sanhe, Hebei], and also a team for the financial [aspects of the negotiations]. I worked outside [the country], coordinating trading and investment negotiations. Rong Jian [another Sanhe Hopeful executive] worked inside [China], coordinating the teams here for trading and the Brazil project. It was a good combination at the time.³⁰

So if Sanhe Hopeful had savvy agribusiness professionals who successfully brokered support from their provincial government to move forward with the investment project proposed by the Goiás team, the question in everyone’s lips while I was undertaking my fieldwork was, why wasn’t the deal made? According to both Tao Zhu and Rong Jian³¹, the Hebei government had been very interested in pursuing the arrangement through 2011, but the deal was not followed up by the *Brazilian* counterparts. “Those guys [at the Goiás-China Working Group] fight a lot between themselves,” Tao Zhu reported.³² Indeed, at the end 2010 there were elections and a new government in Goiás, and even though Pedro Arantes continued pushing the PRONORTE project through FAEG, and Alécio Maróstica was drafted into the state government to run its irrigation projects, the new Secretaries of Planning and Agriculture admitted they “took some time” to pick up the project that had been assembled by Oton Nascimento before them. And in my interviews with members of both administrations, the incoming government officials blamed the previous administration for not finalizing the agreement, while the outgoing bureaucrats blamed the incoming administration for not following through. But the new administration that arrived in 2011 was accompanying the parallel negotiations between Bahia state and another Chinese agribusiness company (the Chongqing Grain Group), which yielded an agreement for the construction of a large-scale soybean processing facility. Some in the new administration of the Goiás state government felt, then, that the previous project elaborated by the Goiás-China Working Group wasn’t good enough. Misconstruing (or misleading me about) the origins of the PRONORTE project, a Goiás government official told me “our interest is to aggregate value” by processing the soybeans, while “they [i.e. the Chinese companies] don’t want that, they came here to ask for the anticipated purchase of a 50-year supply (sic) of soy *in natura*.”³³ Aside from the clear competition between administrations, the ones who took office in 2011 also seemed to misconstrue the frequent back-and-forth of government delegations that Oton Nascimento and Tao Zhu had set in motion with the Hebei government. “They say they need government approval and support for everything, so we were always having to issue invitation letters for this and that. It looked like they were trying to get those letters to leverage some sort of benefit for themselves in China.”³⁴ Although resenting the terms and manner in which negotiations had been carried before, the new Goiás state government finally went through with the proposal to sign an MoU with the

²⁹ Personal interview, Sanhe, Hebei, March 16, 2015.

³⁰ *ibid.*

³¹ A pseudonym; he coordinated the company’s foreign trade and investments from within China itself from 2005 to 2012. Rong Jian learned Portuguese while working in Angola for a Chinese electronic manufacturing company (whose investment ultimately fell through). Rong also became executive president of Rewood Ocean Shipping Corporation, a wholly-owned subsidiary of Sanhe Hopeful that operates 12 Panamax ships to attend the company’s soybean import demand. He has since left Sanhe Hopeful to work as an independent consultant. I interviewed him in Beijing, July 8, 2013.

³² Personal interview, Sanhe, Hebei, March 16, 2015.

³³ Interview with the Director of Investment Promotion of the Goiás state government, Goiania, October 20, 2014.

³⁴ *ibid.*

Hebei provincial government to coordinate the investments in early 2012, “but by that point we were almost at the end of the investment opportunities in China,” sighed Tao Zhu.³⁵

As part of the preparations for the leadership transition of the Communist Party and government in China in 2012, and reacting as well to the backlash against perceived Chinese land grabbing in Brazil and elsewhere, the Chinese central government made an extensive evaluation of all foreign investments pursued since 2010 in all sectors and countries, and found that about 60% had failed before implementation, while another 25% were losing money or merely breaking even.³⁶ So after 2012, Chinese banks closed down the favorable FDI terms that had been implemented in the aftermath of the global financial crisis of 2008, and companies (especially agribusiness and other natural resource sector companies) became much more restricted in their capacity to invest abroad. “In Brazil its complicated, but in China it can also be complicated,” concluded Tao Zhu as we discussed this shift in the Chinese government’s support for foreign investments.³⁷

Drawing on the company’s own funds, however, Sanhe Hopeful did secure a minority share investment in the construction of a new grain terminal next to the port of São Francisco do Sul in Santa Catarina state. That was not their first or even the second choice for port investments. While the Goiás government was actively boosting for investments in their state, Tao Zhu pursued simultaneously an investment opportunity in the port of Itaquí, to which the North-South Railway would give access. As a public port, however, interested companies had to set up consortia to bid for one of the four grain terminals that were projected. The bids would only be resolved in 2012, but the consortia were basically determined already by 2010. “It’s four terminals with one berth, all controlled by the port authority that is part of the state government. It was too complicated,” lamented Tao Zhu.³⁸ “I was there talking with them, but realized it was not good for Chinese companies. You need to find a partner for the consortium, you need all this paperwork for the concession, it was so complicated that by the time we could set it up it was already too late.”³⁹ So in 2010 they determined to pursue investments in private grain terminals instead. They briefly discussed joining a project for a new private terminal in the port of Santos, “but at that time it seemed it would still take a couple of years, and we felt it was too slow.”⁴⁰ Then a grain broker that had sought Tao Zhu as client in 2008, made him an offer that seemed good. He had a minority stake in a private grain terminal project in São Francisco do Sul, but decided to roll back efforts at expanding into a trading company on his own,

³⁵ Personal interview, Sanhe, Hebei, March 16, 2015.

³⁶ This report was not made public, yet it was mentioned in Chinese journalistic sources and widely discussed among the Chinese agribusiness professionals who I interviewed for my research. “You are not going to get this report,” Tao Zhu told me, adding he himself had not seen the report either, “but that [i.e. what I read about the report in the media] is right. The Chinese government now says any project has to be profitable” (personal interview, Sanhe, Hebei, March 16, 2015). The contrast, he explained for the Brazilian context in particular, was with projects like the projected construction of a high-speed rail between the major southeastern Brazilian cities of São Paulo and Rio de Janeiro. “Now its not so easy for a [Chinese] company to take a project to set an example, like the high-speed train. In 2008 or 2009, even until 2010, the China Railway Construction Company’s goal was just to get the project. They didn’t care if it would make money or not, just wanted to get the project to open the [Brazilian] market [to further investments]. The World Cup will be in Brazil, [it was announced at the time], so that will be good advertising for Chinese construction companies. But discussion with the Brazilian sides have been delayed and delayed. A long time to figure things out, and it doesn’t work. Now the Chinese government requires them to be more careful with the financial side. If the Brazilian side took that project, it would [have] be[en] great for Brazilians, but now the Chinese company is never going to do it, that’s gone” (ibid.).

³⁷ ibid.

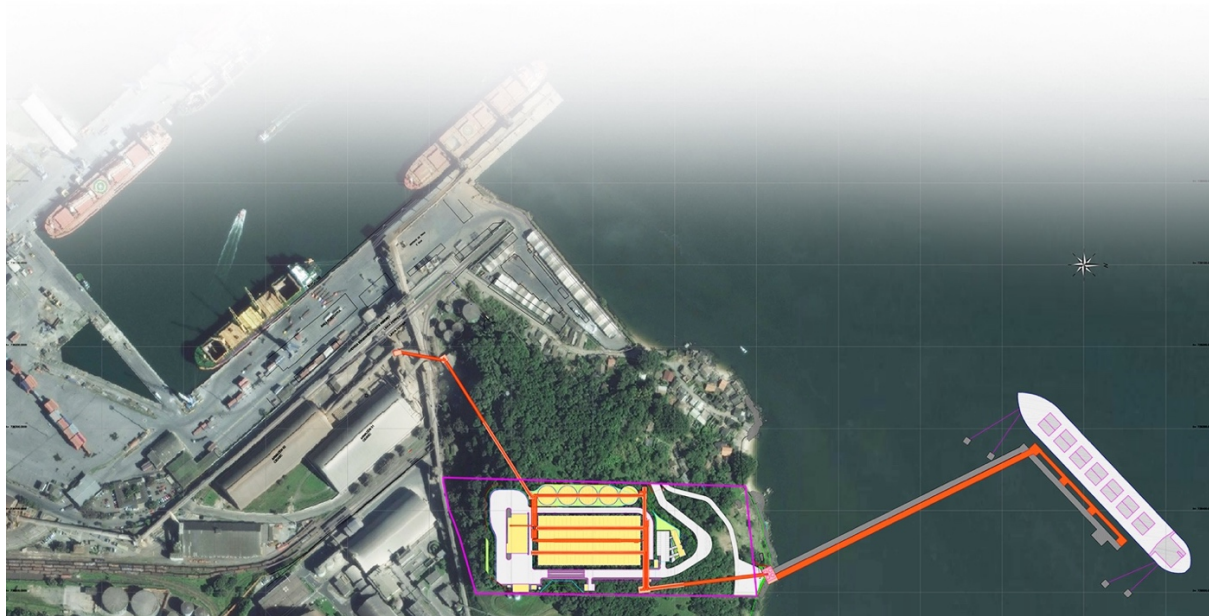
³⁸ ibid.

³⁹ ibid.

⁴⁰ ibid.

and so he wanted to sell his stake in the port project. “It seemed like a good opportunity at the time,” said Tao Zhu, and Sanhe Hopeful made the deal.⁴¹

Figure 5. Santa Catarina Grain Terminal project, next to the Port of São Francisco do Sul (SC)



Source: TGSC Environmental Impact Assessment Report (double check source, year)

Figure 6. Clearing the Atlantic forest for the Santa Catarina Grain Terminal (TGSC), late 2015



Source: Adapted from TGSC website.

The Santa Catarina Grain Terminal (Terminal Graneleiro de Santa Catarina – TGSC, Figure 5) was originally assembled in 2007 a joint-venture between a group of port operators from São

⁴¹ *ibid.*

Francisco do Sul itself⁴², and the São Paulo-based grain trader and service provider⁴³ who introduced and then sold the project to Tao Zhu, with a 50% share in administrative and financial support from a major Brazilian asset management and private equity fund⁴⁴ investing heavily in logistics, including two other private container terminals in the same bay, and the railway company that supplied the region and other major ports. The TGSC was proposed while the public port of São Francisco do Sul was considering expanding its own operations with a new terminal, and designed as a private project that could benefit from but bypass the public port. The president of the public port told me that with the projection of private terminals like the TGSC and another container terminal already built across the bay (owned by the same investment company that created the TGSC), the public port could no longer prioritize a new terminal, but needed to invest instead on improvements to the access and delivery infrastructure, that ultimately will benefit primarily the private terminals alongside it.⁴⁵ Those are the terminals owned by Bunge, that the Japanese *sogo shosha* Marubeni, which quickly and quiet acquired the Terlogs terminal in 2011 (Figure 6).

As these transnational trading companies effectively compete with exports from the public port itself, revenues the public port could capture and reinvest in the peasant-based agribusiness economy of Santa Catarina state (as it does remarkably well through its own state-owned CIDASC terminal) are instead privatized and transnationalized. Unsurprisingly, the TGSC was assembled by and for the local elite, who run the main port operating companies and local governments in the region. It was with them and their financier partners that Sanhe Hopeful made their partnership. And from the perspective of a soybean processing company from China seeking to establish itself for “origination” of grains in Brazil, it was a Dragon Head move: it was not primarily motivated by narrowly political calculations of certain bureaucrats, but according to the ravenous calculus of corporate strategy for maximizing profit; it targeted control over the flows and profits of agroindustrial trade and infrastructure, rather than farmland for production; it was structured as a joint-venture that could build upon Brazilian operations and expertise, rather than direct investments relying primarily on Chinese management; and it was done quietly, with public announcements only made after the deal (if not the construction) was already settled.

Unfortunately for Sanhe Hopeful, it was their lack of financial and political capital that turned their Dragon Head move into a mere Paper Tiger. Since they were not taking majority share of the TGSC project (as they lacked their own expertise in Brazil to lead the project through construction and into operation), they could not secure loans from China’s international development policy banks (CDB, China Exim Bank, and China Agricultural Development Bank). And relying only on their own capital, they couldn’t leverage the acquisition of an existing Brazilian trading company with its own ports and warehouses, or even a single port terminal of their own. So they settled for a minority participation in the TGSC. And while the project seemed to be moving according to schedule in 2010, it soon became stuck in environmental licensing process: the terminal’s warehouse was projected to

⁴² Their company, Litoral, is the main port operator in the city. The brother of one of the company’s owners was mayor of São Francisco do Sul, SC, during the time of my fieldwork. Their consortium, in Sanhe Hopeful invested through its Hong Kong subsidiary, is named Sagah.

⁴³ His company was named Agriservice. It eventually became incorporated by the US-based grain trading company Gavillon, where he remains as chief executive of the subsidiary in Brazil, and good friends with Tao Zhu.

⁴⁴ BRZ Investimentos, a major Brazilian investment management and private equity fund. They hold investments and sit in networked boards of directors in various companies, including LogZ Logística Brasil S.A.. This Brazilian logistics investment company was created in 2010, and participates in the TGSC project, and also in the private container terminal TESC and Itapoá, in São Francisco do Sul and right across the Babitonga bay. It also participated briefly in the competing TGB project in that same town. BRZ also holds important stakes in América Latina Logística (ALL), the main railway operator in southeastern Brazil that supplies the ports of Santos, Paranaguá, and São Francisco do Sul, and other investments in industrial tree plantation, mining, and other sectors.

⁴⁵ Personal interview, São Francisco do Sul, SC, January 28, 2015.

be built on top of a hill overlooking the port, but since the area was covered with Atlantic forest, its clearing required approval by the national environmental agency (IBAMA), a thus a much more laborious and time-consuming process than if it were licensed exclusively by the state government. Moreover, even after IBAMA issued its approval for the project, it made the license contingent on a presidential declaration of “public utility” to override constitutional protections on clearing any remaining stretch of Atlantic forest. That approval was only granted in September 2015, such that the construction is only expected to bring the new terminal into operation in late 2017, a full decade after the project was first initiated. This entire time, Sanhe Hopeful not only has continued to buy soy from Brazil through other trading companies who do own operational terminals, but also left a substantial portion of their capital parked in the languishing project. In this meantime, holding merely 20% ownership and with hardly anyone in addition to Tao Zhu in Brazil, who operated merely a trading office in São Paulo, there was nothing Sanhe Hopeful executives could have done.

While discussing the port and his Brazilian business partners with Tao Zhu, I wondered if BRZ might sell their 50% stake once the port came into operation, and asked if Sanhe Hopeful would be interested in expanding their share of the project at that point. “You’re right, those guys are probably not going to run the project. Their thing is the profit [on investment], so they will eventually sell. But our main profit has to be the crushing here [in China], so it doesn’t make sense [to expand the stake in the port] unless it is very profitable.”⁴⁶ His São Francisco do Sul partners, however, are fully expected to remain engaged. “Those are port guys, they live there. So I suppose they will still be partners there. If [BRZ] sells, maybe they will buy, or maybe we can have new partners.”⁴⁷ That interview was in early 2015, before construction of the port had even began, and with his experience slugging through negotiations for years in Brazil without any concrete result, it was no wonder that Todd Tao Zhu was anything but enthusiastic about investing further in Brazil. Although they made the best move they could at the time, conditions in both China and Brazil left them in the lurch when compared to the Dragon Head COFCO.

As will be discussed further below, Sanhe Hopeful may brag about being the only Chinese agribusiness to make an effective (even if very delayed) direct investment in Brazilian trading infrastructure, but they are certainly not the main expression of Chinese agribusiness capital in Brazilian ports and trading infrastructure, even in São Francisco do Sul itself – that title goes to COFCO, through its acquisitions of Noble Agri and Nidera. Through its take-overs of these transnational agribusiness trading companies, COFCO incorporated their existing and operational terminals in both Santos and Rio Grande do Sul, as well as their participation in strategic new port projects as well. These include a new grain terminal in São Francisco do Sul as well, merely a few kilometers from the TGSC, but far larger and less vulnerable to delay by environmental licensing struggles. This competing project, the Babitonga Grain Terminal (Terminal Graneleiro da Babitonga – TGB, figure 7), was launched only in 2013 but secured all its environmental licenses through the Santa Catarina state government (unlike TGSC, which had to be licensed at the federal level) in merely two years, and its construction is already taking place alongside the TGSC.

While Sanhe Hopeful only has minority participation in operating the TGSC with its 108,000 ton storage capacity to be shared between soy exports and fertilizer imports, COFCO-owned Nidera will have three silos of its own in the TGB through which it can store 500,000 tons of soy and 155,000 tons of soy meal, dwarfing the TGSC project as a whole, and especially Sanhe Hopeful’s limited participation therein. This illustrates how a Dragon Head like COFCO completely outpaced Paper Tigers like Sanhe Hopeful, not only through making a much faster and larger scale investment (albeit indirectly), but also through the manner its operational subsidiaries in Brazil bypass much more

⁴⁶ Personal interview, Sanhe, Hebei, March 16, 2015.

⁴⁷ *ibid.*

successfully the challenges of navigating environmental licensing and other regulations (this topic is being further developed as one of my subsequent research projects).

Figure 7. The projected Babitonga Grain Terminal (TGB), a few kilometers away from the TGSC



Source: TGB website. The largest silo pictured was planned for 1 million tons of sugar, while the three smaller silos are projected for (COFCO-owned) Nidera's soybean and soy meal exports.

Back in Goiás as well, Dragon Heads arrived later but much more successfully in the region's soybean agribusiness. Indeed, they are even playing key roles in the expansion of soy in northern Goiás through the multinational companies they acquired. Nidera itself has been among the leading companies producing transgenic soy technologies and capturing substantial market share in Goiás state, including its northern region where soy only began expanding since 2010. Multiple farmers who I interviewed in the region during 2014 reported that Nidera's seeds were producing the greatest yields, and so they fully expected to continue expanding their production with Nidera's products (and loans) well into the future. At that time, COFCO had just announced its acquisition of 51% of Nidera (it has since expanded its stake to 100%), but none of the farmers planting Nidera's seeds knew that it had "just become Chinese." Instead, most of them thought Nidera was an Argentinian firm, where its soy seed operations originated in the 1990s, and many didn't even know it was also fast expanding as a trading company in Brazil and beyond (since most of its warehouses are in Mato Grosso, Paraná, and Rio Grande do Sul states). At the main agribusiness exposition in Goiás state, Tecnoshow, hosted by

the Comigo cooperative, Nidera positioned itself (Figures 8) as a rising star among major competitors like Monsanto, Syngenta, Bayer, and Du Pont.

Figure 8. The Nidera stand at Tecnoshow (Rio Verde, GO) featuring high-yield soy varieties



Source: Photo by the author, Tecnoshow, Rio Verde, Goiás, April 2014

“We certainly will continue to push our ‘collaborators’ [i.e. employees] to drive the expansion of soy in the north of the state,” the Nidera manager at the agribusiness fair told me, “after all, that is one of the markets where we can outcompete Monsanto and the others.”⁴⁸ He had indeed heard about COFCO’s takeover of Nidera, but was completely unfazed about it. “We know they won’t really change anything either in the headquarters in São Paulo or out here in the field, since they will need us all to continue running the company. So if the owners are Dutch [as before] or Chinese, it doesn’t really matter, and our work here remains the same. We are a Brazilian company serving Brazilian producers, and if the Chinese are willing to bankroll all of this, ok!”⁴⁹ Indeed, it is precisely this willingness and ability to finance operations of locally-rooted agribusiness professionals, entrusted

⁴⁸ Personal interview, Rio Verde, Goiás, April 11, 2014.

⁴⁹ *ibid.*

with the “frontline operations” of the company all the way from headquarters to the fields that enables Dragon Heads to successfully operate transnationally.

The role of agroindustrial input companies in driving the expansion of soy production in northern Goiás (as elsewhere) cannot be underestimated, and in fact that is where Syngenta’s acquisition by another Dragon Head, ChemChina, also stands out. After all, especially in soybean expansion zones, these companies do not sit passively behind the counters of their stores waiting for farmers to come buy their seeds and agrochemicals. Their storefronts are mere offices with display samples, sometimes connected to warehouses where products are temporarily stored for transshipment from ports or industrial facilities out to the farms. And in soybean expansion zones like northern Goiás, ranchers who never produced grains on their own are often hesitant to experiment with a new enterprise that has far greater start-up costs than their low-cost, low-input, and low-profit ranching on degraded pastures. So companies like Syngenta rely upon a network of distributors who hire agronomists that can basically teach newcomers how to plant soy, of course using Syngenta’s own seeds and agrochemical packets. Indeed, even experienced soy farmers from southern Goiás might turn to these agrochemical suppliers for their expertise in selecting the best varieties and agrochemical combinations that are proving most effective in the new region.

Figure 9. “There is a new business sprouting here,” Syngenta/Irriplan promotion of soy-ranching integration in northern Goiás



Source: Photo by the author, Porangatu, Goiás, March 2014

The most active distributor in northern Goiás from 2010 through the end of my fieldwork in 2015 was undoubtedly Irriplan, a relatively small-scale, family-owned Brazilian company with exclusive distribution contract for Syngenta’s products. They operated four stores in central Goiás, and tapping into Syngenta’s own extensive financial capacity, organized several “field days” where they would invite other farmers and ranchers in the region to see the successful yields of a client that already began producing soy with Syngenta’s seeds and agrochemicals. Syngenta would also finance region-wide

public relations campaigns, encouraging ranchers to lease portions of their estates to farmers from outside the region who wanted to plant soy. This was a culturally difficult exchange that indeed required such efforts. To illustrate, I frequently heard complaints in the region that a farmer from out of town might lease some pastures, but then give up even before completing a harvest, and instead of delivering improved pastures, they leave the pasture destroyed. It was precisely the attempt to overcome the distrust of such risks of integration that Syngenta targeted with its billboards around the region, including this one placed just outside the city of Porangatu, where the Goiás-China Working Group hoped a Chinese agribusiness would finance the installation of their own warehouses and credit-operations for the region. Note how the billboard illustrates the integration between “traditional ranchers” with “modern soy agribusinessmen” (Figure 9).

Figure 10. Irriplan agronomist visiting a client to “peddle poison” for Syngenta (now ChemChina)



Source: Photo by the author, São Miguel do Araguaia, Goiás, March 2014

I befriended the Irriplan/Syngenta agronomist working in the region, who was actually much more in favor of agroecological production in diversified farming systems than soy monocultures, but took up this job “peddling poison,” as he told me, “because there are no other jobs out there.”⁵⁰ We commiserated about how much negative impacts intensive agrochemical use brings to the entire landscape, but he sighed defeated: “The best I can do is try to teach these guys that yes, you can make money planting soy here, but you need to do it right, without using more [fertilizer and pesticides]

⁵⁰ Personal interview, northern Goiás, March, 2014.

than you need. And that also means I end up getting harassed by the Syngenta guys back at the company, who want me to sell as much [agrochemicals] as possible.”⁵¹ At that time, Syngenta hadn’t been acquired by ChemChina yet, but with its incorporation, Chinese agribusiness capital has ultimately become strategically integrated in the key forces driving soy expansion in northern Goiás after all, *despite* the transnational negotiation efforts of the state’s agribusiness elites and the hesitation of its agribusiness professionals out in the field.

The failure of the “China project” was a great disappointment not only to the boosters, brokers, and bureaucrats trying to assemble Chinese capital for their proposal, and the Chinese would-be investors, but also for Goiás-based farmers who hoped it would have leveraged cheap credit and infrastructure investments for the expansion of soy production in northern Goiás. Among the several of them who I interviewed, Bartolomeu Braz Pereira was most illustrative. I was introduced to him by Pedro Arantes in the director’s office of FAEG at the Tecnoshow fair, where Bartolomeu’s colleagues were congratulating him on just becoming president of the state’s soy farmers’ association (Aprosoja). Bartolomeu had recently expanded his own operations from southern Goiás to the northern region of the state, roughly doubling his two thousand or so hectares of soy and maize. “China invested in Bahia, Rio Grande do Sul, Paraná, and even said they would build a ‘dry port’ here. But it was a very big disappointment. The government opened the doors, but we are still waiting for the market to take charge.”⁵² When I asked about his own expansion to the northern region of the state, his tone changed from disappointment to defiance:

Yes, I am producing in the north. But motivated by the [market] demand, not the Chinese [i.e. the projected investments of PRONORTE itself]. This whole thing is moving forward because of the aptitude and entrepreneurship of the producer [i.e. farmer] himself [sic]. It’s on [our] courage and entrepreneurship [he emphasized again], there has been no foreign investment.⁵³

In a way he is right, as Goiás farmers have been leasing and purchasing land to plant soy in the northern region of the state despite the failure of the government-proposed “China project.” Yet as shown above, this entrepreneurship is undergirded by the proactive engagement of transnational agribusinesses operating up- and downstream from farming itself, particularly seed and agrochemical suppliers, and among them Chinese Dragon Head enterprises are distinguishing themselves as major investors, even if unseen and unknown by the farmers themselves, *even* Bartolomeu, who hadn’t yet heard about COFCO’s acquisition of Nidera, whose seeds he was using in his own farms.

Lastly, it is worth noting how one of the key *chuzhang* who elaborated the “China project” succeeded in propelling his own transnational and class ascendance despite the failure of that project. Oton Nascimento left his post in the Goiás state government in 2011, and returned to the management of his company’s engineering and construction company. As a smaller enterprise, however, he also owns an agribusiness firm (Jaburu Agronegócios) that operates on one of the largest and most important public irrigation projects in the state of Goiás (the Luiz Alves Project, located in São Miguel do Araguaia, Goiás). The project was originally envisioned to benefit hundreds of small farmers, each with relatively small plots of a few dozen hectares in the irrigation project, and organized through cooperatives. However, over time the attempt to establish cooperatives fell apart due to mismanagement and infighting among members, and many small farmers sold off their plots. Oton Nascimento, whose family already owned the area in which the public irrigation project was located (and benefitted from the compensation paid for its expropriation), began to acquire those plots and

⁵¹ *ibid.*

⁵² Personal interview, Rio Verde, GO, April 11, 2014.

⁵³ *ibid.*

soon became the largest landholder and producer in the irrigation project (operating on about 1,000 ha). The area was not particularly large, but given the irrigation infrastructure, it was possible to produce year-round, with guaranteed yields, and most importantly, producing soy seeds during the off-season to supply the growing sector in the rest of the region. Soy seeds would fetch at least twice the price of soy grain, and so Oton Nascimento began seeking investment partnerships that could enable him to double the area of the irrigation project in a private joint-venture with his own agribusiness company.⁵⁴

The first partner he sought was none other than the CNADG, which he had courted for years with the PRONORTE project. In this process he learned, after all, that CNADG was primarily interested in relatively small-scale but profitable land-based investments that could drive broader expansion of an agricultural production system considered strategic for Chinese supply. So from 2011 through 2012, after CNADG withdrew from negotiations with the Goiás state government, Oton pursued his own private negotiations with them, but to no avail. He did succeed, however, in creating a partnership with another Chinese agribusiness company, the Hunan-based Yuan Longping High-Tech, a powerful seed company that specializes in high-yield varieties of rice (originally developed by Yuan Longping himself, the agronomist most widely credited with creating “green revolution-like” technologies in China). In 2013 and 2014, Oton Nascimento successfully brought 10 Chinese high-yield varieties of rice to experiment with in his irrigated land in northern Goiás, and Yuan Longping High-Tech even sent two of their own technicians to accompany him in the project. Results were satisfactory, and when Oton Nascimento hosted me at his farm to share the history of his multiple negotiations with Chinese agribusinesses, he was also clearly hoping that I might be able to help him find additional investors who could partner him for the further expansion of the irrigation project with both rice and soy seeds. “As you continue your research with the Chinese, and when you go back to California, see if there is anyone interested in this project,” he told me, “doesn’t matter if its Chinese or American (sic), we are open to any partner who wants a profitable and strategic project that is ready to advance.”⁵⁵ I thanked him for his generosity supporting my research and hosting me at his farm, but reasoned he could pursue his business on his own.

This section illustrated how the state-owned CNADG and the private Sanhe Hopeful were courted by a group of Goiás-based boosters, brokers, bureaucrats, and businessmen to invest in their projected expansion of soy production in northern Goiás state, but they were unable to reach an agreement even after years of high-profile negotiations and proactive state support. The CNADG and Sanhe Hopeful were not the powerful investors the Goiás agribusiness professionals imagined them to be, but turned out to be mere Paper Tigers, albeit for different reasons. Once the Brazilian federal government imposed restrictions on acquisition of farmland by foreigners, the CNADG determined it would not be possible for it to establish its standard demonstration-farm operations in Brazil. This business model was never entertained by the formal group of boosters, brokers, and bureaucrats who led negotiations in Goiás, and even when a variant was proposed by Oton Nascimento on a private arrangement, the CNADG turned it down because the arrangement required them to remain with a minority share of the partnership. This imperative of sustaining majority ownership and managerial control, as the CNADG does in its international operations (cf. Yan and Sautman 2010; Scoones et al. 2013; Xu, Qi, and Li 2014; Brautigam 2015), will be shown to be a central characteristic of Paper Tigers in the sections below. Sanhe Hopeful, on the other hand, was uninterested in acquiring farmland, and prioritized instead trading infrastructure, matching the desires of the Goiás state government and agribusiness associations, as well as the strategies of powerful Dragon Heads like COFCO. Moreover, Sanhe Hopeful executives were willing to participate in minority-share

⁵⁴ Personal interview, São Miguel do Araguaia, Goiás, April 11, 2014.

⁵⁵ *ibid.*

investments and leave management in the hands of their Brazilian partners. They also pursued their own private negotiations for an investment in port infrastructure alongside the government-led negotiations for the “China Project” in Goiás, even brokering the participation of the Hebei provincial government. But the Sanhe Hopeful turned out to be a Paper Tiger as well, largely due to its smaller size and limited financial capacity when compared with COFCO. The latter and ChemChina distinguish themselves as Dragon Heads not only through the managerial strategies and competence they display, but also in their far larger financial capacity to undertake global-level acquisitions of operational companies. These deals, on the other hand, occur entirely “behind the back” of Brazilian government and agribusiness officials. While Brazilian agribusiness professionals courted Paper Tigers unsuccessfully, Dragon Heads moved into powerful positions through and alongside transnational agroindustrial corporations from the Global North, thereby deepening the uneven power relation between soy farmers in Brazil and the companies that supply their inputs and purchase their harvests.

3. Soy Misadventures, Part 2: How Fudi and Beidahuang botched soy production in Brazil

Just as CNADG and Sanhe Hopeful illustrate how Paper Tigers cut across private and state-owned companies, and struggle to invest successfully in Brazilian agribusiness for structural reasons pertaining to their business models and financial capacities, in this section I describe how a joint-venture between the private Zhejiang Fudi Agribusiness Company and the state-owned Beidahuang Group constituted similar Paper Tigers that attempted and botched soy production in Brazil. The Fudi-Beidahuang joint-venture failed, moreover, even while its investments were neither courted nor brokered by Brazilian government officials. This case illustrates how misguided political priorities within China itself led the Fudi-Beidahuang joint-venture to focus on farmland investments (rather than trade infrastructure), and also how Paper Tigers often fail to operate successfully because of their reliance on their own Chinese managers and translators or consultants without sufficient agribusiness expertise, rather than entrusting their operations to Brazilian agribusiness professionals. Ultimately, these misguided strategies and insufficient operational competence causes Paper Tigers not only to make mistakes in acquisition of assets and running their agricultural operations, but also makes them vulnerable to regulatory complications and political resistance.

One individual was primarily responsible for the entire misadventure described in this section: Zhu Zhangjin (朱张金). Zhu was born to a peasant family in the village of Huafeng, outside the town of Haining in Zhejiang province, which sits about halfway between Shanghai and the provincial capital of Hangzhou. With his education limited to high school and no social or political connections that favored him in his youth, Zhu’s story has become celebrated as an archetypical rags-to-riches tale of the new capitalists that emerged in China during the market-reform period, whose success was gained through his own efforts “full of tears, sweat, and blood” (Jin 2002). Even though government support and foreign investments essentially enabled him at every turn, it is his entrepreneurial spirit that is celebrated in most accounts, beginning with his teenage efforts to peddle toothbrushes, ties, and other items in the nearby town of Jiaying. Soon he was hiring workers to sell ties and textiles for him, and in 1988, when Zhu was merely 24, he led a group of family members from his native village to combine their savings with a government loan to purchase a tannery in Haining that was going bankrupt. It would eventually make Zhu into the “King of Leather” in China, and head of one of the largest tannery and upholstery businesses in the world (Dikai 2010; Jiaying Young Entrepreneurs Association 2012).

Leather processing is an infamously polluting industry, and at the time Zhu recalls “nine out of ten people” told him he was crazy to go into a sector that would likely be shut down due to the increasingly unmanageable levels of pollution it generates. But even though the machinery of the

tannery they purchased was old and inefficient, its operations were licensed, and Zhu worked assiduously in production and commercialization with his own family members, “sleeping only 3 hours a day” as he recalls (Jin 2002). Due to physical exhaustion and constant exposure to chemicals and waste from the tannery, Zhu’s father passed away and Zhu himself became very sick, losing almost all hair on his body at the age of 27. Since then, he credits traditional Chinese medicine with saving his life, and alerting him to the importance of environmental wellbeing and food safety. But it was his transnationally-oriented entrepreneurial spirit that propelled his village’s leather business from the smallest in Haining to one of the largest in the world.

In 1994, Zhu began importing higher-efficiency chemicals and exporting products to Russia, and the following year he restructured the tannery into his own private corporation, Zhejiang Kasen Industrial Group. Haining was already a major hub of leather and textile manufacturing in China, and most tanneries worked with sheep and pig leather, producing cheap shoes and clothes. Already in 1997, however, Zhu realized he could secure a niche market and make greater profits working with imported cattle hides for the production and export of higher-quality upholstery for furniture. The strategy worked, and with China’s entrance into the WTO in 2001, his business flourished with exports to the United States. By 2005, Zhu had acquired additional industrial facilities to expand from tannery to the manufacturing of leather furniture itself, and also specialized upholstery for automobiles. That year he listed his company (which he incorporated in the Cayman Islands under the umbrella of Kasen International Holdings Ltd.) on the Hong Kong stock exchange, through which foreign investments were channeled to enlarge his industrial operations. By then, Zhu Zhangjin was already being celebrated among the “Top Ten Outstanding Youths” and “Top Ten Businessmen” in Zhejiang, and even dubbed the “King of Leather” in Chinese media (Bloomberg n.d.; Huicong 2009; Zhejiang Online 2012; Gao and Shen 2012).

The 2004 soybean crisis and the Battle of the Beans that ensued left a deep impression in Zhu Zhangjin, who was becoming increasingly concerned with food security and food safety. Moreover, even though Zhu had long since moved from his village to Haining (where his industries were located), and from there to the provincial capital of Hangzhou, he decided to take up political office as party secretary for his native village of Huafeng in 2006, “in order to give something back to the community” from whence he came (Zhang and Xiao 2009). Apparently it was during a brief visit to Brazil that same year for the purpose of investigating leather trade that Zhu first considered investing in soybean production abroad to export back to China. The idea gained sway over Zhu in the next year, as it seemed like a good way to address multiple crises he began facing in his business and new political career. In his leather business, after his growing exports to the US during the early 2000s bankrolled his industrial expansion, rising commodity prices (particularly rawhides and timber, the largest cost in his production of upholstery and furniture) and the early signs of a weakening housing market in the US during 2006 squeezed his company’s profits for the first time. In his new political office, meanwhile, Zhu was faced with the contradiction that he both wanted to accelerate the urbanization of his village through consolidating households into apartments and transferring farmland to industrial production or capitalist-organized agribusiness, while also maintaining jobs and livelihoods for his fellow villagers, most of whom had no education or skills beyond farming itself.⁵⁶ Finally, Zhu understood that the government was distraught with the collapse of domestic soy production and processing, and encouraging agribusinesses to “go out” for investments that could secure both quantity and quality of soybean imports (remember the food safety aspect of the “red soybean”

⁵⁶ Between 2003 and 2013, an astounding 96% of all farmland in Huafeng village was transferred to urban/industrial construction and capitalist agribusiness enterprises (Zhang and Xiao 2009; Wang 2013). For more on the phenomenon of land transfers and the emergence of agrarian capitalism in China, see Zhang and Donaldson 2008, Ye (2015), Q. Zhang (2015), and Yan and Chen (2015).

incident). So Zhu Zhangjin began to consider foreign investments in soybean production/trade in Brazil as a way to diversify his personal business in order to profit from (rather than get squeezed by) rising commodity prices, while simultaneously creating a mechanism for his fellow villagers to access farmland on which they could work abroad, capitalizing on government support for foreign investments that could assure food security/safety at home.

But it was the establishment of stricter environmental regulations in China that really forced Zhu Zhangjin to diversify his business from leather processing to other endeavors (a similar situation as the BBKA Group, discussed in the previous chapter). New environmental regulations aimed at restricting the production of high pollution, high resource and high energy consumption products came into effect in July 2007, shifting leather processing to the “prohibited” category, with a mandatory duty deposit for imported raw material. “As the [Kasen] Group’s products fall into the category of prohibited industry, it will be required to pay a substantial amount of duty deposit to the PRC customs. This will cause adverse impact to the Group’s cash flow and will incur increased financial costs,” Zhu asserted in his company’s annual report of 2007 (Kasen 2008: 13). And indeed, these higher environmental costs were compounded with declining exports to the US, causing Kasen to suffer over 200 million RMB in losses for the first time. In Kasen’s annual report for that year, Zhu explains “our sales were adversely impacted by the slow down in the US housing market and subprime loan crises. The steady appreciation of RMB against US dollar, along with the acceleration of raw material and labor costs, had also led to a further squeeze on our gross profit margin,” and even more ominously, they were “anticipating these adverse impacts will likely deteriorate in 2008” (Kasen 2008: 7). Indeed, US exports that amounted to about 70% of Kasen’s revenues in previous years fell to 62% in 2007, then collapsed further to 42% in 2008, when it matched revenues from domestic sales even though those remained basically stagnant since the early 2000s (Kasen 2008, 2009). Revenues from exports to the US would continue to decline thereafter, as the company shifted its orientation to the growing domestic market as more high-end furniture and automobiles began to be consumed in China itself (Kasen revenues from exports to the US reached a low point in 2013 at 7%, and have since rebounded merely to 16%; Kasen 2014, 2017). In 2007, Zhu Zhangjin not only shifted his leather business towards the domestic market, but also began searching for real estate investments in China through which he could also diversify his company’s operations. Above all, this need to diversify was undergirded by the fact that rising production costs due to waste management were becoming a serious threat to their profitability, as indicated in his company’s annual reports of 2007 and 2008.⁵⁷ “Leather is a labor-intensive industry that has become harder and harder, encountering serious development bottlenecks, so we must find a way to transition” Zhu explained as the rationale for his new set of agribusiness investments in Brazil and within China itself (Zhejiang Online 2012). “People still call me ‘King of Leather’, but actually I want to develop billions from value-added agricultural enterprises” (ibid.; cf. Gao and Shen 2012; Li 2012).

While turning to domestic markets and diversifying to real estate successfully rescued his failing tannery, upholstery, and furniture business (which posted 270 million RMB in losses in 2008, but recovered profits thereafter through these strategies⁵⁸), it was Zhu’s personal infatuation with food

⁵⁷ “The production of leather is pollutive (sic). As the Chinese government is tightening the environmental protection policies, the [Kasen] Group’s production activities will be put under close scrutiny. The Group has at all time adhered to high standard of social and environmental duties, and welcomes the government’s new initiatives. However, it is possible that further investment will need to be made by the Group to upgrade waste treatment facilities and this will in turn increases the Group’s waste treatment costs.” (Kasen 2008: 13, 2009: 11).

⁵⁸ As indicated in Kasen’s Annual Reports for 2008 through 2015. Kasen posted losses again only in 2016, when the company completed its divestment from leather processing (but maintained leather furniture and automobile upholstery manufacturing) and suffered losses in its upholstery retail in England, while its real estate businesses have not yet stabilized their revenues (Kasen 2009... 2017).

safety, and his political desire to create new farming and income opportunities for peasants in his home village that ultimately made him go through with the idea of agribusiness investments in Brazil. Moreover, as soybean prices were spiking and the Battle of the Beans intensifying, Zhu realized he could turn crisis into opportunity if he could capitalize on government support for the foreign investment he was beginning to consider. Two remarkable Chinese newspaper articles discuss explicitly how “Zhejiang people are carrying out a [global] enclosure campaign” (He 2010) and how this “trend is menacing” (Liu 2014)⁵⁹ (citing not only Zhu Zhangjin’s investment but also the example of Lu Weiguang’s would-be Amazonian land grab and other forests acquisitions in Russia; cf. Chapter 4). In those reports, Zhu Zhangjin justifies his agribusiness “going out” strategy saying: “I felt the time was ripe for the farmland investment project in Brazil, it can become an effective way for the villagers to increase their income” (He 2010). After all, he originally envisioned sending about 100 peasants from his village to operate the farms he intended to acquire in Brazil, and ship the soybeans directly back to China as a way to bypass the monopoly of the ABCDs. “To compete with the[se] four major grain trading corporations,” Zhu asserted in another interview, “we must first buy the land in order to be competitive” (Hu 2009). It was a mistaken assumption, as I argue in this chapter, which set Zhu’s foreign agribusiness enterprise on the path to become a Paper Tiger.

Zhu Zhangjin sought support from the recently installed Chinese ambassador to Brazil, Chen Duqing, a career diplomat who spoke fluent Portuguese and had worked between Brazil and Angola since the late 1980s. Chen Duqing explained to Zhu that he would need a Chinese migrant (*buaren* 华人) with permanent residency in Brazil in whose name his company could be registered, and who could also help with translation as he procured business services and launched his soybean (mis)adventure in Brazil. So Chen introduced him to Lei Zuobin⁶⁰, a retired Ministry of Agriculture official who had moved to Manaus (in the Brazilian Amazon) soon after 1998, when private timber brokers were allowed to invest abroad and import independently back to China (cf. Chapter 4). Lei had obtained permanent residency and learned enough Portuguese to do business in Brazil, and likely shared the Ministry of Agriculture’s opinion at the time that farmland-oriented investments were a viable “going out” strategy for Chinese agribusinesses, making him the perfect consultant for Zhu Zhangjin. However, Lei was incapable of brokering land deals on his own. So Chen Duqing invited another acquaintance to help Lei and Zhu, a southern Brazilian named Daniel Moreira who had worked with Paul Liu in boosting Brazil-China trade and investments (cf. Chapter 4), and who had experience with Brazilian agribusiness, if not the soy sector in particular. Moreira and Lei would become the key brokers for Zhu’s investments in Brazil, illustrating not only the challenges faced by Chinese agribusiness investors who have limited diasporic connections upon which they can rely, but also the hallmark of Paper Tigers that rush into investment projects due to political considerations (in this case Zhu’s own as party chief in Huafeng village), and thus rely on limited expertise and misguided investment strategies from the get-go, and go ahead right anyway.

Daniel Moreira⁶¹ was a marine biologist who obtained his degree in 1974 from a university in Japan (marine biology was still relatively new in Brazil, while Japanese universities were world references in the field given the country’s long tradition in fishing). He worked as a fisheries inspector along the Brazilian coast for several years, where he first came into contact with Chinese fishing vessels that would venture illicitly into Brazilian territorial waters. “There were lots of Chinese [fishing off the coast of Brazil] at that time,” Moreira told me, “and I identified with them a lot. I was well received in their ships while doing inspections, and made friendship with some of them since that time,” which

⁵⁹ “浙江人正在进行一场“圈地”运动” (He 2010), and “浙江人正在进行一场“圈地”运动，且风潮来势汹汹” (Liu 2014).

⁶⁰ Pseudonym

⁶¹ Pseudonym.

eventually brought him into contact with Chen Duqing while he was still working in the Chinese consulate in São Paulo.⁶² Moreira transferred to the Brazilian government's rural extension company (Emater) where he worked until 1992, when the agency was extinguished as part of the broader set of neoliberal reforms then taking place. "I became very disillusioned with government, so I went to the private sector, consulting for cooperatives in Rio Grande do Sul."⁶³ As Brazilian agricultural exports to China began to increase, Chen Duqing began to reach out to Moreira informally for support. At that time Paul Liu had just established his Brazil-China Chamber of Economic and Development (cf. Chapter 4), and Moreira began working with him to provide agribusiness-related support.

By 2005, however, Moreira was coming into tension with Paul Liu, saying the business of organizing Brazilian delegations to China, hosting seminars on Brazil-China relations in Brazil, and working the media to boost sinomania "was already getting old."⁶⁴ He broke with Paul Liu, and instead of establishing yet another Chamber that would collect membership fees to work in the increasingly competitive field of Brazil-China boosters and brokers, he created the Institute for Brazil-China Economic Development as a not-for-profit firm through which he could focus on investment consulting. "At that time, the main flow was still Brazilian businessmen (sic) going to China, but I focused on attending the Chinese demands for investment in Brazil... On that route, all there was at the time was trade in cheap manufacturing [goods], all that stuff for the 25th of March,"⁶⁵ the street in São Paulo where Chinese retailers were increasingly dominating wholesale and retail of cheap manufactured products. So he partnered with a lawyer and a retired director from the Manaus Free Trade Zone, who had experience with foreign investments and trade, and good contacts in the Brazilian Ministry of Development, Industry, and Foreign Trade (MDIC), and sought a middle-ground between the high-level government-brokered negotiations in the petroleum, steel, and mining sectors, and the wholesale/retail trade of cheap manufactured products dominated by the emergent Chinese diaspora. "Generating revenue from consulting like this was hard. Very hard. But we noticed this was the way, and after 2010 we were proved right."⁶⁶ Between 2005 and 2007, Moreira brokered a few small-scale Chinese imports of auto parts, textiles, and domestic appliances. But it was when ambassador Chen asked him to help Lei and Zhu that Moreira finally landed a promising opportunity consulting for a direct investment.

After Zhu's brief visit in late 2007 to hire Lei and Moreira, the latter created the Sol Agrícola Ltda. agribusiness company, with Lei as legal representative, and capital from Zhu's own Zhejing Fudi Agribusiness Company. Fudi was created independently from Kasen, Zhu's tannery and upholstery conglomerate, as a corporate vehicle specifically designed for launching agribusiness investments in Brazil. "Zhu wanted a lot of land," Moreira recalls, "but at that time land in Mato Grosso and Goiás was already very expensive. So I told him there is cheap land and good infrastructure in Tocantins still, but if he wanted to buy a good farm that was ready for planting, he could buy a smaller one here in the south."⁶⁷ Moreira quickly identified a 636 ha farm for sale in the municipality of São Lourenço do Sul, southeastern Rio Grande do Sul state (Figure 11).

It was a region traditionally focused on rice production, but soy cultivation was starting to expand there as well, chasing the rallying prices of that commodity due to growing Chinese demand. The previous owners lacked capital to continue rice production, much less acquire the necessary machinery and inputs to shift towards soy, so they turned the farm into pasture for a few years before

⁶² Personal interview, Porto Alegre, Brazil, June 25, 2015.

⁶³ *ibid.*

⁶⁴ *ibid.*

⁶⁵ *ibid.*

⁶⁶ *ibid.*

⁶⁷ *ibid.*

selling it off to Zhu in 2008. Poorly advised by Moreira and Lei, Zhu thought he could acquire this more expensive but smaller farm in Rio Grande do Sul, and transfer their experience to operate larger farms in Tocantins on cheaper land that hadn't been prepared for soy production yet. It was a move that resembled his original acquisition of a cheap tannery in Haining, which he transformed into a vertically integrated conglomerate through "his own hard work and ingenuity," as the story went. However, the strategy completely failed to account for the drastically different ecological and agribusiness conditions between the temperate pampas in southern Brazil and the sub-tropical Cerrados in Tocantins state, and the distinct labor regimes each requires.

Figure 11. The Sol Agrícola farm (636 ha) in São Lourenço do Sul, RS



Source: Map by the author based on coordinates obtained from the São Lourenço do Sul municipal government archives and land title office, inset from Wikipedia. Satellite image from Google, c. 2015.

Figure 12. The Trindade farm (16,163 ha) acquired by the Fudi subsidiary Sol Agrícola



Source: Map by the author based on coordinates obtained from the Tocantins state government archives and the Lagoa da Confusão land title office. Satellite image from Google, c. 2015, inset from Wikipedia. Note the area north of the central lake where an irrigation project was attempted and abandoned during the early 1980s, and the lighter colored areas on the eastern half of the farm where the Fudi-Beidahuang joint-venture attempted to farm soybeans in 2009/2010.

Zhu insisted that his consultants take him to scout farmland for acquisition in Tocantins in June 2008, when he had arranged for a delegation from the China Development Bank (CDB) to accompany him to pursue further investments in Brazil. They made contact with the Tocantins state government, who received the delegation for several meetings in the state capital of Palmas (cf. Renovato 2008), but Zhu wanted Lei and Moreira to organize a private tour of the region as well. So Moreira turned to personal contacts to find Abraão Gessel⁶⁸, a wealthy engineer in Porto Alegre (capital of Rio Grande do Sul) who owned a large-scale ranching estate in that region, who in turn asked his farm manager to give Zhu and his consultants a tour of the region. That person, Lucas Ritter⁶⁹, is a veterinary and agricultural engineer who runs a well-established farmland management and consultancy company, operating farms for absentee landlords like Abraão Gessel since the 1980s. Ritter had managed Abraão Gessel's farm since 1987, and was deeply familiar with the agribusiness of the region, so he accepted his client's request as a favor. He picked up Zhu, Lei, two CDB

⁶⁸ Pseudonym.

⁶⁹ Pseudonym.

representatives, and Moreira at the airport in Palmas and “drove all up and down the state with them,” showing ranching estates, irrigation projects where they were starting to plant soy for seeds in addition to rice, and Abraão Gessel’s farm, a 16,163 ha well renowned ranching estate with about 6,000 “heads” of cattle in the municipality of Lagoa da Confusão (Figure 12).⁷⁰ On the way back to Palmas, Zhu asked Ritter if he could extend the tour another four or five days, and he agreed.

A few days later, Abraão Gessel got a call from Lei and Moreira saying that Zhu was interested in buying his farm. The farm was not for sale, but Abraão Gessel was already old and no one else in his family seemed interested in continuing with the farm, which he used primarily as a vacation retreat for its rich fishing grounds. “So they started negotiations,” Ritter told me (Abraão Gessel had already passed away by the time I was undertaking fieldwork), “and less than three months later I went back to Tocantins to show them the farm once again, and that’s when we set the terms and made the deal, ‘gates closed’ (*porteira fechada*), meaning they bought the farm as it was, with all the cattle, machinery, everything.”⁷¹ Moreira related that the Trindade farm in Tocantins “was good because it had lots of water, it was right by the river, has two or three big lagoons, so it was good for farming.”⁷² In retrospect, however, he admits that with the acquisition of the farm in Tocantins, “that’s when problems started.”⁷³ According to Ritter, who in fact worked that land and was much more familiar with agriculture and ranching in the region, it was actually a surprise when Zhu first told him, *after* the deal was done for the acquisition of the farm, that they wanted to plant soy on it.

Chinese are hard to deal with [Lucas Ritter sighed], they said they wanted to start planting right away, so I explained this year its impossible. It was already August [2008], and you need to set up all the structure, work the soil, its not like easy like that... Especially because Trindade has this “pock marked” land, with lots of little stones. You really have to know how to prepare that soil if you’re going to plant anything. But they said they would bring all these people from China with experience, and bragged that soy is originally from China and over there they can plant a whole farm in less than ten days. I replied they could bring the Soybean Pope from China and they couldn’t plant that year... Since they didn’t want to continue ranching, and wanted to bring their own Chinese management, I was out. But there was already that whole thing of “foreignization” being talked about even before the AGU restrictions of 2010 [cf. Chapter 4], and there was a lot of pressure from social movements in the region, stuff like Indians and MST, you know.⁷⁴ So I told them that “deactivating” the farm right away while

⁷⁰ Personal interview with Lucas Ritter, Campo Grande, MS, August 21, 2015.

⁷¹ *ibid.*

⁷² *ibid.*

⁷³ *ibid.*

⁷⁴ In 2007 and 2008, the Brazilian federal government sought to regulate illegally titled areas in the floodplains of rivers that cross state lines. Those areas can only be titled by the federal government, but state governments like Mato Grosso and Tocantins had granted titles to the region anyway. During that time, indigenous communities in the Araguaia river valley and the Landless Rural Workers’ Movement (MST) sought to leverage this new impetus for federal regulations to demand expropriation of large estates along the Araguaia floodplain for redistribution into indigenous territories and/or agrarian reform settlements. “There were Indians already walking here through town, pointing out the nicest houses by the lake and the river front that they said would be theirs once the expropriations were announced,” the mayor of Lagoa da Confusão reported with derision (personal interview, Lagoa da Confusão, Tocantins, July 10, 2015). “But if this whole area is a floodplain, then tell me how come there are all these houses, farms, and silos built up here? That’s just craziness from some bureaucrat in Brasília who sits at his desk staring at satellite images, but has never stepped foot here in the region” (*ibid.*). The legal definition of floodplain, however, does not regard the areas directly flooded along the river banks alone, but the area that floods on a multi-decadal hydrological cycle. Still, the dispute about how to identify and measure the floodplain was simultaneously technical and political, pitting the powerful agribusiness lobby in Tocantins state (including the state’s senator and president of the landowners’ association, Katia Abreu, as well as the state governor) against the federal agrarian reform agency and both indigenous and landless peasant movements. Ultimately, the Tocantins

they got all the [environmental] permits and everything ready could be a problem. It's a nice farm, people already had their sights on it, so there is a risk it could be invaded. Especially knowing it's a foreign group, I warned them. So I said, since you won't plant this year, we can stay one more year here and slowly deactivate the herd. We will still be around, there will be movement on the farm, and your risk is zero. In the meantime, you organize yourselves to set up the [soy] structure here. But they did everything wrong.⁷⁵

The selection of the Trindade farm for soybean planting was not ideal. In addition to having poor soil for agricultural production (as explained in Ritter's quote above), the lagoons in the farm were not actually suitable for irrigation. Sometime in the early 1980s, Abraão Gessel attempted to set up a system to draw water from his farm's largest lagoon to irrigate 200 or 300 hectares, but the project failed. It was unclear when Zhu heard about this project and its failure, but he was likely misinformed or misled by Moreira and Lei, who lacked familiarity with the nuances of soy production and irrigation in the region, and whose interest was in the commission they expected from sealing the deal. But Zhu saw Trindade as just the first of several farms he intended to buy in the region. The neighboring farm just to the west, about 5,000 ha that had been part of the same Trindade estate in the early 1980s and actually reached up to the Araguaia river, could actually be easily irrigated and profitably put into agricultural production. But since Abraão Gessel was only interested in ranching, he sold that section years before to a wealthy farmer from Goiás who profitably produced rice with extensive irrigation systems. Zhu at first asked Ritter, who knew the other farmers in the region very well, to "check in with the neighbors, so we can buy all the surrounding farms here."⁷⁶ Shocked, Ritter retorted that "it's not like that! To buy land you have to do it softly, discuss with people quietly, otherwise the price goes way up!"⁷⁷ Zhu, however, still working primarily through Moreira and Lei as his consultants, went to Goiania to make a bid for the 5,000 ha with irrigation and profitable agricultural production, but the owner refused to sell for the price Zhu offered. "They were walking around saying they wanted to buy 150,000 to 300,000 ha in the region," Lucas Ritter exclaimed, "that destabilized the market violently. You had land brokers going up and down seeing farms, and people were saying 'those Chinese are buying land, they're buying lots of land!' So it obviously destabilized the market. One day the hectare used to cost X, then ten days later it was three or four times X."⁷⁸ The fact Zhu was seeking land for soy production also played a major role in heating up the regional real estate market, which had been previously priced as cheaper pastures, but through Zhu's own "hullabaloo" (*papagaiada*, in Ritter's own account⁷⁹), prices shifted to much higher rates for anticipated crop production. His "hullabaloo", moreover, dovetailed with the interest of some Tocantins state politicians in boosting themselves and their state: in August 2008, Zhu had barely closed the deal for the 16-thousand-hectare Trindade farm, but the Tocantins state legislature announced that his company had "already acquired an area with about 150 thousand hectares" (Almeida 2008), treating the investor's goal as a done deal.

Zhu's efforts to buy additional farmland quickly stalled, and he also began facing multiple problems managing the two farms he had just acquired. The first challenges were obtaining work visas

agribusiness lobby won and the federal government was forced to withdraw its demands for regularization of land titles under federal jurisdiction, thereby ending as well efforts to redistribute the land to the indigenous and poor peasants of the region. Triangulated also with interviews with leaders of the MST in Tocantins state, Tocantins, July 11, 2015.

⁷⁵ Personal interview, Campo Grande, MS, August 21, 2015. It is noteworthy that Lucas Ritter warned Zhu Zhangjin about the risk of MST occupations at that time, and *also* reported this fact in our interview two months before the MST actually occupied the other farm Zhu acquired in Rio Grande do Sul.

⁷⁶ *ibid.*

⁷⁷ *ibid.*

⁷⁸ *ibid.*

⁷⁹ *ibid.*

for himself and his employees. His own and another thirteen work-visa requests were denied by the Brazilian Ministry of Labor in June 2008, as the Brazilian government caught wind that Zhu intended to bring first about a dozen, then hundreds of Chinese peasants to work his farms (Zhang and Xiao 2009; Jiabin 2008; He 2010; Vital 2011). Then came difficulties with environmental licensing, particularly for the farm in Tocantins. Since the farm had been in the previous owner's possession since the early 1980s, it did not have georeferenced boundaries for a new title and environmental licenses. Georeferencing was a major challenge during the rainy season of 2008/2009, however, when the lowlands were partially flooded. Moreover, since the farm had only been used for ranching before, the lowlands were registered as the legally required environmental reserve of the property, so new environmental reserve designations had to be requested, pending completion of georeferencing, to reorganize the lowlands for farming and the drier highlands from pasture to environmental reserves. Moreira, who was a marine biologist by training, felt confident he could undertake this process on his own, but ultimately had to hire an environmental consultant in Tocantins to complete the necessary documentation. Moreover, without being able to purchase the neighboring farm that already had irrigation systems licensed and installed, it became evident that Zhu would require additional efforts *and* environmental licenses to install irrigation canals into his own farm as well, increasing not only the installation costs of his soy production endeavor beyond his original expectations, but also delaying the environmental licensing process another two or three years.

Zhu's enthusiasm turned into frustration with Lei and Moreira by 2009, and soon they had a major falling out that forced the restructuring of Zhu's Sol Agrícola operations in Brazil with an entirely new set of Chinese managers and Brazilian consultants. Moreira was basically sidelined at that point, and Lei continued into 2010 only because Zhu needed him as legal representative for his Brazilian subsidiary. In the meantime, Zhu sent trustworthy officials from his Kasen leather conglomerate to keep an eye on Lei. Since they were still unable to obtain work-permits, these trustworthy managers only stayed about six months each (roughly from 2009 to 2010). Zhu also hired two other *huaren* (华人) who spoke Portuguese to replace Leias translator. One of them, "David" Luo⁸⁰, was a longtime Brazilian resident who assumed management of Sol Agrícola in Rio Grande do Sul (RS) after the second manager left in 2010, and replaced Lei as legal representative of the company that same year. The other *huaren* was Zhao Chen⁸¹, originally hired as translator and placed in Palmas (TO), but he would eventually move to Porto Alegre (RS) and rise to manager of Sol Agrícola in 2014 when David Luo quit for personal reasons. Neither Zhu's trusted managers from China, nor David Luo or Zhao Chen had any experience with agribusiness management, but were selected simply because of their rare language skills and positionality. Zhao Chen, for example, first went to Brazil in 1997 to export cheap manufactured goods like soccer balls and plastic flowers to the growing retail market at the 25th of March street in São Paulo. He worked there until 2006, when he went to Angola to work as translator for the China Railway Construction Company. In 2009, when Zhu Zhangjin wanted replacements for Lei and Moreira, he found David Luo and Zhao Chen through a Chinese business-talent consulting company. When I interviewed Zhao Chen (a conversation conducted entirely in Portuguese, unlike most of my other interviews with Chinese managers in Brazil who spoke with me primarily in English), I asked him why Zhu shifted his management so much in these critical early years of the project in Brazil. He said "Zhu was in a hurry to plant, to have results. But he wasn't getting any [with Lei and Moreira], so he decided to try another [set of managers]."⁸² Although Lei and Moreira certainly did not set Zhu up with ideal properties, this new batch of managers were not in much better positions to operating them either.

⁸⁰ Pseudonym.

⁸¹ Pseudonym.

⁸² Personal interview, Porto Alegre, RS, June 24, 2015.

With the acquisition of the two farms in Rio Grande do Sul and Tocantins completed, Zhu began to assemble capital and expertise within China itself to operate his farms in early 2009. He began by drawing on his personal and political influence in his home village (Figure 13), where created a cooperative, the Huafeng Grain and Oil Cooperative (est. February 2009). The cooperative was created with investments from 728 of the 1008 households in Huafeng village, each contributing between 500 and 10,000 RMB (Zhu 2008; Hu 2009; Li 2012), but it operated basically as a private corporation under Zhu's leadership to provide operational capital for the two farms he acquired in Brazil through his own private Fudi Agribusiness company.

Figure 13. Zhu Zhangjin shows pictures of his recently acquired farm in southern Brazil to his fellow villagers on November 2008, already boosting for their contribution to a “cooperative” investment



Source: Zhu (2008). For more on villagers as clients of businessmen/politicians, and the power relations at the township and village levels, see Zhao (2007a, 2007b) and Wang (2014).

More than 100 villagers from Huafeng who contributed to the cooperative signed up to be sent to Brazil to work “their” (i.e. Zhu’s) farms, but ultimately only two were selected: Yuan Weiyang⁸³ and Yuan Lifan⁸⁴ (Figure 14). They were selected because their parents were not too old and their children were not too young to require care work at home, they were able-bodied for farm work, the spoke neither English nor Portuguese but were judged to be able to “deal with foreigners”, and perhaps most importantly, they contributed far more than others to the cooperative as well: Yuan Lifan, for example, contributed 10,000 RMB on his own to the cooperative. They arrived in Brazil in

⁸³ Pseudonym.

⁸⁴ Pseudonym.

late June 2009, and were assigned to manage the smaller Sol Agrícola farm in Rio Grande do Sul (Cen 2011). Their “management”, however, was nominal at best, always intermediated by David Luo. Their first two months were actually spent laboring alongside Brazilian workers to dismantle the fences that had been installed on the farm to manage the pastures on the property in previous years. Unable to communicate with their Brazilian “employees” (co-workers) hired to bring the farm into operation, the Yuan’s “management” ultimately amounted to no more than documenting input acquisitions, fertilizer applications, and other operations undertaken by Brazilian workers, such as the one leaning against the machine’s wheel in the background of Figure 14, who actually coordinated operations with the Portuguese-speaking David Luo.

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Figure 14. Yuan Weiyang and Yuan Lifan pose in front of a large-scale pesticide sprayer at the Sol Agrícola farm in southern Brazil, sometime between June 2008 and June 2009.



Source: Cen 2011

In a remarkable interview the Yuans gave to a Chinese magazine after their return to China, one of them said they were relieved that they did not have to face some of their greatest fears about going to farm in Brazil: “There are no wolves, no tigers, no Brazilian slums [in the tiny farming town where they were located], so its absolutely safe!” (Cen 2011). Although they were experienced farmers in Huafeng village, they were shocked about how their “traditional farming model is dwarfed in Brazil,” where “ordinary farmers can operate large modern machines!” (ibid.). Work that would take them a whole month in Huafeng could be accomplished by their Brazilian employees in a single day. Indeed, Brazilian soy farmers do use more and larger machinery than peasants in China, but the number and size of the machines the Chinese investors acquired was actually quite at odds with the operational needs of the the relatively small Sol Agrícola farm in southern Brazil. The Yuan’s most meaningful contribution to the farm may have been a vegetable garden they planted for their own consumption, but sadly they were recalled to China before they could even eat their own produce. “I asked Zhu after we returned to go back to Brazil, but he replied he would not consider it,” Yuan Lifan told the journalist with a smile (ibid.). “We have to send people with a college education, after all, to work as cadres for Zhu Zhangjin’s enterprise. To go abroad, we need a higher level of cultural knowledge for foreign coordination, communication, and management... But I would like to go again. Our own cabbage has grown a lot, and we had no chance to eat it!” (ibid.).

The Huafeng peasants were not able to operate large-scale machinery, but it also wasn’t their responsibility to acquire and operate them in the first place. Aware that the peasants from his native Huafeng village would require support from specialists, Zhu also pursued simultaneously a joint-venture with China’s largest agribusiness production company, the Beidahuang Group from

Heilongjiang province. In China's far northeast, Heilongjiang is the last province where substantial amount of soybeans continued to be produced after the collapse of the sector due to competition with cheap imports from the US and Brazil (Yan, Chen, and Ku 2016). Beidahuang is a provincial-owned agribusiness conglomerate that operates thousands of hectares on state-owned farms, utilizing large-scale machinery similar to Brazil, as well as soy and other grain warehouses and processing facilities. A subsidiary of the group, Jiusan (93), is a leading soybean importer and vegetable oil producer in China, and the conglomerate is regarded as a Dragon Head Enterprise by the Chinese government (Oliveira and Schneider 2016). In their operations in Brazil, however, they proved to be no more than Paper Tigers. The deal they struck with Zhu was that Fudi would acquire farmland in Brazil, and the Huaifeng village cooperative would finance their operations, but Beidahuang would provide soybean experts and technicians to purchase and operate the machinery on the farms. Ultimately organized through the provincial land reclamation bureau (Heilongjiang Nongke, associated with the Beidahuang Group through the province's department of agriculture), Beidahuang assigned a group of 8 agronomists and technicians to work in Brazil alongside the managers from Fudi and the Huaifeng peasants. "We do not own any farmland in Brazil," a Beidahuang official told me in our interview in 2011, at the height of the land grab scandal in Brazil.⁸⁵ "We just have a partnership with another Chinese company,"⁸⁶ they underscored in order to distance themselves from the unfolding scandal, particularly as Beidahuang was in fact getting a lot of bad publicity in international media for other agribusiness investments in Argentina where they were in fact pursuing acquisition of farmland on their own (Grain 2011a; Perrone 2013; Guo and Myers 2017).

It was with the arrival of these technicians from northeast China in Brazil that Zhu became disillusioned with Lei and Moreira, since the first thing the Beidahuang technicians told Zhu upon their arrival on the larger farm in Tocantins was that it was completely unsuitable for farming soybeans (thus confirming what Ritter had told him months before).⁸⁷ Nevertheless, they carried on with the task of purchasing planters, harvesters, and other machinery to produce soy. Relying on their experience farming in northeastern China, where short summers and heavy rains force farmers at the large-scale state-owned Beidahuang farms to plant and harvest as fast as possible, they determined that they should acquire the largest machinery possible for their operations in Brazil as well (despite the fact that longer planting seasons don't require such rushed operations with over-sized machinery, particularly in smaller farms like theirs in the south). Negotiating through Lei as translator, the Beidahuang technicians explored prices and services for agricultural machinery in Rio Grande do Sul and Tocantins simultaneously. They bargained hard for good prices and favorable payment plans with John Deere representatives in both states, particularly because they were already concerned that Zhu's *huaren* translator was colluding with local agribusinesses to overcharge them (as they feared had been done with the acquisition of the farm in Tocantins that Lei and Moreira brokered). After a whole-night session negotiating with the John Deere dealer in Tocantins, they astounded the Brazilian dealer after they retracted their agreement the following morning and decided to purchase *all* the machinery for *both* farms in Rio Grande do Sul alone. Angry about the way negotiations were conducted and the sale retracted, the John Deere dealer in Tocantins asked the Chinese investors, "sure, you can buy the machines in the south, but who will provide you all the service and parts for the machinery here in Tocantins?" When the Chinese investors replied "you will", what they heard in response was a series

⁸⁵ Personal interview, Haerbin, Heilongjiang, July 15, 2011.

⁸⁶ *ibid.*

⁸⁷ The account in this paragraph is triangulated from interviews with the director of the president's (i.e. Zhu's) office at Kasen, and the manager of Fudi Agribusiness who was sent by Zhu to Brazil in 2009 (both interviewed in Haining, Zhejiang, March 23, 2015); alongside interviews with Sergio Ritter (Campo Grande, MS, August 21, 2015), Zhao Chen (Porto Alegre, RS, June 24, 2015), the Beidahuang machinery technician (São Lourenço do Sul, RS, June 30 27, 2015), and a John Deere representative in Tocantins state (Palmas, TO, July 12, 2015).

of expletives that the Chinese translator and investors could hardly comprehend. They soon discovered, moreover, that the large number and large-scale of the machinery they purchased in southern Brazil (three planters, three harvesters, seven tractors, and one pesticide sprayer, all very large-scale) was not only more than required for their smaller farm, but it would also cost a fortune to have them shipped almost 3,000 km to their far larger farm (where they could actually be useful) in Tocantins. While the majority of their capital for machinery was thus immobilized in the south from the moment of its acquisition in late 2009 (Figure 15), they began taking on additional expenses by outsourcing the preparation of the soil, planting, spraying, and harvesting to service providers in Tocantins indicated by Ritter.

That first year (2009/2010), only a few hundred hectares were prepared for planting on the Trindade farm in Tocantins, resulting in relatively low yields given the difficult task of preparing the rocky earth on the drier parts of the farm that could already be planted before the better-quality (for farming) lowlands were properly licensed for agricultural production. Relying on Brazilian workers and their own machinery, however, the Fudi-Beidahuang joint-venture successfully planted and harvested a good amount of soy in the small farm in southern Brazil: they obtained about 2,400 kg per hectare (or 40 “sacks” of 60 kg, the standard measure of soy yields in Brazil), an adequate harvest for a first-year crop in land that hadn’t been planted with soy before, but an amount that highly impressed the peasants from Huafeng nevertheless (Figure 16). At that moment, Zhu was already pursuing an associated investment in a vegetable oil processing factory in Shandong province, which he hoped would become a domestic subsidiary of his Fudi Agribusiness company to receive his harvests from Brazil, and process those soybeans for sale as vegetable oil in China.⁸⁸

Figure 15. Oversized harvesters sitting idle by the Fudi-Beidahuang farm in southern Brazil

⁸⁸ Interviews with director of the president’s (i.e. Zhu’s) office at Kasen, and the Fudi manager who worked in Brazil in 2009 and subsequently managed the Nongfa Fudi Industrial Development subsidiary that was responsible for setting up the processing facility in Shandong province (Haining, Zhejiang, March 23, 2015).



Source: Photo by the author, São Lourenço do Sul, RS, June 30, 2015

Zhu then instructed his trustworthy manager in Brazil to ask Moreira and Ritter again for help exporting his own soybeans back to China, only to find it was basically impossible to do so without a preexisting partnership with Brazilian cooperatives or other agribusinesses who owned and operated their own ports (as was already illustrated with the Chinatex case described in the last section of chapter 3). Their harvest was sold in the Brazilian market itself, and to “save face” Zhu had to purchase soybeans from the ABCDs that he set out to bypass in the first place. This did not impress other Chinese businessmen assembling agribusiness investments in Brazil at the time. Rong Jian, for example, who coordinated Sanhe Hopeful’s investments alongside Tao Zhu (as described in the previous section) stated bluntly: “Some of those guys [at Fudi-Beidahuang] are my friends, but I cannot support their strategy. They can buy 10,000 ha in Brazil but they cannot export one kilo of soybeans without going through the ABCDs.”⁸⁹

Meanwhile, the higher echelons of Beidahuang were pursuing a variety of strategies for their foreign investments. In eastern Russia and Argentina, they negotiated for the acquisition of large-scale farms they could operate on their own (Romig 2011; Perrone 2013; Heilongjiang 2013; Zhou forthcoming), while in Brazil they not only engaged in this joint-venture with Zhu’s Fudi Agribusiness, but also negotiated with both Chinatex and the Chongqing Grain Group (in a case that will be described further below) for the establishment of a consortium that could bid for new grain terminals being built in the port of Itaqui, Maranhão state. While the Beidahuang (i.e. Jiusan 93) officials in

⁸⁹ Personal interview, Beijing, July 8, 2013.

Brazil in charge of soy trade (a separate group from the technicians working with Fudi on soy production, who were stationed in offices in São Paulo instead) were collaborating effectively with Shan Weijian from Chinatex and other officials from the Chongqing Grain Group for the port consortium, disagreements among their corporate headquarters in China prevented them from assembling the necessary paperwork to participate in the bidding process. As will be discussed in greater detail below, this effectively left them out of the highly strategic developments of agribusiness trading infrastructure being constructed in northern Brazil in the early 2010s, rendering them mere Paper Tigers in contrast with the effective (albeit indirect) investments undertaken by the Dragon Head agribusiness trading giant COFCO. To make matters worse for Beidahuang, its highest leaders and dozens more were deposed and imprisoned on corruption charges through the transition to the current administration under Xi Jinping (Yin 2014; Hu 2016).

Figure 16. The Yuans celebrating the first Fudi-Huafeng-Beidahuang soy harvest in Brazil



Source: Cen 2011

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Back at the Fudi-Beidahuang farm in Tocantins in their first harvest season of 2009 to 2010, their operations came up against significant problems. Since they did not have machinery with which to work, the Beidahuang technicians spent most of their days idling on the farm. Ritter, who was still finishing the removal of his cattle herd from the farm, was shocked at how “crude and unprepared” they all seemed. “It was unbelievable,” he exclaimed, “one time one of them took the pick-up truck, apparently they had never driven before, because the guy drove it straight into the lake! Blew the engine!”⁹⁰ His anecdotes about their work habits were equally astounding.

They would stay up all night texting people in China, wake up late, stop work for lunch and sleep until three in the afternoon! And when the Brazilian technician would set up the tractor just the right height to till the land, one of them would go there and mess it all up! It was like they were trying to screw each other over. They seemed to be competing to become manager of the farm, and undoing each other’s work. That’s the only way I can make sense of such crudeness.⁹¹

Despite these operational challenges, they did plant a few hundred hectares with soy from 2009 to 2010, but their efforts were soon halted for managerial problems of a far greater extent – their visas. Although they had been unable to secure work-permits for the Beidahuang technicians, Zhu insisted they move to Brazil to start production right away on tourist visas. And since one of the *huaren* working with them as translator had recently married a Brazilian woman, Brazilian government inspectors visited the Trindade farm to check if they were indeed living as a couple, rather than faking marriage for visa purposes. When the government inspectors arrived at the farm and found a whole team of Chinese men, they asked for passports and found them all on overstayed tourist visas. A Brazilian worker who had been on the farm before it was sold to Zhu, and remained there to help them work the farm, related the story with amusement: “The inspectors were scandalized, so they rounded up all those little Chinese and took them to the police station. The Chinese were shocked as well, couldn’t understand what was going on, and it was a huge confusion trying to get David [Luo] and Inácio [Zhao Chen] out here to help explain things and get them out of the police station.”⁹² The seven Beidahuang technicians that were apprehended were cited for overstaying their visas, but the company was at least able to avoid greater complications had the inspectors found them to be employing foreign workers illegally (luckily they were napping after lunch, and not working in the

⁹⁰ Personal interview with Lucas Ritter, Campo Grande, MS, August 21, 2015.

⁹¹ *ibid.*

⁹² Personal interview, Lagoa da Confusão, TO, July 10, 2014.

fields when the inspectors arrived).⁹³ The seven technicians were deported immediately, and it was also lucky for the joint-venture that Jiang Yiyuan⁹⁴, the agricultural machinery expert in the team, was working in the smaller farm in Rio Grande do Sul at the time. Jiang would eventually obtain a work visa, and he became the only Beidahuang employee who remained in Brazil after 2011, working thereafter in the smaller farm in southern Brazil until the time I visited the site in 2015. By then, Jiang Yiyuan had learned a little Portuguese (but he and I still communicated better in a mixture of English and Chinese), much about farming soybeans in Rio Grande do Sul, and a great deal more about the Fudi-Beidahuang misadventures in Brazil.

After the deportation of the Beidahuang technicians from Tocantins, and the Brazilian government restrictions on acquisition of farmland by foreigners in August 2010, Zhu Zhangjin began questioning whether to continue his misadventure in Brazil. Zhao Chen and Jiang Yiyuan were able to continue planting soybeans in the smaller farm with the support of Brazilian workers and local agricultural consultants, raising yields to about 3,600 kg/ha (about 60 “sacks” per hectare), but without Beidahuang technicians or even peasants from Huafeng village to farm, Zhu followed Ritter’s advice to lease pasture on the Trindade farm in Tocantins to local ranchers who could at least populate the farm to avoid being “invaded” by the highly organized landless peasant movement (MST) that was mobilizing in the region. Zhu would not publicly admit failure, so he repaid 130% of the investments made by his fellow villagers in the Huafeng cooperative in 2011 (apparently at his own expense, since the Fudi-Beidahuang subsidiary in Brazil was operating at a loss rather than generating any profits), and continued to brag to Chinese media about his agribusiness operations in Brazil.⁹⁵ He even claimed the 3,700 cows brought by Brazilian ranchers who leased his pastures were his own (and implied it was part of his strategy to secure his own supply of rawhides for his tannery, a complete fabrication). Behind the scenes, however, Zhu was boosting his Brazilian agribusiness while searching for a way to cut his losses and sell-off his farm in Brazil. He ultimately found willing buyers in Chongqing, where a powerful agribusiness group that had been pursuing farmland acquisitions for soy production in Brazil had just been barred from making their desired acquisitions by the new Brazilian government restrictions (the case detailed in the next section).

Apparently, negotiations went smoothly at first, and the Chongqing Grain Group (CGG) purchased a majority stake in Sol Agrícola, the Brazilian subsidiary of Zhu’s Fudi Agribusiness Company, sometime around early 2012. But as will be discussed in the next section, the Chongqing Grain Group was running into similar problems bringing their own large-scale farm in Brazil into production with soybeans. Jiang Yiyuan and a Brazilian partner still planted one more harvest from 2012 to 2013, but thereafter management was shifted to the CGG subsidiary in Brazil, who left the farm in Tocantins with pastures leased to local ranchers, and fallowed the smaller farm in Rio Grande do Sul for two whole years. Sometime thereafter, serious disagreements began to emerge between Zhu, his partners at Beidahuang, and the CGG. From what I can gather from interviews and publicly accessible Chinese court documents, the Beidahuang Group was not part of the sale of Sol Agrícola’s farms to the CGG, and when the Chongqing group tried to ship the idle agricultural machinery in southern Brazil to their own farm in northeastern Brazil, the Beidahuang officials objected. Jiang Yiyuan, who I interviewed at the farm in Rio Grande do Sul in 2015, explained he was there “just to

⁹³ Triangulated with documents from the Federal Police, Tocantins State Field Office.

⁹⁴ Pseudonym.

⁹⁵ The dividends were cited in Chinese media (Zhang and Xiao 2009), but I was unable to independently verify this with Huafeng villagers themselves, since Zhu’s personal assistant and chief of staff who I interviewed would not grant me permission independently of his boss to interview members of the Huafeng cooperative. I decided not to pursue those interviews without Zhu’s permission to avoid the possibility that villagers who I interviewed could suffer negative consequences from reporting anything that might cause their “boss” to “lose face”.

take care of the machinery for Beidahuang,”⁹⁶ since farming operations (or lack thereof) were already the responsibility of the CGG. Probably because of these disagreements over the use and payment for the farms and machinery, the CGG halted payments to Zhu Zhangjin, who in turn filed a lawsuit for full payment of their deal in the Zhejiang courts.⁹⁷

The only time I actually saw Zhu Zhangjin, coincidentally, was in June 2013 in Chongqing itself. I was there interviewing CGG executives about their investments in Brazil, and didn’t know yet that Zhu’s farms in Brazil were being sold to the CGG. One night when the CGG executives took me and Zhu both out to dinner at one of the city’s most expensive restaurants, I was seated in a private room with the second-tier CGG executives responsible for their foreign investments in Brazil and trading office in Canada, while Zhu Zhangjin was hosted in a separate private room with the outgoing president of the CGG with whom he had made the deal and the incoming president. I don’t know if they were still celebrating their deal at that moment, or already starting the argument that eventually brought them to court against each other. But I remember vividly that when we were leaving the restaurant after much eating and drinking, Zhu Zhangjin walked by and glanced at me with one of the sternest and most gripping stares I’ve ever received. In retrospect, I imagine he was highly concerned about this Brazilian researcher from Berkeley, traveling all over China and Brazil to interview agribusiness and government officials about what was already clearly becoming a series of botched soybean misadventures in Brazil.

Whatever the outcome of the lawsuit between Zhu Zhangjin and the CGG group, Zhu shifted his agribusiness from foreign investments to the promotion of food quality and safety, and rice production in Jilin province in northeastern China. In 2013, Zhu was elected to the National People’s Congress, where he began to distinguish himself through media-savvy stunts in which he exposed food safety problems from samples of contaminated and adulterated food products he collected over the years. In a case that gained prominence in Chinese social media, Zhu would demonstrate how certain expensive “black peanuts” were not special high-quality varieties, but regular peanuts adulterated with ink, simply by placing “black peanuts” in a glass of water and showing how the liquid became dark with black paint (Figure 17). Zhu used these stunts to call for higher food quality standards, stricter regulations, and more rigorous inspections (Wang 2013; Tian 2013). Moreover, Zhu divested from his tannery in 2016 and continued only with furniture and upholstery production as his industrial enterprises, while accelerating his shift from industries in general to tourist resorts and other real estate development projects in China itself (Kasen 2016, 2017).⁹⁸

Back in Brazil, meanwhile, the consultant who first brokered Zhu’s farmland acquisitions, Daniel Moreira, changed his tone in face of the growing sinophobia over Chinese land grabbing, and began telling the media (and me in our interview in 2015) that “it made no sense” for Chinese agribusinesses to buy farmland in Brazil, since “it will only give them headaches.”⁹⁹ He continued trying to broker Chinese investments across a variety of sectors, and he was especially excited about

⁹⁶ Personal interview, São Lourenço do Sul, RS, June 30, 2015.

⁹⁷ “The case is a contract dispute on equity transfer, involving the subject matter of the transfer of a stake in the Brazilian Sol Agrícola Co., Ltd., as equity that has a foreign factor with a large value, it is a major foreign case, and should be under the jurisdiction of Jiaying City Intermediate People’s Court” (本案系股权转让合同纠纷，涉案转让标的物为巴西阳光农业股份有限公司的股权，该股权具有涉外因素，价值较大，故属重大涉外案件，应由嘉兴市中级人民法院管辖) (Zhejiang 2015).

⁹⁸ Zhu’s Kasen International Holdings began investing in real estate in 2007, and by 2009 this new branch was already responsible for 29% of the conglomerate’s revenues. In 2015, real estate development surpassed the conglomerate’s revenues from the leather/furniture/upholstery industry for the first time, and in 2016 it already accounted for 65% of the group’s total revenue, while the remaining industries provided merely 28% (Kasen 2008, 2010, 2016, 2017).

⁹⁹ Interview with Daniel Moreira, Porto Alegre, RS, June 25, 2015. For an example of media statements where he explicitly doesn’t condone farmland investments by Chinese companies, see (Colussi 2011); note this statement was made *after* he brokered the sale of two farms to Zhu Zhangjin and at the height of the “Chinese land grabbing” scare in Brazil.

negotiations over mining, wind energy turbines, and a verity of other “green technologies.”¹⁰⁰ However, he received me for our interview in the coffee shop of a shopping mall, explaining unapologetically that he no longer has an office “since it was too expensive, and not necessary.”¹⁰¹ Despite speaking enthusiastically about various investment projects in which he was participating as either consultant or possible partner, he did not cite a single successful case of investment consultancy since the sales of those two farms to Zhu Zhangjin eight years earlier. His agribusiness interests, moreover, had shifted to collaborating with a Tocantins-based soy farmer who runs a very sketchy company named Primavera Alimentos. They claim to operate 130,000 ha, primarily in Tocantins, with a few more “properties” in Bahia and Maranhão states in northeastern Brazil. But all other agribusiness executives with whom I spoke in Tocantins denounced him as “a huge crook”, who claims to own far more land than he actually does, and who obtained whatever land he does control through the fabrication of fake titles and forceful displacement of other claimants to disputed lands. While I could not fully verify these claims, when I interviewed this person in Tocantins myself, my impression was definitely of someone who brags beyond what evidence can justify. On his own and alongside Moreira, they certainly negotiated for the sale of soybeans to a handful of Chinese agribusinesses, but no agreements were reached that I could confirm independently, and no Chinese agribusiness executive who I interviewed shared positive accounts of their negotiations.

Figure 17. Zhu Zhangjin contrasts real with adulterated “black peanuts” in glasses of water



Source: Tian 2013

Ultimately, this case illustrates how a joint-venture between a private agribusiness from the transnationally well-connected province of Zhejiang, in partnership with a major state-owned agribusiness company considered to be a Dragon Head because of their dominant role in producing soybeans within China itself, completely botched their efforts to farm soy in Brazil, making themselves into clear examples of what I call Paper Tigers. While they did not rely primarily on government officials in Brazil like the other Paper Tigers that I discuss, Zhu Zhangjin’s own political interests (specifically his intention to acquiring farmland abroad on which to settle peasants from his home village) set the terms for what became a disastrous misadventure. Similar to the other Paper Tigers that will be discussed below, the Fudi-Beidahuang joint-venture failed to operate successfully not only

¹⁰⁰ *ibid.*

¹⁰¹ *ibid.*

because of poor strategic decisions to invest in farmland and agricultural production, but also because of their incompetence when purchasing farmland and attempting to operate them. More specially, they failed at the key junctures of selecting properties appropriate for their planned investment, making indiscrete negotiations for purchasing additional farmlands that effectively caused them to become priced-out of the region, and contributed to stoking sinophobia over Chinese land grabbing (although not as much as the negotiations in Goiás state described above and the investments of the Chongqing Grain Group described below) that ultimately triggered restrictions on acquisition of farmland by foreigners. The Fudi-Beidahuang joint-venture also illustrates the Paper Tiger characteristic of insisting on Chinese management for their operations abroad, even while their managers lack sufficient understanding of Brazilian labor and environmental legislation, agro-ecological conditions, and agroindustrial operations. It is only fitting, therefore, that the misadventure of these Paper Tigers ultimately exposed their properties in Brazil to high-profile conflicts: in October 2015, merely four months after I visited the Sol Agrícola farm in southern Brazil that Zhu had sold to the Chongqing Grain Group, the Landless Rural Workers' Movement (MST) occupied the farm to expose it as an illegal case of “foreignization” of land, and demand its expropriation for agrarian reform (Figures 18, 19, and 31). At that time, however, the farm was already owned and operated by the Chongqing Grain Group, so I now turn to the even more remarkable case of that company, which is the quintessential Paper Tiger that attempted to “grab land” in Brazil but failed spectacularly.

Figure 18. The MST occupying the Sol Agrícola farm in São Lourenço do Sul, RS, October 2015



Source: MST

Figure 19. The entrance to the Sol Agrícola farm in southern Brazil at the time of my visit, and four months later during the occupation by the MST (June and October, 2015)



Source: Picture on top by the author, June 30, 2015. Picture on the bottom by the MST, October 5, 2015. Both at the main gate of the Sol Agrícola farm in São Lourenço do Sul, RS.

4. Soy Misadventures, Part 3: How the Chongqing Grain Group epitomized a Paper Tiger

The rise and fall of the Chongqing Grain Group's high-profile agribusiness investments in Brazil are inseparable from Bo Xilai, a charismatic politician who was becoming the champion of the "New Left" in China and making his way to the very top leadership of the Communist Party, but fell spectacularly from power through a scandal that involved the assassination of a British businessman and provided a glimpse of the palace wars amidst the highest echelons of the Communist Party in the transition from Hu Jintao to Xi Jinping. Their transnational investments also became the highest-profile case of attempted Chinese land grabbing and agroindustrial investments in Brazil, and their misadventures were widely identified as key motivation for the 2010 restrictions on acquisition of farmland by foreigners. In addition, the Chongqing Grain Group also became the only Chinese agribusiness to have its property (acquired from Zhu Zhangjin) occupied by the Landless Rural Workers' Movement (MST), contributing to a halt of their expansion in Brazil. Although frequently cited in Brazilian and international Anglophone media, and discussed by some academics who examine transnational agribusiness investments in Brazil, none of these accounts obtained the extensive number of in-depth interview with key players or examined the amount of company and government documents that I have accessed. Indeed, the case of the Chongqing Grain Group's investment in Brazil is so remarkable and convoluted that it would require at least a whole chapter, if not a whole dissertation, to do justice to its complexity and importance. Were I to do so, however, I would have to sacrifice the attempted comprehensiveness and broader scope of my dissertation. In this section, therefore, I still examine this case with far greater nuance and empirical detail than any other academic or journalistic account to date, but focus only on the specific aspects of this narrative that contribute to the overarching argument in this chapter about discerning Chinese agribusiness investments in Brazil. The Chongqing Grain Group, after all, is the quintessential Paper Tiger.

Bo Xilai is the son of Bo Yibo, one of the "Eight Elders" of the Communist Party, and thus considered one of the "princelings" of Chinese politics (like Xi Jinping). Bo's father was Minister of Finance and favored foreign trade with capitalist countries, which caused him to be deposed and arrested during the Cultural Revolution. But he was rehabilitated afterwards and became instrumental in rolling out market reforms alongside Deng Xiaoping and Jiang Zemin. Also alongside Deng and Jiang, Bo Yibo supported the military crackdown on the Tiananmen protests of 1989, asserting autocratic party rule even through pro-capitalist reforms. Bo Xilai was also briefly arrested in his youth during the Cultural Revolution, but soon thereafter rose through the ranks of the party and government in Dalian, Liaoning province in northeast China, where he served as mayor from 1993 to 2000. He then served as governor of Liaoning until 2004, when he was appointed Minister of Commerce and faced the "red soybean" incident (discussed in chapter 3) as one of his first major challenges. He remained Minister of Commerce until the end of 2007, precisely the period when the foreign take-over of China's soybean trading and processing sector unfolded, so Bo was acutely aware of the stakes of the "Battle of the Beans." During this time, Bo consolidated his career by successfully attracting massive foreign investments to Dalian and Liaoning, and managing China's integration into the WTO to leverage a boom of international trade and investments. But Bo distinguished himself above all by his charismatic, propagandistic, and self-promoting manners that contrasted sharply with the staid bureaucratic mores of other Communist Party officials. The Brazilian Minister of Foreign Affairs who dealt with him on multiple occasions, particularly on the Doha Rounds of the WTO negotiations, described him thus:

China's trade minister, Bo Xilai, came across as a strong personality, very aware of his influential position in the power structure. In that respect he was unlike the Chinese foreign ministers I had come into contact with, who were mostly career diplomats and behaved more

like typical bureaucrats. The son of one of the leaders of the Chinese revolution, Bo was often depicted as being representative of the more orthodox tendency in the Communist Party that still followed the teachings of Mao Zedong. But that certainly did not tally with my impression of him, which was based partly on his conduct in the WTO. He struck me as being genuinely committed to the process of opening China to trade and to the ongoing process of integrating the country into the global economy. (Amorin 2017: 424)

Indeed, Bo effectively combined his family credentials and conservative Maoist discourse with market-oriented acumen to openly project himself into the top leadership of the party, gaining a seat in the 25-person Politburo in 2007, but also eliciting strong opposition from other factions and powerful individuals. At the end of that year, he was transferred from the Ministry of Commerce to become party secretary of the western provincial-level city of Chongqing. In a way, this was a “banishment” that would distance him from competitors in Beijing. But as Chongqing is one of the four cities directly-administered by the central government, he retained his seat in the Politburo and took the opportunity to further distinguish himself by championing a more state-driven and politically-oriented “Chongqing Model” of development. Bo did not abandon efforts to attract foreign investments, but prioritized first an extensive anti-corruption campaign to suppress organized crime that had become rampant in Chongqing and simultaneously depose underlings associated with rival political factions, and launched mass campaigns promoting Cultural Revolution-era songs and values, redirected the local economy from exports to the domestic market, and drew upon state-owned banks and companies to create massive public housing projects and urban infrastructure that gained favor with the working classes. A hallmark of Bo’s Chongqing Model became the conjunction of this neo-Maoist turn in domestic politics, with the restructuring of the city’s state-owned enterprises to enable them to become leaders in “going out” with foreign investments – and this is how and why the Chongqing Grain Group was born. It was to serve as one of Bo Xilai’s primary instruments with which to stake his hold in the top leadership of the CCP.

Before Bo Xilai assumed power in Chongqing, the provincial-level city and its multiple counties, townships, and villages had more than 50 agribusiness companies of various sorts, many of them procuring grains from local farmers or purchasing shipments from other provinces or abroad along the Yangtze river, a few processing grains into vegetable oil and livestock feed, and others still commercializing these products in retail or wholesale in Chongqing and neighboring Sichuan’s extensive pork production sector and growing cities. Growing competition with cheaper imports through coastal provinces, combined with widespread corruption and mismanagement, was bringing most of these companies to the brink of bankruptcy. So Bo ordered the creation of the Chongqing Grain Group (重庆粮食集团, hereafter CGG) as an umbrella organization that would incorporate all state-owned agribusiness trading and processing companies in the city-province, liquidate assets and operations that were considered redundant or insolvent, and consolidate management into the largest and most economically viable member of the group, the Red Dragonfly Grain and Oil Co. (红蜻蜓粮油公司), which operated the largest soy processing facility in Chongqing and held a dominant market share of vegetable oil markets in southwest China. To run the CGG and Red Dragonfly as its main pillar, Bo appointed a politically allied bureaucrat from one of Chongqing’s townships who had also served as secretary of agriculture of a district in the city, a very short man with an authoritarian style of management who I will call Ma Zhuangzhi.¹⁰² Bo would not intervene in any of the operations of the CGG, allowing Ma Zhuangzhi to run the conglomerate entirely on his own, but as the Battle of the Beans climaxed and the prices of food and, especially, soybean imports skyrocketed during 2008, Bo made no secret that his creation of the CGG was intended to push back against foreign-control of

¹⁰² Pseudonym.

China's soybean trading and processing sectors at home, and enable foreign investments through which their state-owned agribusiness sector could secure its own access to agroindustrial imports—soybeans above all—independently from the ABCDs. The success of the Chongqing Model in promoting Cultural Revolution-era mass mobilizations with state-driven and domestic-oriented economic growth at home, and state-driven foreign investments abroad, were intended to propel Bo Xilai into the permanent standing committee of the Politburo, perhaps even outflanking Bo's main rivals, Xi Jinping and Li Keqiang, for the two highest offices in the state. Appreciating this background is essential to understand how and why Ma Zhuangzhi led the CGG's pursuit of such high-profile agroindustrial investments in Brazil as I describe below.

Although Bo Xilai himself was extraordinarily familiar with international business relations and even spoke English fluently, Ma Zhuangzhi and almost everyone else working for him at the CGG had very limited experience with international trade and none at all with pursuing foreign investments. Moreover, some of the smaller companies integrated into the CGG were farmer and village cooperatives, but the mid- and upper-level managers at the CGG were exclusively dedicated to agroindustrial processing and commercialization, completely lacking expertise in agricultural production itself. A few young bureaucrats rose quickly through the ranks of the conglomerate to compose its foreign-investment operations, but they were distinguished by their English-language skills rather than any expertise in transnational agribusiness operations. Ma Zhuangzhi and his team, therefore, had to rely extensively on outside support to plan and execute their foreign investments. During most of 2008, Ma Zhuangzhi's work focused on organizing the CGG's domestic operations, but when the record-high soybean prices caused a shortage of vegetable oil in Chongqing that fall, just as the financial crisis exploded in the US, Bo Xilai pressured Ma Zhuangzhi to ramp up efforts to launch foreign investments that could secure soybean imports for the city in face of growing uncertainties about international prices and supplies. Ma Zhuangzhi's team had already identified Brazil, Argentina, and Canada as the primary locations for such investments, and by sheer coincidence they were introduced by a common acquaintance to two business consultants from Brazil seeking Chinese clients, the *nikkei* Bernardo Kobayashi¹⁰³ and Taiwanese-Brazilian Tsai Wei-ping¹⁰⁴, who became the key brokers of the CGG's "going out" to Brazil.¹⁰⁵

Bernardo Kobayashi is a Brazilian of Japanese descent (*nikkei*) who studied computer programming at an early age, trained with IBM in the US, and took up a position developing software for the Brazilian state-owned airplane construction and engineering company Embraer during the 1970s and 1980s. In those early days of software engineering in Brazil, the first and only institution that trained students and technicians in this field was the Technological Institute of Aeronautics (ITA), a prestigious state-controlled engineering institution associated with the Brazilian Air Force. Given the dearth of experts in the field and the close ties between Embraer and ITA, Bernardo Kobayashi also became one of the main instructors of ITA's first program on software engineering – and there he met Tsai Wei-ping, one of his first and most excellent students. Tsai Wei-ping was born in 1956 in Taiwan, a few years after her family fled Shanghai after the communist victory on the mainland. With the rapprochement between the US and the PRC in the early 1970s, her family joined a large wave of migrants who left Taiwan in 1974 fearing that a Communist invasion was imminent. Her father, a great admirer of the US, wanted to take his family there, but the shifting geopolitical terrain prevented them from making that move. They followed instead an uncle who had migrated to Brazil earlier, and who argued that Brazil was a good destination because it didn't have wars, hurricanes, or even much

¹⁰³ Pseudonym.

¹⁰⁴ Pseudonym.

¹⁰⁵ The life histories and narrative that follows is reconstructed from my personal interview with Tsai Wei-ping and Bernardo Kobayashi, São José dos Campos, SP, June 11, 2015.

racism against East Asians (a rather sanguine interpretation of the “model minority” Orientalism widely attributed to the *nikkei* community). At first, her father hoped their stay in Brazil would be temporary, and encouraged Tsai Wei-ping and her siblings to move to the US as soon as possible. But she was able to gain admission to the elite ITA software engineering program and was invited upon graduation to a prestigious job in the nuclear engineering program at the Department of Aerospace Science and Technology of the Brazilian Air Force. By that time, her siblings had married Brazilians, and their family had grown accustomed to Brazil, so she accepted naturalization in Brazil (required to work in this military-scientific institution) and settled into her own Brazilianess. By the time I interviewed her in 2015, she admitted that she speaks better Portuguese than Mandarin after living 42 years in Brazil and only 17 in Taiwan. Nevertheless, her Chinese heritage and language skills would be essential for gaining Ma Zhuangzhi’s trust and brokering the CGG’s original investments in Brazil.

After working in the Brazilian Air Force for seven years, Tsai Wei-ping transferred to Embraer to work alongside Bernardo Kobayashi, but after a few years both decided to leave the airplane construction and engineering company to create their own business venture in 1990. At that time, more and more companies were adopting computers, but almost all software (particularly business-related software) was created in the US. Thus, the software was not only in English, but also structured according to US markets and business practices. The two entrepreneurs saw an opportunity to establish a company specialized in “tropicalizing” or “localizing” US software for Brazilian businesses (at first, these were mainly Brazilian subsidiaries of US companies). This required English-Portuguese translation of software and manuals, adaptations to make the software conform to Brazil’s distinct tax and other legal regimes, and training Brazilian users in these new digital instruments. During the mid- to late-1990s, their business grew especially with the privatization of Brazilian telecommunication companies, but by the early 2000s a domestic software engineering sector already matured in Brazil, decreasing the need for their work of “tropicalization” of foreign software, and increasing competition in the field. So in 2005, the two entrepreneurs decided to shift their core business towards investment consultancy and project development – and with the sinomania that was getting underway (as discussed in chapter 4), they recognized that they could leverage Tsai Wei-ping’s rare Chinese-Brazilian identity and language-cultural skills alongside their transnational entrepreneurial experience to broker Brazil-China investment partnerships across a variety of sectors. Between 2005 and 2007 they struggled to gain traction as consultants for small investment projects, but it was during a business trip to China in 2008 that a common acquaintance introduced them at private event in Chongqing to Ma Zhuangzhi, president of the CGG group, and that’s when their fortunes turned.

At first, they were viewed with suspicion because of their Japanese and Taiwanese heritage, but they understood that Ma Zhuangzhi was interested in investing in soybean production in Brazil and lacked the most basic information about the country and its agribusiness sector. So they offered to undertake preliminary investigations for the CGG and soon began sending them Chinese-language reports completely free of charge. At first, they examined Mato Grosso, Goiás, Tocantins, Maranhão, and Bahia states as the frontier zones where soy agribusiness was expanding. They quickly ruled out Maranhão and Tocantins due to poor infrastructure, and Mato Grosso and Goiás due to high farmland prices, and composed an in-depth report on Bahia as the ideal location for large-scale farmland investments. Although neither of them was very familiar with agribusiness, they assembled an extensive array of data on Bahia’s farmland prices, soil conditions, rainfall patterns, logistics infrastructure, and the federal and state government’s incentives for foreign investments. The report so impressed Ma Zhuangzhi that he agreed to send a delegation to Brazil in early 2009, which Bernardo Kobayashi and Tsai Wei-ping hosted, once again completely free of charge. Drawing on personal contacts in Brasília, the two boosters made a partnership with a couple of large-scale farmland brokers in Bahia who took the CGG delegation on a tour of the region, complete with airplane rentals to show them the extensive soy and cotton farms of the region from the air. These brokers were Rodrigo

Marchesi¹⁰⁶ and Bruno Schwarz¹⁰⁷, two southern Brazilians of Italian and German descent who were among the pioneers planting soybean in the region during the 1970s, and shifted to real estate brokerage around 2000 to capitalize on their knowledge of the region and personal connections with other pioneers who had succeeded more than them in expanding their own agricultural production. Both were quite successful, propelling themselves in both class and transnational ascendance through large-scale land brokerage: Schwarz was instrumental in selling large-scale farms to dozens of US farmers who migrated from Iowa to farm in Bahia, and Marchesi sent his children to study and work abroad in the US and Europe with his income from large-scale farmland brokerage. Their work with the CGG could only be mediated by Tsai Wei-ping, but it also represented the latest step in their own ascendance as transnational agribusiness professionals. In the accounts they gave me, particularly Schwarz's, the decisive intermediation by Tsai Wei-ping and Bernardo Kobayashi are conveniently overlooked, and Schwarz maintains it was his work alone that convinced the CGG to settle in Bahia before even visiting other Brazilian states.¹⁰⁸

When Ma Zhuangzhi visited Bahia personally for the first time in June 2009, accompanied by Tsai Wei-ping as translator and Chinese-Brazilian informant, Marchesi and Schwarz showed him a whole range of investment possibilities from consolidated and highly productive but expensive farms in the westernmost part of the state, where rainfall patterns were strongest and most consistent, to cheaper, undeveloped farmland with sparser rainfall patterns towards the east of the region. This entire part of the state was titled by the late 2000s, but that private property regime remains questionable at best. Until the last quarter of the 20th century, peasant communities only held title to small plots of land in the river valleys, while the uncultivated Cerrado plateaus were used as common pastures for centuries (Sobrinho 2012). These areas were untitled public lands, and with the arrival of southern soybean farmers, an intense process of illegal land titling and forced displacement began to produce the private property regime required for agribusiness consolidation. The whole region, however, remains marred by overlapping and contested land titles, which became exacerbated with the migration of southern Brazilian farmers (generally called *gaúchos*, but including also Euro-Brazilians from states other than Rio Grande do Sul and *nikkei*) (Santos 2008; Mondardo 2010; Moura 2012; Pereira and Pauli 2016). Unbeknownst to the CGG delegation and even Tsai Wei-ping, the main portion of farms visited were located on about 170,000 ha that had been disputed during the 1970s between two Hong Kong migrants and a devious US land grabber, who forced out the Hong Kong-Brazilian would-be investors but then lost his claim through court injunctions, and eventually fled the region under accusations of assassination and forced displacement of peasant communities.¹⁰⁹ Three decades on, Marchesi and Schwarz—like all other agribusiness professionals in the region—disregard not only this event, but the entire history of violent dispossession to boost investments in the region, and also chose not to tell Ma Zhuangzhi about another Hong Kong-Brazilian farmer who did succeed in establishing himself in the region, but also lost a portion of his claims to violent land disputes as recently as the late 1990s.¹¹⁰ Ma Zhuangzhi was enthralled by their simplified and optimistic account of Brazil's modern agribusiness, and exclaimed they had never seen such large-scale plantations and booming agribusiness. At that point, Tsai Wei-ping told me, they gained Ma Zhuangzhi's trust: "He

¹⁰⁶ Pseudonym.

¹⁰⁷ Pseudonym.

¹⁰⁸ Personal interviews, Barreiras, BA, July 21 and 23, 2012, and October 8, 2014.

¹⁰⁹ This account is reconstructed from multiple newspaper clippings available at the CPT archives in Salvador, Bahia, and the court documents pertinent to the case at the judicial court of Barreiras, BA.

¹¹⁰ This other farmer had a sign on his farm with his name until around 2013, which enabled me to identify him. Agribusiness professionals at AIBA told me some about him as well, and the information about the land conflicts emerged in personal interviews I conducted with some of his employees, Barreiras and Correntina, Bahia, October, 2014.

saw that all I reported to him was true, he really believed my words, didn't even want to see the other regions, and decided to move ahead with the negotiations.”¹¹¹

So from the late 2009 to early 2010, the Brazilian boosters and brokers assembled a collection of soybean farms whose owners were willing to negotiate their sale to the CGG, reaching around 200,000 ha as Ma Zhuangzhi sought. During that time, Ma Zhuangzhi peppered his Brazilian boosters and brokers—who were still consulting without payment—with flabbergasting questions:

At first we didn't even understand what he was asking. He was worried about the limited urban infrastructure in the region, and kept asking about the cost of building housing, water, and electricity for 20,000 to 40,000 people. That was his own calculation, based on Chinese patterns of land-distribution and farming techniques, to farm the 200,000 ha he wanted to buy! But we were able to explain to him that a 50,000 ha operational farm here only requires about eight or ten full time employees, and that they would not be able to bring thousands of Chinese peasants to farm in Brazil due to immigration restrictions in the first place.¹¹²

Once Ma Zhuangzhi better understood what investing in soybean production in Brazil actually entailed, he began to mobilize political and financial capital in Chongqing to start proceedings to make farmland acquisitions in Bahia. The CGG hired a very prestigious Brazilian law firm in early 2010 to undertake due diligence on the farms sought for acquisition, and the company formally established its Brazilian subsidiary, named Universo Verde Agronegócios Ltda. (Green Universe Agribusiness Ltd.) on June 30th, 2010. Brazilian law requires a permanent resident or Brazilian citizen as the legally responsible administrator of the company, but the CGG not only didn't have any staff in Brazil long enough to even request a permanent resident visa, they even struggled to obtain business visas in a timely enough manner to send their delegations to Brazil during several years. Moreover, Ma Zhuangzhi would only trust a Chinese person for the position, and so Tsai Wei-ping's rare positionality as an overseas Chinese (*huaren* 华人) naturalized Brazilian became instrumental. She was granted power of attorney over the Red Dragonfly Grain and Oil and another small company in the CGG¹¹³ to establish Universo Verde, and served as legal representative for the company until 2013.¹¹⁴ Ma Zhuangzhi even offered her the presidency of the Brazilian subsidiary, but she declined the invitation saying she and her business partner were happy to continue consulting with the CGG for the establishment of their investment project in Brazil, but that she lacks the experience and desire to then run the agribusiness company itself. Although she did not take a formal position running the company, however, she was formally hired by the CGG at that moment, and for the next three years she would be the key person in Brazil who could sign contracts for the company in Brazil, access its business accounts, and formalize any bureaucratic proceedings that were required. Her friendship with Ma Zhuangzhi deepened, and while she would not boss the Chinese managers and employees sent to start constructing Universo Verde and its operations in Brazil, she acted as Ma Zhuangzhi's key informant on his own staff. When one of the first managers sent by the CGG to negotiate the purchase of farms through Marchesi and Schwarz began asking for personal kick-backs from any transaction, for example, Tsai Wei-ping reported him to Ma Zhuangzhi, who recalled that manager to Chongqing and sent a replacement immediately. “They hated me,” Tsai Wei-ping told me, “only two people supported

¹¹¹ Interview with Tsai Wei-ping, São José dos Campos, SP, June 11, 2015.

¹¹² *ibid.*

¹¹³ Dazu Cereals and Oil Co.

¹¹⁴ Although she formally ended her employment with the CGG in 2013, they did not remove her name as legally responsible administrator, much to her surprise and dismay when I mentioned this to her during our interview in 2015.

me: Ma Zhuangzhi and Ms. Wen,”¹¹⁵ the chief accountant for the CGG who was responsible for assembling and managing government finance for the company’s domestic operations and foreign investments.

My characterization of the CGG as a Paper Tiger begins already with its inception under the tightly controlled leadership of Ma Zhuangzhi, an entrepreneurial bureaucrat (cf. Hsing 2012) who lacks training and experience in agribusiness management and foreign investments. This probably explains why Ma Zhuangzhi chose to pursue farmland acquisition for soy production as his investment strategy in Brazil (and Argentina), an approach that was not widely pursued or supported by Chinese agribusiness executives with greater familiarity with the sector and the complex dynamics of foreign investments (as discussed in the previous sections and chapter). Rong Jian, for example, who worked at Sanhe Hopeful and was quoted above criticizing Fudi-Beidahuang’s farmland investments in Brazil, told me the CGG investment is a “politically motivated” absurdity that makes no economic sense, since the capital invested in farmland, soybean production, and processing would not yield profits for many years, and ultimately would not translate to greater control over soy exports from Brazil.¹¹⁶ Indeed, the CGG’s role as a Paper Tiger became visible precisely through its politically motivated public announcements in April, 2010. At that moment, when the Chinese president Hu Jintao made a state visits to Brazil alongside the second BRICs meeting, Ma Zhuangzhi accompanied the presidential delegation and announced their intention to purchase from 100,000 to 200,000 ha of farmland in Bahia state for soybean production (Trevisan 2010; O Estado de S. Paulo 2010). Making such an announcement before the deals were actually finalized was risky from a business perspective, not only because the deals could fall through, as in fact they did, but also because such announcements “heat up” the land markets into which the would-be investor is seeking ideally low prices (as described above). On the other hand, making such announcements was politically expedient for Ma Zhuangzhi and Bo Xilai to add their own company to the high-profile news being produced in context of the state visit. As discussed above, it was this announcement combined with the negotiations in Goiás and other prospecting Chinese investors that triggered widespread concern over Chinese land grabbing in Brazil.

In the months following the April announcements, all Brazilian boosters and brokers working with the CGG reported to me that the law firm undertaking due diligence for the farmland acquisitions began to “drag their feet” and postpone the signing of the contracts. “They told us that the government was likely to roll out new restrictions soon, but each time we scheduled the meeting to sign the contracts, something would come up to delay it,” one of them explained. They became suspicious that their lawyers might even be leaking information about their negotiations to other clients (particularly agribusinesses from the Global North like Cargill who would see the entrance of CGG into Brazilian agribusiness as a direct affront to their hegemonic position) or even to the Brazilian government itself, since they found out that their lawyer was actually serving simultaneously on the judicial committee that was elaborating the restrictions on acquisition of farmland by foreigners.¹¹⁷ Then finally when the land brokers and consultants, representatives of the sellers, and Ma Zhuangzhi with his managers all met at the Machado Meyer law firm’s office to sign the sale-purchase contracts, their lawyer informed them that the government had just announced the restrictions that very same morning and the sale-purchase could not go through as planned. The CGG, their consultants and brokers, and the sellers were extremely irate. The very next day, their lawyer at Machado Meyer brought Ma Zhuangzhi a fully-elaborated proposal to intermediate the farmland acquisitions through a Brazilian-owned company they could set up to control 51% of the CGG

¹¹⁵ Interview with Tsai Wei-ping, São José dos Campos, SP, June 11, 2015. The name she indicates is a pseudonym.

¹¹⁶ Interview with Rong Jian, Beijing, July 8, 2013.

¹¹⁷ It is unclear to me if they found this out before or only after the restrictions were announced.

Brazilian subsidiary Universo Verde or its farmland assets, but this proposal only reinforced their client's suspicions that he delayed the signing of the contracts in order to protect the interests of other clients, or to force them to incorporate him as not a mere legal service provider, but as a necessary majority-stake partner in the investment enterprise itself. At first, Ma Zhuangzhi was so infuriated he rejected this offer and considered cancelling any further negotiations in Brazil. But Bernardo Kobayashi and Tsai Wei-ping convinced him to switch lawyers (to another prestigious firm, which was also recommended to them by a well-known Chinese lawyer, booster, and broker in Brazil) and seek political support for their intended investments.

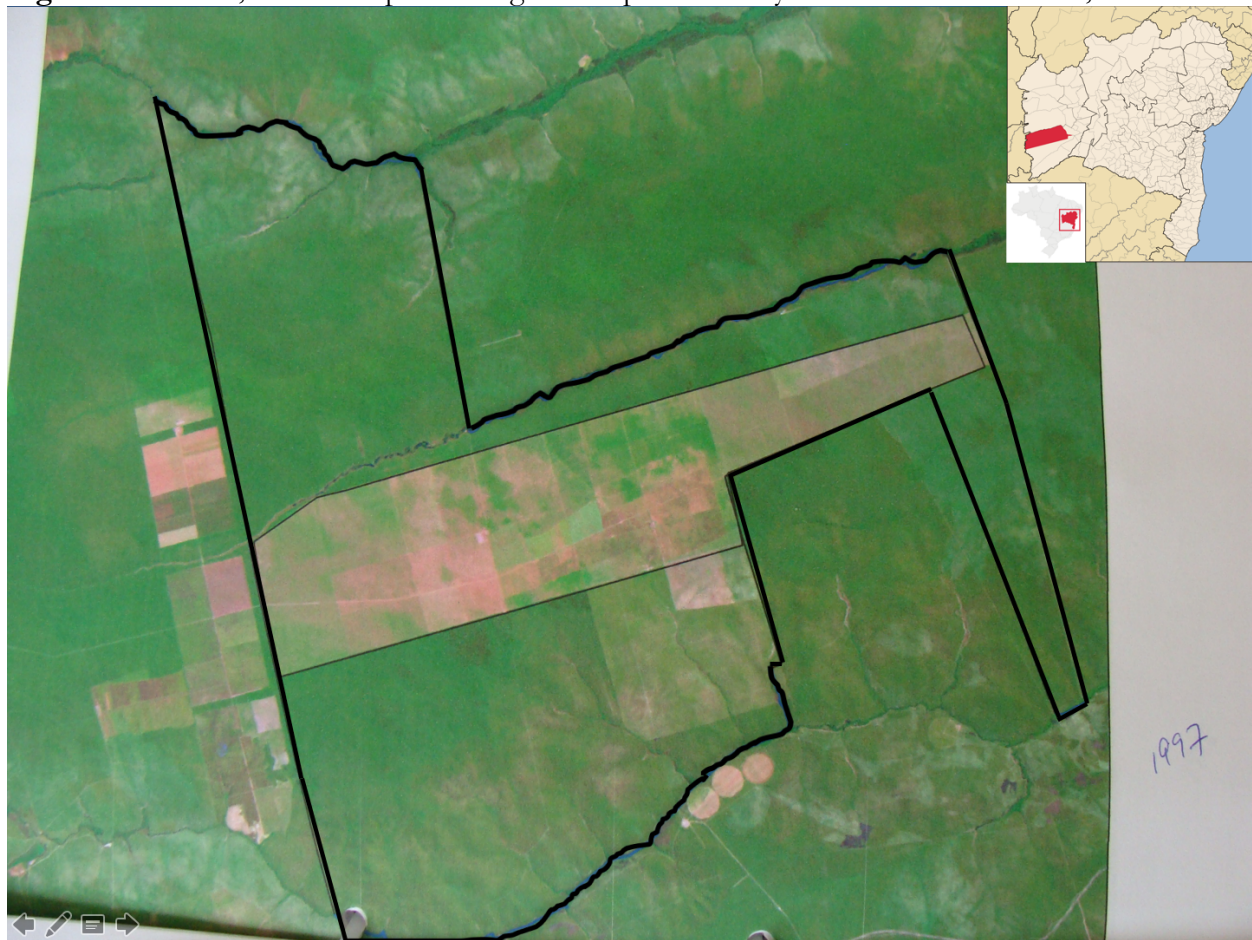
The new law firm indicated that while the CGG could no longer purchase large-scale farms in Brazil outright or lease them formally, it could engage in a "partnership contract" with Brazilian landowners that would retain *de jure* ownership, while the CGG Brazilian subsidiary controlled the property *de facto*. Ma Zhuangzhi was unsure about the viability of this procedure and the trustworthiness of his Brazilian lawyers, but he also recognized that he needed to "save face" back in China and carry through with the investment somehow, since it had already been announced with great fanfare and become an important part of Bo Xilai's Chongqing Model. Moreover, recognizing that their announced farmland acquisitions had stirred political controversy in Brazil, Ma Zhuangzhi determined he needed to obtain support among Brazilian politicians to carry through with his investment plans. So once again drawing on their personal relationships in Brasília, Bernardo Kobayashi and Tsai Wei-ping introduced Ma Zhuangzhi to congressman Oziel Oliveira and his wife Jusmari, then mayor of Barreiras. Both were important political figures of the region in western Bahia state where agribusiness was most entrenched, and even though they are large-scale landholders themselves, and enthusiastic defenders of agribusiness interests and boosters for their region, they had engaged in an electoral alliance with the Workers' Party across both Bahia state (in the person of governor Jacques Wagner) and the federal government (where they had contact with president Lula himself). These two politicians, in consultation with the Bahia state government's superintendent for agroindustries (Jairo Vaz, more on whom below), explained to Ma Zhuangzhi that his company would be far more welcome if they were not simply buying farmland and exporting raw commodities, but investing in agroindustrial processing, "generating jobs and aggregating value in Brazil itself."¹¹⁸ If Ma Zhuangzhi were willing to do so, these politicians would work to support his investments, and the state government would propose a legal resolution to the question of acquisition of farmland by foreigners, defending that foreign investors should be able to acquire as much farmland as required to produce up to 50% of the processing capacity of their industrial enterprise.

Ma Zhuangzhi had not originally intended to invest in soybean processing in Brazil, but believed it became necessary to obtain this political support across local, state, and federal level politicians, and thereby secure access to farmland as intended. So he asked Tsai Wei-ping and Bernardo Kobayashi to intermediate contacts with agroindustrial engineering companies and environmental consultants to begin elaborating a soybean processing facility project, and continued discussions with mayor Jusmari and the Bahia state government to determine the proper location for the factory and the terms through which the local and state government could support this investment. In the meantime, Ma Zhuangzhi took up negotiations again with the group that owned the cheapest of the farms they had been negotiating for acquisition, a São Paulo-based group (Itaiquara) that owns and operates a sugarcane mill there, and acquired a farm in western Bahia during the early 1990s but only developed pasture on it for ranching. The farm, named Chapadão Alegre (Joyful Great Plateau), is a 51,821 ha property on the eastern slope of the municipality of Correntina, at the very edge of the

¹¹⁸ Interviews with Jairo Vaz, Barreiras, Bahia, July 20, 2012; and Jusmari and Oziel Oliveira, Luis Eduardo Magalhães, Bahia, October 6, 2014.

agricultural frontier of the region, where rainfall patterns were barely sufficient for farming soybeans and maize, and somewhat more fitting for cotton production (Figure 20).

Figure 20. The 51,821 ha Chapadão Alegre farm purchased by the CGG in Correntina, BA



Source: Map by the author on satellite image and coordinates obtained from the Correntina Municipal Government Archives and land title office (satellite image c. 1997). Inset from Wikipedia. The lighter area were pastures created by the Itaiquara group, that returned to Cerrado and were again cleared for soy production by the CGG Brazilian subsidiary Universo Verde.

Locals refer to this region as “*quebra gaúcho*”, the area where southern farmers (gaúchos) would go bankrupt.¹¹⁹ The Itaiquara group had approved the sale of the property to the CGG in July 2010, and hired another lawyer and land-owner in western Bahia state, Henrique Bragança¹²⁰, to intermediate the negotiations with the CGG later that year. But when Ma Zhuangzhi returned with the idea of a “partnership contract” the Itaiquara group had no interest, so Henrique Bragança offered to step in to fill that gap, and in collaboration with Tsai Wei-ping and a São Paulo-based firm specialized in

¹¹⁹ This term came up in many informal conversations with several people in the region, including those familiar with the CGG controlled farm itself. See also, for example, the use of this term in a local newspaper, arguing specifically that the land brokers offered a “Chinese deal” (i.e. a bad deal) for the CGG by selling them land in this area without consistent rainfall (Jornal o Expresso 2013).

¹²⁰ Pseudonym.

creating and selling “shelf companies”¹²¹, they established a joint-venture of their own (most likely channeling capital from CGG itself) named Chapadão Agropex Agropecuária SA – and this company (nominally controlled by Henrique Bragança and Tsai Wei-ping, as legal representative for a shelf-company established for this purpose) acquired the property from Itaiquara in 2011, and subsequently signed a “partnership contract” with Universo Verde, the CGG subsidiary in Brazil.¹²²

Although the Chapadão Alegre farm is very large (in fact, one of the largest contiguous properties in Bahia state), its previous owners had only attempted to develop about 10,000 ha as pastures, knowing it would not be profitable to plant crops due to insufficient rainfall. So four fifths of the property were still covered in thick Cerrado vegetation, and even the portion that Itaiquara had cleared and planted with pastures in the mid-1990s had already grown back into thick brush by the time the farm was sold *de facto* to the CGG. Located also at the very limit of the region where experienced soy and cotton farmers were expanding their operations, Chapadão Alegre was the cheapest property that the CGG had considered buying. Brazilian brokers and consultants, as well as Chinese employees of Universo Verde, all explained that Ma Zhuangzhi went for this farm in particular because it was cheaper than the others, and so there was lower risk in case the acquisition/“partnership” fell through or became embroiled in legal or personal disputes, and also—which was always highlighted—because Ma Zhuangzhi did not want to pay a higher price for “other people’s work” on farms that had already been brought into operation.

Soy production in Chapadão Alegre would require starting from scratch, clearing the land and preparing the soil before any cultivation could even take place. Ma Zhuangzhi’s idea, all reported, was to increase profits by purchasing the cheapest farm possible, and bringing it into production through their own “hard work”. And indeed, his vision was grandiose. A large billboard placed in the middle of the property in the early days of the CGG’s operations shows the “pharaonic” scale (in the words of the Brazilian manager eventually hired to run a much leaner project) that Ma Zhuangzhi originally envisioned for the farm. A veritable community was projected, hosting not only a fancy walled house for the company’s “director” with a private swimming pool, but also separate houses for the farm manager and “sector chiefs”, in addition to common quarters for workers, a canteen, an office building, a laboratory, two soccer fields, and various other amenities, including even an extensive vegetable garden and a yin-yang shaped park (Figure 21). When I personally visited the farm in 2014 and 2015, however, workers were still living in the old quarters that already existed on the farm, and the Chinese agronomist in charge of the CGG’s agricultural operations worked with the Brazilian farm manager and two assistants out of a container installed next to a truck scale that had just been installed

¹²¹ Since creating a company in Brazil takes several months to a year, some lawyers and business brokers will prepare all the paperwork to open companies that exist merely on paper, and then sell those “shelf companies” to investors who want to make deals or begin operations right away, simply altering the ownership, name, and purpose of the company.

¹²² In all likelihood, this convoluted corporate structure and “partnership contract” is illegal according to the pertinent 1971 law and the 2010 interpretation of the Attorney General that restricts acquisition and lease of farmland by foreigners. On the other hand, the 2010 interpretation itself is likely unconstitutional, given that a constitutional amendment during the 1990s removed legal distinctions between Brazilian companies controlled by Brazilian capital, and companies headquartered in Brazil even if controlled by foreign capital (as is the case with the Universo Verde subsidiary of the CGG). Regardless of the legal status of this *de facto* acquisition of farmland by the CGG, what matters most is the *juridical risk* associated with the deal, not only the possibility it could be deemed illegal, but even if it were determined to be legal by the judiciary, that could involve a lengthy and costly judicial dispute, and even more importantly, ruffle feathers that could derail political support for the company in Brazil (including land donations, tax incentives, access to government-subsidized loans, and other forms of support, particularly for the proposed associated soybean processing facility project). Thus, law firms specialized in attending foreign investors would caution clients even while asserting the legality of such deals (via the unconstitutionality of the 2010 Attorney General’s regulation), and explained the restrictions had an important impact on the amount and dynamics of foreign investments in its immediate aftermath. For a more detailed discussion of these convoluted political and juridical considerations, see Hage et al. (2012) and Fairbairn (2015).

to measure outgoing harvests (Figure 22). The only new structure that was already built was a warehouse where (expensive) agrochemicals were stored (and before this warehouse was built, the agrochemicals the CGG were already using had been stored illegally in old sheds that already existed on the farm, and even in empty rooms of the workers' living quarters. The last time I visited the farm in 2015, they were finally building a second warehouse, a new canteen, and a real office space, albeit all of them much smaller than the original projected.

Figure 21. The original “pharaonic” project by the CGG for the Chapadão Alegre farm in Bahia



Source: Photo by the author, Chapadão Alegre farm, Correntina, BA, September 24, 2014.

In the meantime, the other 150,000 ha on already established and more expensive farms for which the CGG had negotiated in 2010 were sold to other large-scale farmers and agribusiness companies, among whom Japanese investors and *nikkei* figure very prominently. Wilson Fujita, for example (who was mentioned in chapter 3 as one of the *nikkei* who pioneered soy production in the region after moving there with the Cotia Cooperative and the Prodecet project, and mentioned again in chapter 4 as the president of the region's most powerful agribusiness association, AIBA, which supported the restrictions on acquisition of farmland by foreigners in 2010), acquired about 42,000 ha and leased another 40,000 ha of the Estrondo farm, a huge estate that the CGG considered buying, and which has since been exposed as a highly problematic land grab through falsification of documents, illegal clearing and occupation of protected areas, and displacement of peasant

communities.¹²³ Another large-scale farm that the CGG was attempting to purchase in 2010 was acquired instead by Agrícola Xingu, a wholly-owned farm-management subsidiary of the Multigrain agribusiness trading corporation, which became fully controlled by the Japanese conglomerate Mitsui in 2011 as well.¹²⁴ Its acquisition, however, was undertaken through well-established Brazilian subsidiaries, bypassing legal restrictions and public concern about land grabbing as well. Rather than making low-key negotiations through private-sector contacts as these Japanese and Japanese-Brazilians (built through decades of agribusiness experience and close relations through a broad diaspora in Brazil, as described in chapter 3), Ma Zhuangzhi masked his *de facto* acquisition of farmland in Bahia with even greater fanfare over their preparations of the agroindustrial investment instead.

Figure 22. The “office” that was actually being used on the Chapadão Alegre farm until 2015



Source: Photo by the author, Chapadão Alegre farm, Correntina, BA, September 24, 2014.

In April 2011, Jacques Wagner from the Workers’ Party in Bahia was the only state governor to accompany president Dilma Rousseff to the BRICS meeting in China. Once again repeating the

¹²³ The struggle against this land grab in particular is led by the Catholic Pastoral Commission on the Land (CPT) and associated local NGOs.

¹²⁴ Mitsui had invested in Multigrain (and through it in Agrícola Xingu) since 2007 alongside the US cooperative CHS and the Brazilian PMG Trading company. In 2011, it acquired the shares of its US and Brazilian partners and expanded its farmland assets in addition to trading operations elsewhere in the country, particularly in the port of São Francisco do Sul, where it is becoming challenged by the new port terminal projects by Nidera and by the consortium in which Sanhe Hopeful participates (Mitsui 2007, 2011, 2014; Bonato 2015).

pattern of making high-profile announcements on such occasions—and once again doing so before the investment itself was properly elaborated, much less secured through implementation—Ma Zhuangzhi and Jacques Wagner signed a MoU between the CGG and the Bahia state government for the implementation of the soybean processing facility. The document made no reference to the “partnership contract” that the CGG was simultaneously negotiating for their farm in Bahia state, but it stipulated that the local government (i.e. Jusmari as mayor of Barreiras) would donate an area for the agroindustry, the state government would cover the expenses of preparing that plot for construction (e.g. clearing the land, installing electricity and an industrial-capacity well), and provide as well tax exemptions and institutional support for the project. In exchange, the CGG agreed to contract Bahia-based engineers and other service providers, and acquire machinery and other goods in Bahia state itself, unless it were unviable to do so. Moreover, the Bahia state government had been boosting the construction of a railroad that would connect the agribusiness region on the west to a new private port on its coast, thus dubbed the West-East Integration Railway (Ferrovia de Integração Oeste-Leste, FIOL).

According to the political rationale of governor Jacques Wagner in Bahia, as well as Bo Xilai and Ma Zhuangzhi in Chongqing, the fact these railroad and agroindustrial projects were merely at the very beginning of technical elaboration was no reason to withhold public announcements. After all, given the constant pressure of elections in Brazil, and the impending transition in leadership among the Communist Party bureaucracy in China the following year, all these politicians wanted to announce as soon as possible their (anticipated) accomplishments. Tsai Wei-ping, who was present at the meetings where the announcements were made, explained that journalists asked CGG officials about the dollar amount of their announced investments in Brazil. Ma Zhuangzhi calculated about 300 million USD for the construction of the processing facility itself, and added another 120 million for farmland acquisition (which he did not specify) and associated warehouses that would supply the processing facility and their exports from Bahia state. However, according to Tsai Wei-ping, the total of 420 million USD became confused in translation and reported as 4.2 *billion* USD.¹²⁵ Impressed, the journalists understood this extraordinarily large figure to include not only the construction of the soybean processing facility itself, but also their intended construction of associated logistics operations, not only warehouses, but also possible participation in the FIOL railroad and private port projects, as well as, of course, the 200,000 ha of farmland acquisition announced in the previous year (see, for example, Maisonnave and Carazzai 2011; Decimo 2011; MercoPress 2011; Powell 2011; *Jornal Nova Fronteira* 2013).

In Ma Zhuangzhi’s mind, this translation error that inflated his proposed investment tenfold was a “slight misunderstanding” that played into his favor.¹²⁶ After all, at 1,500 tons per day, the soybean processing facility they announced would become the largest in Latin America, and if it reached 4.2 billion USD with its “associated projects”, the CGG could—and did—claim to be launching one of the largest Chinese agroindustrial investments in the whole world. Believing his political support in Brazil now protected him from the sinophobic backlash against Chinese land grabbers, Ma Zhuangzhi and Bo Xilai basked in the positive attention this brought to them in China

¹²⁵ Chinese numbers do not follow the decimal system, so mistakes and confusion like this are actually very common, especially when involving inexperienced translators (such as the CGG’s) and journalists (such as those accompanying the BRICS meetings in China at that time). This confusion in translation, if true, would also involve a shift from 4.2 billion USD to a more realistic 4.2 Brazilian *reais*, or about 2.47 billion USD, the numbers that were ultimately taken up by most journalistic sources reporting on the case.

¹²⁶ It is also possible that it was a deliberate strategy, at least within China, to report higher values than were realistic for the investment for the political reasons outlined in this paragraph. There is evidence, for example, that CGG officials reported to a local newspaper in Chongqing that they planned to invest 16.25 billion RMB (or about 4.2 billion Brazilian *reais* and 2.47 billion USD), and in this case there is presumably no problems with translation (e.g. Li 2011).

during 2011 (e.g. Chang 2011). But as demonstrated in the previous chapter, inflating their proposed investment actually stoked further sinophobia in Brazil, propelling Chinese investors (and the CGG above all) to the very center “foreignization of land” debate that boiled over since restrictions were renewed by the Attorney General in late 2010. Still, Ma Zhuangzhi himself and all CGG officials who I interviewed in 2013 and 2015 were completely unfazed about the public relations fiasco into which they were falling headfirst. When I asked them if they had hired a public relations firm or consultant to address their growing characterization as dangerous land grabbers in Brazil (and Argentina, which also imposed similar restrictions following announcements of large-scale farmland acquisitions by the CGG and Beidahuang), they replied curtly that “no, we don’t think there is any need for that. We are there just for business, we are not buying farmland [which was true *de jure* but not *de facto*], and we are not involved in any political things.”¹²⁷ Public relations, in their worldview, is not an integral part of business operations either in China or abroad, instead it is a “political thing” that should be managed through personal connections with politicians, rather than the media or the public at large.

Indeed, the idea that high-profile political support and personal connections/*guanxi*—rather than low-key private sector negotiations and public relations—are the main instruments for pursuing foreign investments is a major distinction between Paper Tigers and Dragon Heads. During the Bahia governor’s visit to China in April 2011, he was received in Chongqing not only by Ma Zhuangzhi, but also by Huang Qifan, the mayor of Chongqing. In proper fashion, governor Wagner invited Huang Qifan to visit Bahia in June that year, when they would lay the “foundation stone” and announce the beginning of construction of the soybean processing facility. Mayor Jusmari was rushing to secure a donation of about 100 ha along the main highway that crosses her municipality (Figures 23, 24, and 25), and while this demonstration of political support comforted Ma Zhuangzhi, it also made Jusmari’s own political logic predominant over a more strictly business-oriented decision about the best location for the industry. After all, placing the CGG’s factory not only in her municipality, but as close as possible to the city of Barreiras, was essential for Jusmari herself to secure political gains of bringing this project (and its 300 full time jobs) to her constituents.

However, Cargill already operates a soybean processing facility just outside Barreiras, and Bunge had constructed just a few years earlier an even larger soybean processing and vegetable oil refinery 80 km to the west in the competing agribusiness hub of Luis Eduardo Magalhães. Rather than placing their facility right between Cargill and Bunge’s, therefore, the land brokers Marchesi and Schwarz told Ma Zhuangzhi that it would probably be better for him to locate his facility at a main highway intersection in the municipality of Correntina to the south of the state, where they could position themselves more strategically to avoid competition with Cargill and Bunge, and offer better prices to soybean producers who would be located closer to them (including even the region where they were negotiating for the acquisition of their own farm). Ma Zhuangzhi, however, favored the political rationale of his new supporters in the government, rather than the technical advice of his consultants. But CGG officials would not admit this political rationale was determinant, and told me instead that it was the favorable logistics of Barreiras that made them select that area for their processing facility. The favorable logistics they mentioned, however, were closer access to the regional airport and larger urban facilities in Barreiras, important for themselves as foreign investors, as pointed out by Jusmari to them and to me, but completely irrelevant when compared to the industrial considerations of a strategic position between suppliers and established competitors.¹²⁸

¹²⁷ Interviews with CGG officials, Chongqing, July 18 and 19, 2013.

¹²⁸ Interviews with CGG officials in Chongqing and Barreiras, 2013 and 2014; Jusmari and Oziel Oliveira in Luis Eduardo Magalhães, 2015; Rodrigo Marchesi and Bruno Schwarz, Barreiras, 2015.

Figure 23. The area donated for the CGG soybean crushing facility, across the road from the MST

Blue area: 100 ha donated to the Chongqing Grain Group by the municipal government



Source: Map by the author based on field site inspections and coordinates from the Barreiras land title office, inset from Wikipedia. Satellite image from Google, c. 2011.

During 2011, Tsai Wei-ping helped the CGG managers in Brazil rent residential apartments and office space in São Paulo, where the CGG stationed a young manager began setting up a soybean trading operation and relations with their lawyers, and Salvador, capital of Bahia, where they headquartered their operations in Brazil to build closer relations with the state government. In the meantime, mayor Jusmari negotiated with local landowners for the donation of an area for the soybean processing facility. In June, Ma Zhuangzhi arrived with the mayor of Chongqing, Huang Qifan, for a meeting with governor Jacques Wagner and the ceremonial initiation of construction at the site. A large stage was built alongside the highway for the event, to which both Brazilian and Chinese media were invited, and a stone marker was placed in a shallow hole where Ma Zhuangzhi, mayors Jusmari and Huang Qifan, and other political representatives could symbolically shovel the first earthwork for the project (Figures 24 and 25).

Figure 24. The inauguration ceremony of a project that never got off the ground



Source: Barreiras Notícias (2012). Congressman Oziel Alves from Bahia and Chongqing mayor Huang Qifan speak at the podium during the ceremonial inauguration of the construction of the CGG (would-be) soybean processing facility in Barreiras.

Figure 25. Laying the foundation stone, and burying an agroindustrial project



Source: Jornal O Expresso (2014). Holding shovels from left to right: Congressman Oziel Alves, Barreiras mayor Jusmari Oliveira, Chongqing mayor Huang Qifan, secretary of agriculture of the Bahia state government Eduardo Salles, and CGG president Ma Zhuangzhi.

While this public spectacle went on, however, two important events happened behind the scenes that are worthy of attention. First, it turned out that the location of the ceremony could not actually become the site for the construction of the soybean processing facility, and just before the event itself was about to kick-off mayor Jusmari summoned Tsai Wei-ping behind the stage to sign off on some paperwork she claimed were mere technical adjustments, but in fact it was an agreement for the donation of a different area a few kilometers down the road. This other area was on a property of about 1,300 ha where a group of Brazilian agribusiness managers had planted eucalyptus for a subsidiary of a Spanish industrial tree plantation conglomerate, and even though two other groups of landowners had overlapping titles that placed the entire property in juridical dispute, mayor Jusmari was able to secure their agreement to donate 100 ha of that farm for the CGG with the promise that whoever would retain ownership of the surrounding farm, they would benefit from having the soybean processing facility next to them since the value of their land would increase. The eucalyptus plantation owners in particular hoped to be able to supply the CGG directly, since soybean processing facilities usually burn eucalyptus to generate energy for their industrial operations.

Figure 26. The Chongqing mayor and CGG delegation arriving in Barreiras, April 2011



Source: Photo courtesy of Bernardo Kobayashi and Tsai Wei-ping. Ma Zhuangzhi (then CGG president) is on the far right, Huang Qifan (then mayor of Chongqing) is on the middle of the picture wearing glasses, and the group of Brazilians includes congressman Oziel Oliveira, Barreiras mayor Jusmari, the Bahia state government's secretary of agriculture, and the brokers Bernardo Kobayashi and Tsai Wei-ping.

When Ma Zhuangzhi found out months later that the location where they held the ceremony wasn't actually the site where their factory would be constructed, he began to lose faith in mayor Jusmari and the soybean processing facility project as a whole. This feeling was reinforced by the fact

another powerful Chinese agribusiness executive actually accompanied Ma Zhuangzhi and Huang Qifan to that ceremony: Ning Gaoning, personal friend of Chongqing mayor Huang Qifan and chairman of China's largest agricultural processing and trading state-owned enterprise COFCO (Figures 26 and 27). Commonly known as “Frank” Ning, he obtained training in the US, including an MBA at the University of Pittsburgh, and sought mergers and acquisitions of agribusiness trading companies as his main strategy in the Battle of the Beans. “Ning Gaoning told Hu [Junlie] he was crazy to be buying farmland,” Tsai Wei-ping told me, and she added in a more positive light, “but actually, as they also said, he was really courageous to be doing so.” The fact Frank Ning Gaoning was personally accompanying the Chongqing delegation is remarkable, showing that three years before he launched his own large-scale agribusiness investments (through the acquisition of the multinational trading companies Nidera and Noble Agri, discussed further below) he was keeping close track of the more “courageous” strategy of his colleagues, and learning from what became clearly a mistaken approach to make gains in the Battle of the Beans.

Figure 27. “Frank” Ning Gaoning, Chairman of COFCO, accompanies the Chongqing delegation to Barreiras “as a private citizen,” April 2011



Source: Photo courtesy of Bernardo Kobayashi and Tsai Wei-ping. “Frank” Ning Gaoning is on the right, wearing a pink shirt. Behind him Ma Zhuangzhi, and on the center of the picture (wearing glasses) is Huang Qifan, then mayor of Chongqing.

During the second half of 2011, the CGG's Brazilian subsidiary (Universo Verde) hired a Brazilian engineering firm from Curitiba, introduced to Tsai Wei-ping and Bernardo Kobayashi from other contacts they had in Mato Grosso state, after it became well regarded for designing the soybean processing facility that Noble (which would be acquired by COFCO three years later) built in the city

of Rondonópolis, Mato Grosso state. They also hired an environmental consultant to begin the process of requesting the necessary licenses for the enterprise, which also involved the support from the state government to devolve authority over licensing to the municipal government itself. This arrangement should have raised alarm, since the municipal government lacks the administrative capacity to evaluate and license an enterprise of the scale projected by the CGG, but bureaucrats across both municipal and state governments framed it simply as a necessary step to “expedite” the licensing process.¹²⁹ The first two licenses for the localization of the enterprise and the installation of construction were granted on December 22, 2011, and March 1st, 2012. The only major requirement the municipal government made for the environmental licensing was that the effluents of the factory could not be disposed untreated on the river that flows through the farm from which their lot was dismembered for donation, and some additional documentation that wasn’t provided still needed to be filed. The engineers hired by the CGG altered the blueprints to include water treatment facilities instead of river disposal, and the state government began clearing the eucalyptus from most of the area, digging an industrial-capacity well and moving large amounts of earth to flatten the property enough for industrial construction—at a cost of about 3 million BRL (about 1.4 million USD at the time).¹³⁰ However, it was only when I interviewed the environmental analyst responsible for the licensing process at the Barreiras municipal government that they realized the CGG failed to file the remaining documentation they themselves had required, illustrating how understaffed and under-resourced they were to actually handle the environmental licensing process. But by that point, other and more pressing problems were becoming the focus of the CGG instead.

Once the “partnership contract” brokered by Henrique Bragança, and signed off by Tsai Wei-ping for the Chapadão Alegre farm was concluded in late 2011, Ma Zhuangzhi tasked a whole team of Chinese managers to move to the town of Correntina (about 40km from their farm) and begin the “hard work” of transforming the abandoned estate into a productive soy farm. Leading this team was Tang Ming¹³¹, an agronomist from northeastern China who had experience with soybean production in that landscape. Since neither Tang Ming nor any of the other Chinese members of his team spoke Portuguese, they hired a young Taiwanese-Brazilian agronomist from São Paulo state to work with them, but this person had no experience with soybeans or the remarkably sandy and acidic soils of the Bahian Cerrados. Tsai Wei-ping, Bernardo Kobayashi, and their land brokers (Schwarz and Marchesi) all insisted that Ma Zhuangzhi needed to hire *Brazilian* experts to run the farm, especially at the most challenging and critical moment of “forming the soil” for production. They introduced Ma Zhuangzhi to Bruno Cuomo¹³² and Rogerio Yamamoto¹³³, a *gaúcho* (southerner) and *nikkei* who were also pioneers in the soy agribusiness of the region. Rogerio Yamamoto was also Schwarz’s partner in their brokerage business, served as secretary of agriculture at the Luis Eduardo Magalhães municipal government, and together with Bruno Cuomo (who also served sometimes as secretary of agriculture in the Barreiras municipal government) operated an agronomy consulting and service-provision company with regional prominence. Their consultancy involves full management of the farm—from taking soil samples and making sure all environmental licenses were secured before clearing any land, making detailed recommendations about the application of fertilizers and other soil amendments, and even

¹²⁹ Personal interviews with secretary of environment and the responsible environmental engineers at the Barreiras municipal government, Barreiras, 2012 and 2014; interview with officials at Institute of Environment (INEMA) at the Bahia state government, Salvador, 2014 and 2015.

¹³⁰ I witnessed this work in my own field site inspections in 2012 and 2014, interviewed bureaucrats responsible for the work at the Bahia state government in Salvador in 2014, and triangulated this information with government documents where the values were disclosed.

¹³¹ Pseudonym.

¹³² Pseudonym.

¹³³ Pseudonym.

determining how deep to plow and which varieties to plant at what particular moment. Their not only offered but *required* such micromanagement because their business model is based upon a flat fee *plus* gains associated with the productivity of the farm, so its in their interest to make sure everything is done as best as possible for highest yields, which in turn would translate to greater bonuses after harvest. This model, however, was utterly unacceptable to Ma Zhuangzhi, who was loath to open hand of control over “his” farm, and much less to entrust it to non-Chinese managers. “They insisted on doing it themselves,” Bruno Cuomo told me, confirming the accounts of CGG officials who I also interviewed and their other consultants mentioned above, “even if they had no idea what they were doing.”¹³⁴

Figure 28. Limestone purchased and abandoned by the first Chinese managers of the CGG farm



Source: Photo by the author, Chapadão Alegre farm, Correntina, BA, September 24, 2014.

In my own field site inspections and multiple interviews during 2014 and 2015, some evidence of poor management among the Chinese officials that stood out were the over-application and waste of fertilizer and soil amendments (Figure 28), use of shallower-than-necessary plowing to reduce costs, and perhaps most problematic of all, the clearing and burning of several thousand hectares without proper environmental licenses. The superintendent of agroindustries of the Bahia state government, Jairo Vaz, told the CGG officials (inaccurately) that since 10,000 ha of their farm had already been

¹³⁴ Personal interview with Bruno Cuomo, Barreiras, October 7, 2015; in addition to interviews with CGG officials in Barreiras, 2014 and 2015, and interviews with the other consultants cited above.

cleared during the 1990s, they were exempt from environmental licenses to work on that area. However, after over ten years laying fallow, Cerrado vegetation had regrown over the whole area, and new licenses were indeed required. Moreover, this environmental regulation does fall to the municipal government rather than the state government (unlike the large-scale agroindustrial enterprise that required special devolution), but the CGG officials could not grasp that the municipal government is an independent administration not subordinated to the state government (unlike in China, where such geographical distinctions also denote bureaucratic hierarchy). When the Brazilian consultants told the CGG officials in charge of the farm that they shouldn't clear the land without proper environmental license, they were simply brushed aside "because Jairo said it's ok, and he's with the state government." Unsurprisingly for Brazilian observers, the CGG subsidiary was fined for illegal clearing and burning, and Jairo couldn't simply resolve this problem "politically." In fact, he denied ever telling the CGG they could get away with a dispensation of a clearing license. Nevertheless, Ma Zhuangzhi became irate with his managers in Correntina and Salvador, so he recalled and replaced almost all of them, except for Tang Ming, who remained in charge of the farm since he was an agronomist and not technically in charge of the bureaucratic management of the farm yet.

This was the third or fourth reshuffling of the CGG management in Brazil in only two years, making it extremely difficult for the subsidiary to navigate complex bureaucratic requirements not only in environmental licensing, but also taxation and labor regulations, institutional relations with state and municipal governments, and various other aspects of the agroindustrial project, not to speak of further negotiations for the acquisition or construction of warehouses or additional farms (i.e. additional "partnership contracts"). "It was extremely frustrating," reported Tsai Wei-ping, whose tenure as formal employee of Universo Verde (the subsidiary for which she was legally responsible) overlapped with this constant turn-over in the management sent from Chongqing.¹³⁵ "When a new manager arrived, he had to learn everything from scratch, and they didn't pass information to each other among themselves. They actually tried to undermine each other, shifting blame to the other one before or in another office,"¹³⁶ that is, between the offices in Barreiras, who were responsible for the soybean processing faculty project, Correntina, who were responsible for the farm, São Paulo, who were responsible for soybean trading and legal contracts, and Salvador, who were responsible for institutional relations and coordinating all their activities.

In addition to this high turn-over and lack of coordination, indeed open competition among the CGG managers in Brazil, they were also given extremely limited autonomy from the headquarters in Chongqing, where Ma Zhuangzhi himself insisted on maintaining authoritarian control. This became especially problematic when they planted their first and second crops over three or four thousand hectares they cleared, since the seedlings became infested with pests, but the CGG managers on the farm could not simply buy the necessary pesticides and apply it in a timely manner – instead, they had to undertake an extremely long bureaucratic procedure of writing reports to the office in Salvador, who would request permission from headquarters in Chongqing, who would then grant (or not) permission for the office in Salvador to buy the necessary pesticides, which would in turn enable to farm managers in Correntina to purchase and apply the product. But by the time that transnational bureaucratic circuit was complete, the pests had already devoured most of the seedlings and the pesticide order was not even suitable anymore.¹³⁷ At the end of their first year operating the farm, their yields were about one-quarter of what was required to break even with the cost of production, not

¹³⁵ Personal interview with Tsai Wei-ping, São José dos Campos, SP, June 11, 2015

¹³⁶ *ibid.*

¹³⁷ This account is triangulated from several interviews with both Chinese and Brazilian participants in these events, some of whom requested anonymity due to the sensitive issue of criticizing their own company and particularly their boss's authoritarian leadership style.

even counting the millions of reais they were fined for illegally clearing the land in the first place. In short, Ma Zhuangzhi's strategy of buying a cheap farm and gaining windfall profits through their own "hard work" was backfiring disastrously.

At the same time, even more spectacular events beyond their control would contribute to sinking the CGG's intended projects in Brazil even further. Bo Xilai and his wife had cultivated a close relationship with a British businessman since his time as mayor of Dalian, and this businessman (Neil Heywood) apparently facilitated their illicit transfer of funds (most likely from bribes and other illicit origins in the first place) outside of China, and even helped secure a placement for their son in a highly prestigious private school in England. On November 14, 2011, Neil Heywood was found dead in his hotel room in Chongqing. Original reports indicate "alcohol poisoning" as the cause of death, but it seems that Bo Xilai's wife (Gu Kailai) actually poisoned her British accomplice because he began resisting her pressure for further collaboration, and instead blackmailed her for some 1.4 million pounds, threatening to expose their illicit dealings over the years, particularly a deal involving a multi-million dollar mansion in Cannes, on the French Riviera. The scandal was exposed when Bo Xilai's right-hand man Wang Lijun (who worked with him in Liaoning and was brought to lead Bo's anti-corruption crackdown in Chongqing as chief of police) had a falling out with Bo Xilai over the cover-up of his wife's assassination of Neil Heywood, and fled to seek protection in the US consulate in Chengdu in neighboring Sichuan province. The scandal became known as the "Wang Lijun incident", and resulted in Bo Xilai's spectacular downfall. He was dismissed from the post of Chongqing party chief on March 15, 2012, and suspended from the Central Committee and Politburo on April 10, pending investigation for "serious disciplinary violations," when his wife was also named the prime suspect in the investigation over Neil Heywood's death.¹³⁸ Bo himself was only charged in March 2013, and his trial would only take place in August that year, once his political rivals had already secured their own positions in the leadership transition, led of course by Xi Jinping. Huang Qifan, who served as mayor of Chongqing as an ally of Bo Xilai, was able to survive the purge of Bo's faction that year, but only after he denounced Bo and the "excesses" of his administration.¹³⁹

Bo Xilai's downfall made waves not only among the "palace wars" for the top leadership of the Communist party and its observers in China, but also among the Brazilian politicians who were counting on their investment in Bahia. "At first we were very concerned," the Bahia state government's superintendent for agroindustries, Jairo Vaz, told me in July 2012.¹⁴⁰ "But the day before yesterday we received a delegation from the Chongqing legislative assembly, who reassured us the agreement [for the soybean processing facility] was made between the governments of Bahia and Chongqing, and that guy [Bo Xilai] has nothing to do with it."¹⁴¹ But while Bo's fall did not immediately halt the CGG's operations in Brazil, it triggered a reshuffling of the communist party's leadership and government in Chongqing that certainly undermined the continuation of their project. Ma Zhuangzhi was reaching his retirement age, and although his appointment to head the CGG had just been renewed in 2011 "so that he can see the project in Brazil through completion," one of the officials in charge of the Brazilian subsidiary told me in 2013, he was made to retire that year.

¹³⁸ Bo Xilai would only be formally expelled from the party on September 28th, 2012, and from the National People's Congress on October 26th, but by that point his political career was already over, and these expulsions merely smoothed the path for his formal trial, which began in July 2013.

¹³⁹ The "Wang Lijun incident" and its aftermath are widely documented in the Chinese and international press. For a good Anglophone summary of the events until mid-2012, see Anderlini (2012). For a discussion of the "palace wars" between different factions of the Chinese Communist Party leading up to the 2012 leadership transition, and the specific narrative of Bo Xilai's ascendance and spectacular fall, see Li (2010, 2013) and Miller (2012).

¹⁴⁰ Personal interview, Barreiras, Bahia, July 20, 2012

¹⁴¹ *ibid.*

Ma Zhuangzhi was replaced by a politician from outside Chongqing who was appointed alongside a whole new generation of government officials and presidents of state-owned enterprises with the purpose of rooting out Bo Xilai's previous supporters, restructuring the company's operations domestically and reexamining their foreign-investment strategies. The new president of the CGG then recruited "Tommy" Deng Yushi¹⁴² to run the group's main company, Red Dragonfly Grain and Oil. Unlike Ma Zhuangzhi or the manager he appointed to run his Brazilian subsidiary (Wu Sheng¹⁴³), Tommy Deng was an agribusiness trading professional who had made his career operating the "China desk" for one of the ABCDs, spoke fluent English, and shared "Frank" Ning Gaoning's view at COFCO that the Battle of the Beans should be fought and won through agroindustrial trading operations, not farmland and soy production. When this new leadership took over the CGG along 2013, almost all CGG officials who had been working in Brazil were dismissed or transferred to less important positions in the domestic operations of the group. Among the few who were not dismissed were Wu Sheng, who had become the head of Universo Verde, the CGG subsidiary in Brazil, Song Ming¹⁴⁴, who was running the company's soybean trading operations in the office in São Paulo (and thereafter prioritized under the CGG's new leadership), and Tang Ming, the agronomist who had become responsible for their farming operations in particular. Song Ming's and Tang Ming's positions were secured because they were among the only ones in Brazil since the beginning of their negotiations around 2010, and learned enough Portuguese and gained sufficient experience trading soy or managing farms in Brazil to continue the company's operations. Tang Ming in particular was essential to manage the incorporating of the two farms from the Fudi-Beidahuang joint-venture discussed above. Moreover, with Ma Zhuangzhi's (forced) retirement, Tsai Wei-ping also quit her formal position as consultant and legal representative for Universo Verde and their associated subsidiaries, so the CGG needed someone else who would take up that legal responsibility, and Tang Ming was the only CGG employee able to secure a resident visa by that point.¹⁴⁵

Although Wu Sheng was also able to avoid dismissal, he was put under the supervision of Tommy Deng at the Red Dragonfly, and told that headquarters would no longer send any additional funds for their operations in Brazil. This in effect halted the soybean processing facility project, but no one at the CGG would admit it publicly to "save face". Wu Sheng was given three years to use the funds that had already been allocated to the Brazilian subsidiary to try and turn a profit from soy trading and the three farms, but the CGG officials who spoke to me about this arrangement (as well as Tsai Wei-ping) sighed and admitted that was basically impossible. "Wu Sheng's hair was black when he arrived in Brazil to manage Universo Verde around 2011," one of them pointed out, "but now you can see his hair has turned white. The only way he could recuperate the money lost would be to sell all the farms, offices, and apartments, but that would basically put him out of a job as well. So he is just waiting it out for his retirement."

During my fieldwork in Bahia, I witnessed the growing disappointment and confusion among the Bahia government and agribusiness officials about the delayed and ultimately abandoned construction of the CGG soybean processing facility. In 2012, Jusmari's government had enormous signs made and posted along the highway on the location where the project was supposed to be constructed (Figure 29), and any emerging sense of delay was chalked up to normal snags with environmental licensing, or in more worried tones about the uncertainty over the FIOCRH railroad. After

¹⁴² Pseudonym.

¹⁴³ Pseudonym.

¹⁴⁴ Pseudonym.

¹⁴⁵ The CGG also turned to an overseas Chinese naturalized Brazilian who accepted a formal position as legal representative for the company even though he did not participate in its administration at all. This same person was also involved in similar arrangements with some of the failed Chinese timber enterprises mentioned in chapter 3. I was unable to interview him, but several others consistently reported his role was simply "on paper."

Jusmari lost her reelection and was replaced by a competing clique in the Barreiras municipal government, the billboards were removed, even though the new municipal government still travelled to Chongqing in October 2013 to reaffirm mutual commitment from the CGG and the Bahian governments at state and local level to the project. When I returned to Bahia in 2014, the Bahian governments had already installed the industrial capacity well and done the necessary earthwork for construction to begin (Figure 30), but the mood among Bahian government and agribusiness officials was becoming increasingly glum.

Figure 29. “The largest soy crusher in Latin America”, billboard by the area donated to the CGG



Source: Photo by Solange Oliveira depicting the author, July 25, 2012, Barreiras, BA.

An official in the Bahia state government’s department of agriculture blamed a delay in environmental licensing in the media (Stauffer 2014), even though both location and installation licenses had already been granted and the CGG could start construction anytime it desired. When I interviewed that official, he retracted his statement and said it must have been a “misunderstanding” by the journalist; a questionable excuse. It was more likely that the bureaucrat was using this excuse to simultaneously argue the CGG project wasn’t abandoned, and that the environmental licensing process for agroindustries in general should be loosened to facilitate further “development” of the sector. The excuse about environmental licensing was also denied by Jairo Vaz, then serving as chief of staff to the secretary of agriculture of the Bahia state government, and the new vice-mayor of Barreiras, who suggested instead the CGG was “holding back” until the FIOCRUC railroad began construction. Apparently, when the Bahia state government paid another visit to Chongqing in 2014,

the new CGG president used the delays in the railroad and the private port at its eastern terminal as excuse for their own suspension of the project, punting on a conflict that would have technically required the Bahia state government (according to the MoU signed with the CGG) to cancel the benefits proposed for the CGG if it didn't install its project within three years.¹⁴⁶ Even though no one wanted to admit the CGG had abandoned the project, the Bahia agribusiness and government officials were all becoming increasingly concerned about the extensive public investments made for the project, which were beginning to be lost to weeds and erosion.

Figure 30. Area donated, cleared, flattened and with an industrial-capacity well installed by the Bahia and Barreiras governments for the CGG soybean processing facility that was never constructed



Source: Photo by the author, September, 2014, Barreiras, BA. Inset from Wikipedia.

With the CGG's new leadership, and after two years of failed harvests in Bahia, Wu Sheng finally allowed Tang Ming to hire a Brazilian farm manager to operate the farms virtually independently of headquarters in Salvador and Chongqing. At this point, they were managing not only the 51,821 ha Chapadão Alegre farm in Bahia, but also the two additional farms purchased from Zhu Zhangjin in Tocantins and Rio Grande do Sul (adding up to a total of 68,620 ha), "When I arrived here," the Brazilian farm manager they hired told me, "we had to redo all the work that was poorly done

¹⁴⁶ Personal interviews with Jairo Vaz, June 8, 2015, Salvador, BA; vice-mayor of Barreiras, July 15, 2015, Barreiras, BA; and multiple personal interviews with Chongqing Grain Group officials, June 2013 and April 2015 in Chongqing and Beijing, September 2014 in Barreiras and Salvador, and 2015 in Barreiras and Salvador again.

before.”¹⁴⁷ Tang Ming and his Brazilian coadjutant took new soil samples and found that the previous results were inaccurate or adulterated, so they revised the soil amendment and fertilizer application regime, and instead of expanding production to 10,000 ha as originally instructed, they reduced the area under soy cultivation to about 1,000 ha and planted pasture for seeds over the remaining 3,000 ha or so that had been previously farmed. “It wasn’t just poor management before,” they explained, “but also bad luck with the rains.”¹⁴⁸ Indeed, from 2011 to 2013 western Bahia faced a significant drought, “so we began making arrangements for the installation of central-pivots for irrigation.” They were not incorrect. The US-owned neighboring farm (where the same service providers that were originally offered to the CGG in 2011 had worked the land) was just breaking even, the Japanese-owned farm just to their north was only profitable because of its own irrigation system, and another farm just east (acquired by Marcelo Noguchi, another *nikkei* who already farmed tens of thousands of hectares elsewhere in the region) was becoming embroiled in a dispute with poor peasant communities downstream to denounced the clearing of his farm as the main reason why the river upon which their livelihood depends was drying up.

So in 2014, when I was visiting the region and trying to grasp the multiple political and ecological struggles taking place, it was not “land grabbing” *per se* that was causing tempers to boil, but *water grabbing*: when the CGG filed a request for their irrigation project, they were only one among about a dozen large-scale farms who were rushing to obtain permits for deep-water wells. Agribusiness officials and associations were in a state of heightened alert, as the state government had just restricted irrigation projects that draw water directly from the rivers, and rumors were circulating that a study that was being done by the government on the Urucua aquifer (that underlies the region) would soon trigger restrictions on deep-water wells too. “The farmers in that region all know their land will only remain productive in the medium- to long-term if they are able to get these water rights, so they are all rushing to get permits before we restrict them,” I was told by one of the officials at the state government’s environmental agency in 2014.¹⁴⁹ “There is a real water rush taking place right now.”¹⁵⁰ But Tang Ming and Wu Sheng were in a difficult situation, since even if they obtained the permits, it would cost them millions of dollars to drill the wells and install the irrigation system, something that was no longer being prioritized by the headquarters in Chongqing.

The figurative nail in the coffin of the CGG’s misadventures in Brazil then came in October 2015. Since headquarters was no longer sending additional resources to bring all three farms into operation, and disputes with both Zhu Zhangjin and Beidahuang (who owned all the large-scale machinery in the Sol Agricola farm in Rio Grande do Sul) prevented them from taking that machinery to either farm in Tocantins or Bahia (where they could be put to more practical use, and reduce costs of production), those farms were left fallow for the two years after Bo Xilai fell and took Ma Zhuangzhi with him. By that point, it had become clear that the soybean processing project in Barreiras had been abandoned, so Landless Rural Workers’ Movement (MST) leaders in collaboration with La Via Campesina militants who had been tracking Chinese land grabs in Brazil determined to target the CGG properties for expropriation. The area in Barreiras slated for industrial construction was not large enough nor suitable for the settlement of peasant farmers, but it could serve as basis for the construction of a cooperative agroindustry to process the harvests of other agrarian reform settlements in the region. “The municipal government can donate 100 ha to foreign investors even while 300 landless families continue camping out literally across the highway,” a La Via Campesina militant explained to me, “and the state government can spend 3 million [BRL] to prepare the area for

¹⁴⁷ Personal interview, Correntina, BA, September 24, 2014.

¹⁴⁸ Personal interview, Barreiras, BA, July 17, 2015.

¹⁴⁹ Personal interview, Bahia, October 3, 2014.

¹⁵⁰ *ibid.*

agribusiness. So why not seize that land, expose the government’s hypocrisy, and force them to turn over the land for an agroindustry of our own that would actually generate jobs and aggregate value to peasant production for the domestic market?”¹⁵¹ The idea was to begin the mobilizations with this lowest-hanging fruit, and escalate to occupations of their larger farms in Correntina (BA), in collaboration with local *geraizeiros* (traditional communities of the Cerrados) who were already cutting fences in the region to reclaim common pastures, and Lagoa da Confusão (TO).

MST members of the camp across the highway from the abandoned CGG industrial site agreed with the strategy and were willing to take action, and the national leadership of the MST also agreed it would be a strategic mobilization to pressure the government to crack-down on “foreignization” of land more generally. But the regional- and state-level leadership of the movement in Bahia probably feared destabilizing the Workers’ Party government there, and remarked that they wouldn’t be taking any “symbolic” actions.¹⁵² In Rio Grande do Sul, on the other hand, the local leadership of the movement thought such “symbolic” actions were actually quite strategic for their broader struggle against foreignization of land and for land redistribution in their region as a whole. So on October 19, 2015, following joint investigations with La Via Campesina militants who had been tracking foreign land grabs around the country, about 400 families of the MST occupied the Sol Agrícola farm then owned by the CGG (Figures 18 and 19). “It is unconstitutional for farmland to be left fallow like this,” one of their leaders explained to the news outlets who went to cover the land occupation, “while the Chinese grabbed this land to farm soybean for export, we could settle at least 30 families here to plant food for ourselves and the local markets.” Indeed, they immediately began planting black beans (Figure 31), drawing attention to the additional fact that Brazil had begun importing black beans—a staple of Brazilian diets—from China itself, while they soybean that the Fudi-Beidahuang attempted to farm there before, and that the CGG intended to produce again, are produced exclusively for livestock feed and export.

The MST occupation caught the CGG by surprise but only lasted a few days until the state government agreed to expropriate other, much larger farms that had already been slated for redistribution years before for the settlement of those families. The MST leadership considered the occupation a success, since the other farms expropriated were much larger and many more landless families could be settled on them. Moreover, the occupation sustained pressure against the (then interim) federal government’s suggestion that restrictions on “foreignization” of land could soon be loosened. Tang Ming and his Brazilian partner still attempted to produce soy and pasture seeds at least on their largest farm in Bahia, and Wu Sheng along with the remaining staff in Salvador and São Paulo focused instead of commodity trading, purchasing from the ABCDs or smaller Brazilian sellers and exporting soybeans back to the Red Dragonfly processing facilities in Chongqing. At the conclusion of my fieldwork, they had neither secured the irrigation permits they sought for their farm in Bahia, nor brought their farms in Rio Grande do Sul or Tocantins back into production. Sometime in 2015 they dismissed the Brazilian staff they had hired for the office in Barreiras, showing thereby that the soybean processing facility project was abandoned, even if they would not publicly admit so. A Brazilian real estate developer who was building a new commercial and residential project in the municipality of Correntina, not far from where the CGG consultants had originally proposed as the most strategic location for the soybean processing facility, placed a huge billboard with the CGG’s Brazilian subsidiary name and logo right in front of his project, claiming their agroindustrial complex would be located in his area (Figure 32). It was all a sham to boost the value of his real estate and attract other buyers who could be fooled into “following” a major project with their own enterprises.

¹⁵¹ Personal interview, Correntina, BA, October, 2014.

¹⁵² The MST’s struggles in Tocantins shifted to the north of the state, and the CGG farm there was not prioritized for internal reasons as well.

When I asked the CGG officials with whom I developed close connections over the years if they knew about this scam in their name, I received a very nonchalant “Yes, we know.” I followed up if they weren’t concerned about the negative public relations effect of hyping once again an agroindustrial project that didn’t even exist, and they responded simply, “it doesn’t matter.”

Figure 31. MST militants plant black beans on the occupied CGG farm, October 2015



Source: Photo by MST, inset from Wikipedia.

Whether out of resignation or sincere lack of concern for the importance of public relations, even after becoming the center of the “Chinese land grabbing” scandal in 2010 and 2011, “losing face” over the demise of the industrial project in Bahia, and suffering the occupation of their farm in Rio Grande do Sul, this attitude of the CGG officials in Brazil is one of the hallmarks of a Paper Tiger. In this long and convoluted misadventure, we witness how the CGG prioritized career interests of politicians across both Chongqing and Bahia in the pursuit of farmland investments and a poorly located agroindustrial project, both announced before the viability of the projects could even be secured. The first president of the CGG also exemplifies the authoritarian and centralized management style that is often associated with Chinese state-owned enterprises, prioritizing personal trust in his own managers over technical advice from his own managers, and Brazilian or transnational experts. This became reflected in his unwillingness to entrust the management of their Brazilian assets to one of the leading farmland management companies or at least specialized contractors that could have obtained far better results (Oliveira and Hecht 2016), or at least avoided some of the worst pitfalls of expensive environmental fines and exposure to political resistance across multiple scales. At the end of my fieldwork in Brazil, La Via Campesina militants involved in coordinating the campaign against the CGG in Brazil told me the struggle wasn’t over with the victory in Rio Grande do Sul. “In western Bahia as well, peasants are cutting down fences and retaking the plateaus where agribusiness is expanding,” they told me, showing pictures of these occupations only a few dozen kilometers away from the CGG’s largest farm in Correntina.¹⁵³ “That land is not suitable for agrarian reform

¹⁵³ Personal interview, Bahia, June, 2014.

settlements, so the MST is not going to occupy it. But the *geraizeiros* (local traditional communities) are taking their land back for open pastures, the same way they have done for hundreds of years. They already took back these farms,” showing me satellite images south of the CGG’s property, “and now they are moving onto Marcelo Noguchi’s (who was embroiled in the water struggle mentioned above). The next one, you will see, are those Chinese over there. Their time is up!”¹⁵⁴

Figure 32. “Future installations” of the CGG? Yeah, right.



Source: Photo by and depicting the author, Correntina, BA, July 19, 2015.

5. Oil Palm Misadventure: How Shandong Guanfeng botched plantations in Pará

In late July 2015, two Chinese agribusiness officials from the Shandong Guanfeng agribusiness company met me in Belém, the capital of Pará state on the Amazon river delta, and drove me to visit their oil palm plantations about two hours south of the city in the municipality of Moju. Unlike the previous cases focused on soy production in the Brazilian Cerrados, Guanfeng was almost entirely absent from journalistic and academic debates about Chinese agribusiness investments in Brazil. The only references that I had come upon were by a team of Belém-based scholars who mentioned it in passing while researching the expansion of oil palm plantations in the region (Nahum 2011; Nahum

¹⁵⁴ *ibid.*

and Malcher 2012; Monteiro 2013; Nahum and Bastos 2014; Silva et al. 2016), and a few low-profile media reports about the company's meetings with the Pará state government to invest 50 million USD in palm oil refinery (Pará 2010; Brito 2010; Faleiro 2011), only mentioning a pilot plantation project on 600 ha in 2012 (Diário do Pará 2012), and their interest in possible expansion to Bahia state the same year (Seagri-BA 2012). Having developed a good rapport with other Chinese agribusiness professionals operating in Brazil, I was introduced to the Guanfeng officials with an ominous addendum that "they might need some help". Indeed, when we arrived at their oil palm plantation, which was much smaller than they originally projected, we found them abandoned, overgrown with weeds, and its fruits being devoured by a rat infestation during what should have been the peak of their first harvest season (Figures 33 and 34). Shandong Guanfeng was one of the last companies I would investigate that year, and even a very succinct account of its case can provide a good conclusion for my description and analysis of Paper Tigers. It is a private company from a coastal province that launched investments in agricultural production without previous experience in the sector or with foreign investments, like Zhejiang Fudi. It relied first on a Taiwanese-Brazilian consultant, turned to a local politician to support its farmland acquisitions and operations, but ultimately failed to run its own plantations successfully with Chinese management like the CGG. Like both Fudi and the CGG, Guanfeng also became unable to acquire as much farmland as it originally sought due to the combination of the 2010 restrictions and their own operational challenges, which resulted in a series of labor disputes that paralyzed its operations in Brazil entirely.

Officially the Shandong Guanfeng Seed Science and Technology Company¹⁵⁵, it was established by Fang Caichen (方才臣) in 2000 with the privatization of the Guanxian county state-owned seed company¹⁵⁶ (Wang et al. 2008; Huang 2012). Fang Caichen was born in Daliushao village in Guanxian county itself, and after studying agronomy at the Shandong Agricultural University he rose through the ranks of the public seed company to become senior agronomist, then general manager, positioning himself to take over the company as his own private enterprise (ibid.). During the early 2000s, the company quickly expanded its research and development of corn, cotton, wheat, soy, and rice seeds, maintaining close connections with multiple government agencies and research centers, and expanding its seed breeding and research operations to far flung provinces across China. It has since become one of Shandong province's largest and most important seed corporations (ibid.). When food and commodity prices began spiking in 2007, Fang Caichen decided he could diversify his company's operations by riding the growing wave of Chinese government support for foreign investments, particularly in agribusiness. He decided to venture into palm oil production for biodiesel, as that seemed to be a sector with strong government support for the expansion of production in Brazil, and a growing consumer market in China (ibid.). According to his company's website:

China and Brazil are closely related, trade is highly complementary, and the Brazilian government supports the development of foreign palm plantations with the introduction of favorable policies, and given the regime of private property of land in Brazil, the land can be permanently bought for the company to provide long-term guarantee for the project.¹⁵⁷

¹⁵⁵ 山东冠丰种业科技有限公司

¹⁵⁶ 冠县种子公司

¹⁵⁷ “中国和巴西两国关系密切，贸易具有很强的互补性，并且巴西政府对外资开发种植棕榈持扶持态度，出台各项优惠政策，同时巴西实行土地私有制，土地可以永久性买断，为公司长久发展提供了保证” (Guanfeng n.d.).

Figure 33. The author with two sad Guanfeng officials at their abandoned oil palm plantation



Source: Photo by Guanfeng employee for the author, Moju (PA), July 2015

Figure 34. Overgrown weeds and abandoned tractor at Guanfeng oil palm plantation



Source: Photos by the author, Moju (PA), July 2015

Indeed, the Brazilian government had been promoting very actively the expansion of palm oil in eastern Pará state, and at the time there were no significant restrictions yet on acquisition of farmland by foreigners (from around 2007 to 2009). Commonly called *dendê* in Brazil, oil palms were first introduced to the eastern Amazonian lowlands in 1940, and experimental plantations were established with government finance in 1968 and 1975. But until 1980, oil palms only covered about 4,000 ha in the whole state of Pará, and most production was undertaken by small-scale farmers, organized in a cooperative or independently, supplying regional food markets. Gradually, however, those plantations were acquired by Agropalma, currently the largest palm oil producer in Brazil, and possibly in Latin America as a whole. Agropalma (or companies that were eventually incorporated by it) continued acquiring thousands of hectares, mostly degraded pastures, on which to expand plantations through the 1980s and 1990s. These decades were a period of intense deforestation and violent conflicts in the region, and while Agropalma was starting to consolidate its oil palm agribusiness, the sector was also coming under pressure from international NGOs who condemned the deforestation, agrochemical contamination, and displacement of peasants and food production associated with the sector. This was particularly the case in Southeast Asia, where oil palm production had expanded the most, but concerns were also reaching the burgeoning sector in Brazil as well (Nahum 2011; Monteiro 2013; Alonso-Fradejas et al. 2016). So in 2002, Agropalma reformulated a smallholder contract system through which it could promote the social and environmental benefits of oil palm production in eastern Pará, arguing it would not only diversify the local small-scale commercial farming economy, but also curtail deforestation by creating a “sustainable” economic activity on “marginal” land, primarily degraded pastures (Monteiro 2013). These arguments were adopted by the incoming Workers’ Party administration, who included oil palm production by small-scale farmers as a pillar of its National Biodiesel Production and Use Program (PNPB) in 2004. Agropalma built the first biodiesel refinery to operate with palm oil in Brazil in 2005, and a wave of investments by Brazilian private and state-owned companies, as well as foreign agribusinesses, was unleashed (Monteiro 2013; Potter 2015).

Table 1. Oil palm companies and agribusiness sector in Pará state, 2013

Estate name	Estate area (ha)	Family farm area (ha)	Number of farm families	Installed capacity t/hour	Direct employees	Expansion plans (ha) by 2015
Agropalma	45,000	10,924	234	201	5,314	50,000
Biovale	42,000	2,800	280	40	2,618	80,000
P'bras/Galp/BBB	4,000	850	85	-	119	75,000
ADM	3,000	1,102	146	-	172	50,000
Yossan	16,000	-	-	-	-	20,000
Denpasa	6,000	3,558	53	12	290	10,000
Marborges	5,000	240	24	20	1,120	10,000
Dentaua	4,000	3,211	27	39	941	6,000
Palmasa	3,000	3,353	40	28	340	8,000
Others	12,000	-	-	-	-	20,000
Total	140,000	26,038	889	340	10,914	329,000

Source: Nunes (SAGRI) 2013, in Potter 2015: 76

Since the early years of the national biodiesel program, however, it was becoming clear that oil palm agribusinesses were unable to profitably scale-up production to operate their refineries profitably by contracting small-scale “family farmers.” So the new corporate investors (from the US, Canada,

Portugal, Japan, and Brazil itself) began establishing their own large-scale monocultures and/or acquiring oil palm plantations from smallholders who established them but were unable to sustain operations when labor-intensive harvests began (usually two to three years after palms are planted). By the time that Fang Caichen arrived in Pará, government support and encouragement for small-scale farmers to switch to oil palm was basically serving as a mechanism of indirect dispossession and land concentration among the new agribusinesses establishing themselves in the region (Nahum 2011; Bernardes and Aracri 2011; Monteiro 2013; Potter 2015). From the logic of agribusiness investors, therefore, it was reasonable to consider self-managed large-scale plantations as the best instrument for oil palm production and processing in the region, despite the original intentions of the Brazilian government's biodiesel plan and the "socially inclusive and environmentally sustainable" discourse still promoted by the agribusiness corporations that were quickly gaining ground in the region (ibid.). There continues to be partial adoption or maintenance of some contract farming with small-scale farmers, particularly by Agropalma, ADM, and the companies in which the Brazilian state itself participated such as Petrobras and Biovale (Table 1). Arguably Guanfeng would have faced less problems if it were to actually operate entirely through contract farming with Brazilian government support, entrusting management to experienced local partners, ideally established through joint-ventures, mergers, or acquisitions of companies with established and ongoing operations – as the Dragon Heads that I will describe in the remainder of this chapter determined and had the financial and political capacity to accomplish.

Fang Caichen, however, lacked information about Brazil in general and the complex process of establishing companies, plantations, and agroindustries in Brazil (as reported by a Chinese magazine that witnessed his interaction with the Brazilian trade promotion agency at an international trade and investment fair in China in 2008).¹⁵⁸ At first, he sought support from state government officials who could seek and share such information at the state-provincial level. The Pará state government began sending delegations to China in 2009, at first focused on potential investment cooperation with Sichuan province, but Fang Caichen's own intervention shifted those inter-governmental delegations to Shandong province. There were about 8 delegations back and forth between 2009 and 2011. Enabling Guanfeng's oil palm project was a central pillar of the negotiations, but both sets of government officials also pursued various other forms of agribusiness, industrial, and infrastructure cooperation.¹⁵⁹ Requiring even basic support with translation, Fang Caichen began to assemble a team of translators, consultants, and a local partner who could help him acquire farmland in the region independently of the state government. But he lacked a transnationally experienced agribusiness professional with him who could orient his investment strategy, as Todd Tao Zhu was for Sanhe Hopeful, and Cao Mengchen for the BBKA Group, and who effectively brought agroindustrial investment projects in Brazil into operation successfully. Nor did Guanfeng have the "deep pockets" of one of China's central government Dragon Head giants like COFCO and ChemChina who could afford to acquire any company of the relatively small size of the existing palm oil producers in Brazil (Table 1) if they so chose, but focused instead on even larger acquisitions of transnational competitors themselves across multiple agroindustrial sectors simultaneously. So Fang Caichen turned to a couple of *buaren* and a local Brazilian politician facing corruption indictments to start buying as much farmland as he could, and contracting workers to plant oil palm monocultures.

¹⁵⁸ "At the [Apex] booth, we see many Chinese entrepreneurs such as Fang Caichen, chairman of the Shandong Guanfeng Group, who do not have enough information channels, and little understanding of Brazil" (刚才在展台上,我们看到许多中国企业家,例如山东冠丰集团董事长方才臣,他们没有足够的信息渠道,对巴西了解甚少) (Zhou Yubin 2008).

¹⁵⁹ Interview with various Pará government officials, date.

Three individuals in particular played key roles in Guanfeng's establishment in Brazil. The first was Otavio Sun¹⁶⁰, a Taiwanese-Brazilian agronomist working at the Belém station of the Brazilian state-owned agricultural research company (Embrapa). Otavio Sun was a specialist in tomato and other vegetable seeds, and lamented that Pará state actually imported the majority of its vegetables and food products from elsewhere in Brazil, while exporting timber and now palm oil. Nevertheless, he had brokered timber exports himself during the early 2000s, at the height of Chinese interest in the Amazonian timber sector (cf. chapter 4), and so he already had experience dealing with the agribusiness professionals from mainland China who were arriving during that decade. Through these connections, he introduced Fang Caichen to a *buaren* who I call Liu Qian¹⁶¹, who had no experience with agribusiness but was hired as translator for Guanfeng's negotiations, while Otavio Sun provided more specialized information about the burgeoning oil palm sector in Brazil. But since neither were well positioned to procure farmland, they introduced Fang Caichen to a local politician who offered to help with this task in particular. João Martins Cardoso Filho, better known as "Parola", is a native from the municipality of Moju, and even though he came from a poor family and didn't even complete high school, he was able to work his way into local politics as a skilled "electoral machine" operative. Parola served as vice-mayor of Moju during the 1980s, then was elected mayor himself in 1997, serving two terms until 2004. During that time, Parola embezzled millions of reais in a series of fraudulent contracts for public healthcare services and public school meals, resulting in at least five different sets of charges brought against him, forcing him to abandon reelection or other political offices. At the time he was brokering land deals for Guanfeng, Parola was already suspended from public office and remained under investigation, and even when he was condemned in 2012, his ten-year prison sentence and fines were deferred while he appealed (MPF 2008, 2012).

In contrast not only with Dragon Heads, but also the other Paper Tigers discussed above, Fang Caichen did not hire high-profile law firms from São Paulo who were pioneering legal services for corporate investors and merchants across Brazil and China, but relied instead on his local-level translators and Parola to make the necessary arrangements. The establishment of Guanfeng in Brazil involved legally questionable moves at each step of the way, beginning with a Power of Attorney that Fang Caichen signed over in August 2009 to a person who, upon my own inquiries was more like a domestic worker turned janitor, but who would subsequently become the legally responsible administrator of a paper company established for Guanfeng the following month (Guanfeng Serviços Administrativos Ltda.), supposedly headquartered in the poor periphery of Belém. It was only in October 2011, after Parola had arranged for the sale of one of his own properties in Moju to Guanfeng, that the company increased its capital to 3.8 million BRL, changed its name and function to Guanfeng Group of Brazil Commercialization, Import, and Export of Vegetable Oils and Fats Ltd.¹⁶², and shifted headquarters to Moju where its first and main plantation is located. Although Otavio Sun and Parola are Brazilian citizens who were actively involved during the establishment of the company and could serve as legal representatives, all documents remained *de jure* in the name of that person who appears to be simply a stooge (or "*laranja*" as commonly said in Brazil), signing all documents and taking legal responsibility for Guanfeng in Brazil, but playing no real managerial function in the company whatsoever. Even at the time I undertook fieldwork in 2015 and Guanfeng had already been operating with Brazilian office workers of their own to manage the mounting legal complications that were swamping them, it seems that sketchy arrangement was still in place (and so for reasons that seem to transcend the logistical need for a Brazilian citizen or permanent resident who is actually managing the company to sign on its behalf). Providing this *xiaojie* (小姐) to the "boss"

¹⁶⁰ Pseudonym.

¹⁶¹ Pseudonym.

¹⁶² Guanfeng Grupo do Brasil Comercialização, Importação, Exportação de Oleos e Gorduras Vegetais, Ltda.

Fang Caichen, to use the framework described in the previous chapter, was one of the key “permissive improprieties” through which the Brazilian *chuzhang* involved assembled the Guanfeng subsidiary in Brazil.

Soon afterwards in early 2010, Fang Caichen brokered a MoU for investment cooperation between Shandong province and Pará state, and sealed the deal with Parola for the acquisition of (one of) his own family estates. It was an area of about 3,000 ha (about 600 of which could legally be cleared for agriculture) alongside the road from the town of Moju, which Parola appeared to control *de facto* even while it was *de jure* in the name of others in his family. Selling off this farmland seemed to be particularly convenient at that moment, enabling Parola to liquidate assets that could be linked to him and possibly confiscated through the multiple investigations against his frauds of public coffers while in office. The land still needed to be cleared and flattened, and roads and rows created for planting the palms, but otherwise it was suitable for oil palm production. Indeed, other Brazilian and foreign companies (with Brazilian management) were successfully operating on similar terrain not far from that location. This property was only a small start for a project that Fang Caichen originally intended to cover at least 50,000 ha. This figure remains on Guanfeng’s website as their Brazilian project, and that is what was related to me by the Guanfeng officials I interviewed there in 2015. But in several other moments Fang Caichen and/or his representatives stated far larger amounts for their projected expansion, reaching upwards of 200,000 or even 250,000 ha after five years of operation (Shandong Industry and Commerce Federation 2009; Potter 2015). These reports remained mainly in China, however, and Fang Caichen was savvy enough to focus his discussions with Pará state government officials on his intention to establish a palm oil and biodiesel *refinery* rather than plantations, thus avoiding the pressure from Brazilian national media on Chinese land grabbing since 2010. Fang Caichen entrusted Parola to continue pursuing farmland acquisitions on his behalf through much more quiet means. Nevertheless, with the onset of the federal government restrictions on acquisition of farmland by foreigners in August that year, his expansion plans suffered their first major set-back. After all, Parola could seek and purchase farmland on Guanfeng’s behalf, but neither he nor Otavio Sun or others in contact with Guanfeng at the time were willing to take formal ownership of farmland or legal responsibility for the company in Brazil, which remained on the *laranja*’s (stooge’s) name.

Nevertheless, Fang Caichen sent his own uncle to run the company in Brazil, and continued to pursue farmland acquisitions through Parola during 2011 and 2012. By that time, Otavio Sun had already been distancing himself from Guanfeng, and while management was nominally undertaken by “Uncle” Fang, he relied on Liu Qian and Parola for translation and all business dealings. It was during that time that Uncle Fang came to suspect that Liu Qian and Parola were taking advantage of Guanfeng in the manner they negotiated farmland acquisitions. After all, after six years of oil palm boom since the Brazilian government launched the national biodiesel program, most large-scale properties that could easily be used for oil palm plantations were already bought up by agribusinesses from Brazil and elsewhere that had already moved into the region before Guanfeng. Most of the remaining farmland was split into countless relatively small-scale parcels, including many that had been renegotiated in recent years for oil palm contract farming itself. In order to secure a large enough *contiguous* area that could be profitably transformed into large-scale oil palm monocultures, therefore, it was necessary to organize a series of independent negotiations, making the process of land acquisition a constant work-in-progress with varying prices, terms, and conditions. This is evident, for example, in one of the maps I was able to access depicting this *process* of farmland acquisition and concentration for Guanfeng (not shown to maintain anonymity of small farmers who sold their property and neighbors). This became the second of three other properties that Parola assembled for Guanfeng, located across the highway from his own land that he sold to them in 2010, and which he attempted to expand by taking over neighboring plots. It became common knowledge among those working with Guanfeng at the time that Uncle Fang was accusing Liu Qian and Parola of stealing

millions from the company in these land deals, even though opinions varied about the veracity of the claim.

During 2012, when Guanfeng hired a local service provider to undertake earthworks and planting at their first property (Figure 36), the relationship between Uncle Fang, the translator Liu Qian, and Parola reached a breaking point. “Fang [the uncle] said he was the owner, but he was really just a director who needed permission for everything from headquarters in China,” that is, from Fang Caichen himself, the contractor described. “We actually dealt with Liu Qian the whole time, who was just a translator and didn’t understand anything about oil palm. When we arrived, for example, there was already a [proper] map laid out of the plantation [elaborated by Otavio Sun through his contacts with existing oil palm companies in the region]. But then he [i.e. Liu Qian] told us they didn’t want the project done that way.” At stake was the length and direction in which the roads and rows would be laid within the plantation, ideally following the path of the sun in order to provide greater sunlight for the palms, and at a length that would fill a truck-load at the end of each row during harvest. But Liu Qian (whether on his own or on the orders from the Fangs) “insisted instead on making the rows parallel to the highway,” and longer than the local service provider recommended. “This meant more shade on the palms, more weeds in between, and at harvest they would have to get trucks moving up and down the rows several times, filling 2/3 or 1/3 of the load at a time, wasting all this time and fuel,” the frustrated contractor lamented. “So we did the work the way they wanted anyway,” and to make things worse, “we were fined 700 thousand [BRL] for cutting down Brazil-nut trees” in the process.

Figure 36. [Partial area of] Guanfeng’s first plantation in Moju (note the variation in diagonal and perpendicular rows between the property’s eastern and western portions)



Source: Map elaborated by the author from Moju land title office and field site inspection; satellite imagery from Google, c. 2013

According to a Guanfeng employee, someone at their office called the state government's environmental agency to see if they could bribe officials there to avoid the environmental fine, and were told to pay 20 thousand BRL and present forged papers alleging the trees removed were not the protected Brazil-nut species, but other non-protected varieties. "But [Uncle] Fang said he needed a receipt" for the 20 thousand BRL bribe, probably to show the Guanfeng president in China that he was not joining Liu Qian and Parola in the suspected embezzlements of company funds, "but how could there be a receipt for something like that!?" exclaimed the informant. "So I actually paid the 20 thousand [BRL] to avoid the 700 thousand [BRL] fine," and joining a growing chorus of service providers who were not paid by Guanfeng, concluded "they still owe that money to me." These tensions resulted the Fangs dismissing Liu Qian and hiring a few young Chinese immigrants who had just completed college in Belém and spoke some Portuguese. But they could hardly help coordinate the work on the plantations, "since they didn't even know how to translate words like *tractor* and *sickle*," according to a contractor working with them at the time. Uncle Fang was also joined by a couple of Chinese managers from Guanfeng who, like the Fangs themselves, would only stay in Brazil on short-term basis until they could secure work visas to remain more permanently. They all barely spoke English, and no Portuguese, so they continued to rely sometimes even on Liu and Otavio's support as they tried to manage the company directly.

It was alongside this breakdown and shifts in management that Guanfeng first delayed, then withheld payments to the contractor for the work on their first plantation entirely. The company's officials in Brazil who I interviewed would not elaborate on the topic or the legal disputes that followed, saying it was something that needed to be discussed with Fang Caichen himself. The contractor, however, explained that "already from the first month they didn't pay me... We completed the job, but they said they couldn't pay because Parola and Liu Qian were stealing from them, so they didn't have money to pay." The first plantation was already laid out and planted, so the contractor sued Guanfeng for breach of contract. While attempting to reach a settlement in the court, the contractor reported that Uncle Fang complained, through his translators, that "in China they can't be forced to pay workers like this," and banged his fists on the table when the judge retorted that in Brazil, they had to follow Brazilian labor laws. Uncle Fang then walked out, and the judge told his translators that if they reached a settlement here, he could pay a significantly reduced amount per worker, but if he walked out he would be sued for the full contract, plus additional for personal harm and legal fees. "Fang said money wasn't the problem," the contractor recalled, "but in China they wouldn't pay something like this. He was pissed, saying his lawyers were supposed to defend him, but they weren't doing anything. Finally, the [young Chinese] translators [not Liu Qian] convinced him to sign an agreement to pay only the contracted amount, and in several installments. But then he didn't pay at all." In August 2013, however, the contractor won the case, as Brazilian courts found in his favor and Guanfeng was required to pay him dozens of thousands of reais, plus interest and other reparation fees.¹⁶³ Meanwhile, it appears this wasn't the only contract that Guanfeng broke during those years in Brazil. At least two input providers who I interviewed reported they were also "stuffed" by Guanfeng. One of them explained the translator Liu Qian "said he couldn't pay at the moment, that he needed to go to China to resolve things first, but then another Chinese guy would arrive [probably Uncle Fang], who didn't speak any Portuguese, and said he couldn't pay because Liu Qian had stolen that money from them instead." Whether true or not, it was a common pattern that I heard from multiple sources in the region, and the workers in particular remarked that "it was funny how these Chinese [managers] say they don't have money to pay us, but drive up here in fancy cars".

After the court found against Guanfeng in August 2013, the company started paying the contractor, who in turn paid the workers that had labored on the first plantation, and others to begin

¹⁶³ Process number 00001374-03.212.5.08.0125 in the Labor Court of the 8th Region (TRT 8a Região), Belém, PA.

work on a second plantation. At that time, palm oil prices were falling sharply, and Uncle Fang feared they would not be able to recuperate the investment they were making on the plantations. He noticed, however, that local manioc flour prices were rising, as manioc is a staple of local diets, and production had stagnated since the palm oil boom began. (In fact, manioc flour prices would fluctuate wildly, as most local farmers would quickly plant or abandon the crop in response to the fluctuations, driving price booms into quick gluts and busts). Given that Guanfeng had only been able to secure about 6,000* ha in total, and labor disputes were delaying establishment of their oil palm plantations even in that reduced area, Uncle Fang decided to plant their third plantation with manioc instead of oil palm, and shift the funds earmarked for the oil palm refinery towards the construction of a manioc flour mill. “Our idea was to make profit on manioc now, then sell our first oil palm harvests to other companies in the region until we reached large enough scale to justify our own investment in [palm oil] agroindustry,” one of the Guanfeng officials in Brazil explained to me.

So in 2014, this back-up project was put into practice, but once again disagreements emerged between the Guanfeng managers and their contractors. The contractor working at that stage of the project reported “they wanted to halt payments to the workers [again], asking me how much I would take in bribes to ‘stiff’ the workers on the rest of the amount.” Whether due to regular delays transferring capital internationally, continuing suspicion of embezzlement by local managers and/or partners and contractors, other other disputes over the actual management of labor (e.g., there was yet another argument about the proper length and direction of oil palm rows in their second plantation as well), or simply because manioc prices collapsed (again) in late 2014, the Guanfeng officials in Brazil delayed payments to their workers once again in early 2015. Already familiar with the previous history of labor mismanagement and withholding payment, workers walked out of their jobs on the oil palm plantations and the construction of the manioc mill at the same time, declaring an indefinite strike. Instead of fulfilling back-pay to bring the workers back, however, it was reported to me that “they [i.e. the Guanfeng managers] said they preferred to swallow all this money or burn it up with lawyer fees rather than pay us [the workers] who were not showing up anymore.” Four of five months into this indefinite labor strike, I arrived to research Guanfeng’s operations, and found them entirely paralyzed (Figure 37), except for the Chinese managers, a Brazilian accountant, and another *huaren* who helped them translate conversations with their lawyers, since they had to let go of the young Chinese translators hired two years before to cut costs. They were facing at least seven distinct labor rights violation processes that had already resulted in tens of thousands of reais by late 2014, and another seven processes that generated fines by 2016.¹⁶⁴

¹⁶⁴ Labor violation reports 201722810, 20172263, 201722755, 201776022, 201726432, 201776014, and 201776006 before the 8th Regional Labor Court (TRT 8a região), Belém, PA, notified in the Official Diary of the Union on November 19, 2014. Labor violation reports 208364153, 208365206, 208364714, 207641706, 207641978, 207641714, and 208366075 before the 8th Regional Labor Court (TRT 8a região), Belém, PA, notified in the Official Diary of the Union on June 24, 2016. It is possible Guanfeng appealed these fines, but all evidence I found in the public records of the 8th TRT until today only affirm their labor rights violations. In an unrelated case in 2013, Guanfeng was also fined when labor inspectors found a resident farm manager at one of their plantations with an unlicensed firearm (Diário do Para 2013).

Figure 37. Partially constructed and abandoned cassava mill at Guanfeng’s third plantation



Source: Photos by the author, Moju, PA, July 2015

Figure 38. Ex-Guanfeng employee fishing at the company’s abandoned manioc plantation



Source: Photos by the author, Moju, PA, July 2015.

While visiting their abandoned plantations and partially constructed cassava mill, I was able to speak with some of the workers who labored with Guanfeng, went on indefinite strike, and were suing the company for back-pay and breach of contract. “Even the manioc is abandoned,” one of them pointed out to me, explaining that if the manioc isn’t harvested in time, the roots become too hard for cooking and making flour. The (ex-)employee was fishing with his friends and family in one of the retention ponds that had been previously constructed on what became Guanfeng’s third plantation. They were not technically allowed to be in the company’s property, much less to harvest its manioc and fish in its ponds. But as the (ex-)employee explained to me, while sharing a meal made from manioc he harvested from that area earlier in the week and a fish he had just caught (Figure 38), “since they don’t pay us, and don’t manage us right, we come take our sustenance for ourselves.” In the cracks of Guanfeng’s oil palm monoculture projects, then, food sovereignty struggles emerge even through autonomous resistance and “weapons of the weak” (Scott 1985).

By that time, when the Guanfeng officials were confronted with questions about why they weren’t making payments, they told one of their contractors that “we can’t pay because the workers walked out when we were supposed to have our first harvest. So we don’t have that income.” Moreover, the unharvested fruits were then attracting a major rat infestation, “and the rats ate 5,000 seedlings we were taking to the fourth plantation,” the contractor added, explaining the infestation was aggravated by the use of organic fertilizers. “So they tried to turn it around and blame me for the infestation,” the contractor complained, “but I said no way! I did the work they told me to do, just as they told me to do, and its not my fault if they lost their money because of rats or whatever.” Adding a few expletives, he concluded, “they come from some damned far away place to stiff everyone here!?” Saying they are a new company, saying they don’t have money in Brazil is not an excuse.” Indeed, Fang Caichen seems to have restricted capital flows to Brazil since the early falling-out with Liu Qian and Parola over suspicions of embezzlement, but all other new and international companies operating in the area were at least able to set up and harvest their plantations (even if they also faced their own share of labor rights violations, and contaminate water resources with heavy pesticide and synthetic fertilizer use, and contribute to the depeasantization of the region for agroindustrial expansion).¹⁶⁵

In China, these troubles faced by Guanfeng are not widely reported, if at all. The Guanxian county government presently reports instead that “the Guanfeng Seed Industry’s oil palm planting and processing integration project in Brazil is progressing smoothly, and ‘overseas Guanxian’ construction has taken a solid pace.”¹⁶⁶ A journalistic report from 2015 also indicated that Chinese banks increased loans for Guanfeng, as the “first phase of the project with 2,000 hectares... is progressing smoothly” (Hong and Li 2015). But in fact, the Guanfeng misadventure with oil palm in the Amazonian delta shares similar key characteristics and denouement as the troubled Paper Tigers like the CGG and Fudi-Beidahuang. It is even possible that the Fudi-Beidahuang joint-venture served as basis and inspiration for Fang Caichen’s own project, as he was pictured accompanying China’s minister of agriculture in his visit of the Sol Agricola farm in 2010, before the Brazilian government imposed restrictions on acquisition of farmland by foreigners, while Zhu Zhangjin’s company was making its first harvest, and Fang Caichen was reaching an agreement with Parola for the acquisition of their first plantation (figure 39).

¹⁶⁵ See, for example, court cases against the Biopalma oil palm company (Processo N° 0033930-90.2014.4.01.3900 - 5ª Federal Circuit, Belém, Pará) for contaminating neighboring indigenous areas, and investigations that demonstrate displacement of indigenous, *quilombola*, and other peasant and traditional communities in addition to intoxication by pesticides from oil palm plantations (Repórter Brasil 2013; Aranha 2013; MPF 2014).

¹⁶⁶ 冠丰种业巴西油棕种植及加工一体化项目进展顺利，“海外冠县”建设迈出坚实步伐 (Guanxian 2016).

Figure 39. Fang Caichen (left) and minister of agriculture Han Changfu (center) visit “the Brazilian project,” but note it isn’t Guanfeng’s oil palm plantation in the Amazon but the Fudi-Beidahuang soy farm in southern Brazil, note also how proud they seem to be of the oversized machinery



Source: China News n.d. (most likely during minister Han’s visit to Brazil in April 2010)

Oil palm corporations have certainly made gains in Brazil, even though the sector has not mushroomed as agribusiness boosters and some government officials hoped during the mid-2000s. Not only Brazilian companies with state-backing, but also those with US, Canadian, Portuguese, Japanese, and other foreign capital have avoided the spectacular collapse that we witness with Guanfeng, even while the sector as a whole has expanded far less than its main boosters in the government and corporate directors desired. Social resistance has played an important part not only in Guanfeng’s case, but in the region as a whole, as the Brazilian government was forced to roll out new regulations in 2010 for proper zoning of oil palm plantations to curtail displacement and deforestation, and indigenous groups joined with social movements and the public defendant’s offices to investigate and halt continued contamination of the region’s waters with agrochemicals from oil palm monocultures (Repórter Brasil 2013; Aranha 2013; MPF 2014). The Brazilian federal government’s state-owned oil and energy company Petrobras invested directly in the sector in 2011 to rescue the flailing and supposedly beneficial integration of smallholders through contract farming, and sustain expansion of the sector despite low biodiesel prices in Brazil (Samora 2010.; Castro Junior 2012). If renewed efforts and better prices leverage another boom in oil palm agribusiness in eastern Pará, however, it seems very clear that Guanfeng won’t be among the companies leading the charge.

6. What makes (and unmakes) a Paper Tiger

Shandong Guanfeng, like most other Paper Tigers, focused on agricultural production, relied on their own Chinese management, and with more limited financial capacity, they attempted to reduce costs and gain profits from making new (i.e. “greenfield”) plantations and agroindustries, rather than partnering with or acquiring existing agroindustrial companies operating up- and downstream from farming itself. The similarities across cases are astounding, even while soy in the Cerrados and oil palm in the long-cleared eastern Amazon are remarkably different production systems and socio-ecological landscapes. This shows that it is also not simply the “bad luck” of Bo Xilai’s downfall in Chongqing, or Zhu Zhangjin’s enthusiastic naiveté in his selection of farms, that makes Paper Tigers succumb to managerial mistakes and socio-ecological conflicts. It is also not simply the lack of transnationally experience agribusiness professionals, as Sanhe Hopeful’s negotiations in Brazil were very well directed by Tao Zhu, who ultimately led his company to invest and operate more like Dragon Heads than Paper Tigers in Brazil, targeting a port terminal through a joint-venture with Brazilian financiers and specialists in the sector. On the other hand, Sanhe Hopeful still lacked the financial capacity and deeper interpersonal connections and experiences in Brazil that enabled competitors from the Global North, including many Japanese trading companies, to acquire an operational terminal and outflank them. Thus, as will be further elaborated in the next chapter, Sanhe Hopeful remains a Paper Tiger outpaced by COFCO’s galloping acquisitions of transnational companies with an existing and profitable assemblage of grain warehouses, ports, agroindustries, and both transnational and locally rooted managers and workers, making gains even with strategic new investment projects. Ultimately, it is the *intersection* of such structural capacities with the operational expertise of transnationalizing agribusiness professionals that determines whether Chinese companies fail or succeed in their foreign investment projects.

In this chapter, I have demonstrate how these companies were feared as powerful land grabbers, or were expected to launch large-scale agroindustrial enterprises, but failed largely due to insufficient understanding of the Brazilian terrain; overreliance on government officials who prioritize their own personal goals above investor interests; often launching high-profile announcements before business operations are even established (and thereby creating the conditions for the phenomenon that Brautigam calls “zombie deals”; Brautigam 2015); relying primarily on Chinese managers inexperienced in Brazil, and under strict control from headquarters; and exposing themselves to social-environmental and labor conflicts. Arguably, these companies were driven to these operational misadventures due to limited financial capacity to undertake M&As of existing Brazilian (or other transnational) companies that already had environmental licenses, locally-rooted agribusiness professionals, etc. As will be shown in the following chapter, however, financial capacity alone does not explain the distinction between Dragon Heads and Paper Tigers. After all, major (provincial) state-owned agribusiness companies like Beidahuang and the CGG do (or at least did from around 2008 to 2012) have a substantial amount of capital of their own and very favorable terms to secure additional loans from state-owned banks on highly favorable terms. On the other hand, as will be illustrated with the case of the China National Tobacco Company’s joint-venture to secure a foothold in Brazil, successful entrance into Brazilian agribusiness sectors can take place with relatively few assets and financial disbursements: this tobacco deal cost less than the CGGs expenditures in Brazil, and ultimately secured profitable operations and control over the harvests a larger area than the CGG was able to bring into production across its three farms. Whether private or state-owned, across distinct agribusiness sectors and regions of Brazil, what most usefully distinguishes Chinese agribusiness investments in Brazil is their investment strategy and *modus operandi*.

The making of a Paper Tiger, therefore, begins with a particular vision of agribusiness as a primarily or exclusively land-based, agricultural production-oriented sector in which new entrants can

establish themselves through their own “hard work”, which must be undertaken by Chinese managers themselves reporting back to a highly centralized corporate authority. (Only the case of Sanhe Hopeful, as mentioned above, does not conform with this categorization.) This vision did have some support among certain sectors of China’s governmental bureaucracy, particularly in the Ministry of Agriculture until around 2012 (as discussed in chapter 4). But it was enacted primarily by entrepreneurs who did not actually have much experience in agricultural production, whether in China or abroad. It is also a strategy that might have played out quite differently had there been a well-established and agrarian-based Chinese diaspora in Brazil – not that Japanese entrepreneurs and companies that made strong gains in Brazilian agribusiness pursued such strategies. But it was precisely the existence of such a diaspora in Brazil, and the long-term shift from yellow peril to model minority racial forms in Brazilian imaginaries, that enabled some Japanese-Brazilian farmers to expand operations (as illustrated with the case some well-off *nikkei* in the region where the CGG attempted to establish a soy farm in Bahia), and Japanese agribusinesses to identify more effective strategies to invest in agroindustrial trading infrastructures (as will be further elaborated in the next chapter). What unmakes a Paper Tiger, therefore, is ultimately their own exposure to socio-ecological conflicts and resistance, and the loss of effective support (political and financial) once their investments become troubled.

Chapter 7

Dawning of Dragon Heads: Mergers and Acquisitions in Agroindustrial Trading

1. What makes (and maligns) a Dragon Head

When ChemChina announced its acquisition of the Swiss biotechnology and agrochemical giant Syngenta in February 2016 for 43 billion USD, that became the apex of China's "going out" strategy, the largest foreign take-over by a Chinese corporation across all sectors in all time. Through Syngenta, ChemChina acquires a powerful assemblage of agribusiness financial-trading experts and instruments, including some of the world's leading biotechnology and agrochemical research and development (R&D) staff and facilities, and a global network of seed and agrochemical production and distribution that secures about 20% and 30% of the most important seed and pesticide markets around the world, including of course Brazil, one of the world's largest producer of genetically modified crops and consumer of agrochemicals. This deal is emblematic of the most powerful manner through which Chinese agroindustrial capital entered Brazil—global-level mergers and acquisitions (M&As) that bypass the entire framework of direct investments (particularly in farmland) through which Brazil-China agroindustrial partnerships were being promoted, feared, and contested. It also illustrates how such indirect investments function through the incorporation of agribusiness professionals from the Global North into Chinese enterprises, and propel in turn the integration of agribusiness professionals from China into transnational elites.

Rather than exemplifying an effective strategy for "South-South cooperation", however, the emergence of Dragon Head enterprises actually undermines the entire foundation for (agroindustrial) cooperation outside the traditional framework of capitalist globalization driven by (and still largely under the hegemony of) corporations from the Global North. In other words, the same factors that make Dragon Heads effective agribusiness investors also maligns them as actors who cultivate their own affluence and influence through the same exploitative mechanisms associated with traditional North-South, capitalist-worker, and agroindustry-peasant relations. This will be made evident in tracing the social-environmental struggles unfolding in the sectors and regions where Dragon Head enterprises gain control (through the subsidiaries they incorporate), which consistently favor agribusiness elites over workers, peasants, and more vulnerable members of communities who are marginalized, intoxicated by pesticides, displaced by agroindustrial expansion, etc. While Dragon Heads represent a more successful business model for Chinese foreign investments then, their success is also predicated on the manner they bypass socio-environmental regulations and popular opposition to agroindustrial expansion. Thereby, they strengthen an emerging transnational agribusiness elite, but at the cost of aggravating socioeconomic inequalities and ecological degradation.

Dragon Head enterprises effectively bridge state/private interests, drawing upon extensive public financial resources and political support, while incorporating executives and managers that operate subsidiaries as (or as though they were) private enterprises. Paradoxically, therefore, almost all Dragon Head agribusinesses are state-owned, yet their operations are much more similar to the *private* transnational corporations from which they poach executives and managers, and against which they compete in international agroindustrial markets. Moreover, while most Paper Tigers actually undertook investment strategies that were imagined to be "political" or "politically motivated" – particularly the acquisition of farmland, as it critiqued in Brazil and beyond during the height of the "global land grab" debates (cf. chapter 4), and relied extensively on local politicians to broker deals and political support – Dragon Heads consistently remarked their motivations and operations were

“not political” but driven by simple profit-seeking, economic rationale. Of course, the advancement of major agroindustrial conglomerates is intrinsically political, shaping class relations domestically and transnationally, and inevitably articulate geopolitical repercussions. Nevertheless, this explicit effort to *depoliticize* the investments and operations of Dragon Heads is sits at the heart of the long-standing project of dismantling sinophobia (particularly the “China as land grabber” discourse and other recent forms of Orientalist xenophobia) by portraying Chinese agribusiness investors as savvy and trustworthy *businessmen* (largely conceived as men, even though some women are indeed making their way to the higher echelons of corporate governance amidst Chinese Dragon Head enterprises). Dragon Heads, therefore, are identified not only by more effective political and financial backing from the Chinese state and both Chinese and transnational banks, but also by their more transnationally-experienced senior executives, whose investment strategies and capacities include the “depoliticized” decision to delegate operations to locally-rooted non-Chinese managers. The latter in turn carry on operations in ways that avoid some of the most glaring mistakes of new entrants, eliminate the need for (and complications arising from) translators, bypass the reliance on boosters, brokers, and bureaucrats who might advance their own personal interest over the effective operations of the enterprise, and even when problems are encountered, these become diluted in the larger operations of the emerging transnational conglomerate that composes the Dragon Head enterprise.

In this chapter, I begin the second section with the first example of a Dragon Head enterprise, the China Tobacco International, which successfully established a joint-venture with a US competitor to gain a significant portion of the tobacco market in southern Brazil. In the third section, I examine the attempted agrochemical investments and partnerships pursued by several Chinese agribusinesses, focusing particularly on the contrast between smaller scale direct investments and ChemChina’s spectacular acquisition on Syngenta mentioned above. I then turn in the fourth section to agribusiness trading companies and investments in related infrastructure, again contrasting largely failed attempts by smaller companies (like Sanhe Hopeful, Beidahuang, Chongqing Grain Group, and Chinatex) with the successful acquisitions by COFCO of the transnational trading companies Noble and Nidera, and the latter and less significant acquisition of the local Brazilian trading company Fiagril by the Shanghai-based private equity fund Pengxin Group. I conclude this chapter with a discussion of the ways in which the emergence of Dragon Head enterprises from China, illustrated by their effective incorporation of Brazilian and transnational agribusiness companies into their conglomerates, begins to challenge the hegemony of agribusinesses from the Global North. The oligopoly of the ABCDs in soy exports from Brazil has been broken by COFCO and several Japanese trading companies, for example, and ChemChina-with-Syngenta now stands shoulder to shoulder with the other two giant agrochemical companies emerging from the merger of the leading corporations from the Global North. These signs of a “global convergence” between rising agribusiness elites and corporations from China (and to a lesser extent, such as beef and poultry processing for example, Brazil as well) and those from the Global North begin to challenge the hegemony of the latter, and the arguments that such convergence is merely a “chimera” (Starrs 2014; cf. Hung 2016). Yet the hegemony of agribusinesses from the Global North may remain through their effective incorporation of these emerging transnational elites from China and Brazil into their own fold.

2. The Essence of a Dragon Head: China-Brazil Tabaco Exportadora

In early 2012, short announcements circulated in tobacco industry publications and Brazilian newspapers, particularly local news outlets in the tobacco-growing region of Rio Grande do Sul state, that the China Tobacco International subsidiary in Brazil reached an agreement with one of the world’s two leading tobacco wholesalers for the establishment of a joint-venture in Brazil that would

encompass about 6,000 contracted farmers and produce about 25 thousand tons of tobacco for export (Klafke 2012; Santos 2012; Alliance One 2012). In sharp contrast with the scandalous tone of other announcements of Chinese agribusiness negotiations and investments in hundreds of thousands of hectares and billions of dollars, the joint venture remained largely absent from mainstream Brazilian news and even think tank or academic publications until 2014, when the joint venture, named China Brasil Tabaco Exportadora Ltda., formalized its establishment in Brazil and announced its intentions to increase investments by 20 to 40 million USD (China Daily 2014; MacauHub 2014; Sinditabaco 2014). But even then the deal remained like a footnote to the much larger discussions of Chinese agribusiness investments in Brazil or South-South cooperation more generally (cf. CEBC 2014), and Brazilian government officials who I interviewed in the ministries of foreign affairs, agriculture, and foreign trade would often overlook or dismiss this case as unimportant for the phenomenon that I was researching. In this section, however, I argue the establishment of the China Brasil Tabaco joint venture has been extremely important and strategic for China's agroindustrial "going out" to Brazil, even though the deal remains relatively small when compared to attempted FDI's and successful M&A's in larger agroindustrial production chains like soybeans and agrochemicals in Brazil. Indeed, this case captures the very essence of a Chinese Dragon Head enterprise that successfully established itself in Brazil in recent years.

With about 40% of global tobacco production and a third of the world's smokers, China has the largest tobacco industry in the world (Fang et al. 2017; Gao 2017). The sector remains tightly regulated under the State Tobacco Monopoly Administration (STMA) and the state-owned China National Tobacco Company (CNTC), operating as "one institution with two name plates" to undertake central planning for the procurement and processing of tobacco, manufacturing and distribution of cigarettes, and both import and export of tobacco and cigarettes alike under quota systems (ibid.). The industry employs more than half a million workers across every province and autonomous/special region in China, generating over 130 billion USD in revenues, and contributing an estimated 7 – 10% of the government's tax revenues annually (Wee 2015; Fang et al. 2017). Its social, political, and economic significance is exacerbated domestically in the manner the sector also intersects with core state concerns over public health and population control, and associated public protests and NGO campaigns (Gao 2017). This importance is reflected in the top leadership of the sector. Li Keming, for example, who served as vice director of the STMA from 2003 until 2015, was then promoted to chairman of the State-owned Assets Supervision and Administration Commission (SASAC) and charged with leading the current restructuring of China's main SOEs as they become global players – he is also the younger brother of the current premier Li Keqiang (Wee 2015). Internationally, China's tobacco sector has become increasingly important as it remains the only major market where cigarette consumption remains on the rise, while consumption in the United States, Europe, and almost every other region has been declining (WHO 2015; Gao 2017). There has been very limited scholarly attention to the transnationalization of China's tobacco industry, however, as most analysis of globalization in the sector tend to exclude the CNTC due to its domestic orientation and focus instead on the leading transnational tobacco companies from the Global North (e.g. Lee et al. 2016). The literature that does engage the transnationalization of China's tobacco sector remains largely limited to business studies (Cox 1989; Wang 2009) and public health (Holden et al. 2010; Fang et al. 2017; Gao 2017). In identifying China Brasil Tabaco as a major and very strategic Chinese agroindustrial investment in Brazil, I combine a pioneering geographical analysis of the global restructuring of the sector with this chapter's goal of discerning Chinese agribusiness investors between Paper Tigers and Dragon Heads, using it to exemplify the latter.

Tobacco was domesticated in the Americas centuries before European colonization, and Portuguese merchants first introduced it to China during the sixteenth century. As consumption grew in Europe, the Arab world, and elsewhere during subsequent centuries, tobacco production became

gradually established in both Brazil and China by the nineteenth century. With over 2.5 million tons produced each year, China has become the world's largest producer by far, followed by Brazil with harvests that oscillate from 400 to 800 thousand tons per year (during the 2000s), which slightly outpace India and the United States, and make it the world's largest exporter (Beling 2010, 2016; Fang et al. 2017). Across China, Brazil, and much of the rest of the world, tobacco has been primarily produced by peasants and small-scale commercial farmers, and its cultivation remains a very labor intensive process that has defied consolidation into large-scale plantations (Leppan, Lecours, and Buckles 2014). Slave-based large-scale plantations in the southern US operating on consignment from large-scale merchants and financiers in London were a notable exception, and precisely for this reason they produced the world's largest tobacco companies in the late 18th and early 19th century, such as British American Tobacco (BAT) (Brandt 2007; Benson 2012). The establishment of BAT through the merger of the leading tobacco companies in Britain and the US also incorporated existing British tobacco assets in China, and the company soon established itself in Brazil (with the name Souza Cruz in 1918) and became the dominant player in the emergence of the modern tobacco industry around the world (Cox 1989). During the first half of the 20th century, BAT controlled over 80% of market share in China and Brazil, as well as the growing exports from these countries (ibid.). While the BAT remains the largest tobacco company in Brazil, where it pioneered the modern system of contract farming and verticalized from tobacco procurement to encompass processing, cigarette manufacturing, and both domestic distribution and exports (Vogt 1997), the Communist revolution forced them out of China in 1953 and established the state monopoly that exists to this day, and whose profits currently exceed the combined total of the next three largest tobacco companies (BAT, Phillip Morris, and Altria) (Fang et al. 2017).

A series of M&As from the 1980s to the early 2000s among US and European tobacco merchants produced the two largest tobacco wholesalers in the world, Universal Leaf Tobacco and Alliance One International, the latter being the transnational company whose Brazilian subsidiary partnered with the CNTC's own Brazilian subsidiary to form the China Brasil Tabaco joint venture. Alliance One and Universal, however, are not vertically integrated with cigarette manufacturing and distribution like the BAT and Phillip Morris International (PMI), and operate basically through the procurement, processing, and sale of tobacco leaves to cigarette manufacturers all around the world.¹ A handful of smaller Brazilian companies and other foreign investors, particularly PMI and Japan Tobacco International (JTI)², were expanding along with the sector during these decades as well, especially since the 2000s when radical land redistribution in Zimbabwe curtailed exports from Brazil's main competitor (specifically in high-quality flue-cured or "Virginia-style" *flavor* tobacco, as opposed to Burley varieties and lower-quality leaves used not for flavor but as *filler* for cigarettes).³ As Brazil was becoming a major exporter to China as well, the CNTC opened a subsidiary in Brazil in 2002, named China Tobacco International of Brazil (CTIB). China's tobacco monopoly had been slowly internationalizing its operations since the early 1990s, focusing primarily on opening export markets for its cigarettes in Asia and Russia, followed by Europe and the Middle East, but its representative office in Brazil was the very first that aimed instead at procurement of tobacco for exports back to

¹ As most clearly described by the company's profile on Bloomberg, "Alliance One International, Inc. is an independent leaf tobacco merchant serving large multinational cigarette manufacturers. The Company selects, purchases, processes, packs, stores, and ships leaf tobacco. Alliance One also provides, in certain developing markets [in Brazil above all, as well as southern African countries like Zimbabwe], agronomy expertise, and financing for the growing of leaf tobacco."

² Japan Tobacco Inc. is a state-controlled company that held monopoly of trade and manufacturing in the sector in Japan until 1985, when the company was publicly listed in the Tokyo Stock Exchange, but the Japanese government retains controlling stakes in the group.

³ Personal interview with Carlos Sehn, director's advisor at the tobacco industry association of Brazil (Sinditabaco), June 26, 2015. See also the publications of the sector (e.g. Beling 2010, 2011).

China.⁴ After all, tobacco imports to China were growing since the 1990s, matched Europe during the 2000s, and since the 2010s skyrocketed to make China the world's largest importer, notable as well for being the world's last large-scale growing market (WHO 2015; Fang et al. 2017). As Brazil also consolidated its global leadership in tobacco exports, it was evidently prioritized in the Chinese state monopoly's strategic resource acquisition strategy.

The CTIB officials in Brazil were not in a rush, however, and operated only as a representative office for most of the 2000s with a small team of three to five managers serving three-year appointments to gather information about the Brazilian tobacco sector, aiming to identify the best avenues for commercial operations and possible future investments. It was only in 2009 that the CTIB made its first acquisitions of tobacco from Brazilian companies (and foreign-controlled companies operating in Brazil) and managed exports back to China on its own. A conjunction of other factors also made the STMA/CNTC call for an acceleration of its “going out” strategy in those years, not least of which was the 2007-2008 spike and subsequent volatility in commodity prices. These price spikes and volatility not only affected the tobacco sector, but also caused the highest echelons of the Chinese government to encourage reduction of domestic tobacco production in provinces where yields and quality were lowest, and replace it with food crops for the domestic market and imports of higher-quality tobacco.⁵ Meanwhile in Brazil, China's largest international supplier, the tobacco sector also went through a moment of significant restructuring, as PMI moved upstream from cigarette manufacturing into tobacco procurement and processing on its own in 2009/2010, and the JTI followed suit the next year (Beling 2010, 2011). While the Japanese tobacco company incorporated another medium-sized transnational tobacco company entirely to establish its vertical integration in Brazil, PMI cobbled together its tobacco procurement and processing operations by incorporating warehouses, a processing facility, staff and production contracts with thousands of small-scale farmers from both Universal and Alliance One.

Alliance One and Universal had become “overextended” in their own mergers and acquisitions during the mid-2000s, and when Zimbabwean exports increased again in the late 2000s, the two tobacco wholesalers struggled to dispose of certain categories of tobacco in their stocks. “Each one of us [i.e. Alliance One and Universal] transferred about 20% of our contracts [with tobacco growers] and some of our assets to Phillip Morris, then swapped warehouses and offices between us to consolidate our own operations,” Alexandre Strohschoen, the regional director for Alliance One in South America, explained to me.⁶ The operation made sense for both companies, which streamlined their operations and kept both as dominant players in wholesale exports from Brazil, even while BAT maintained its dominant position (as the vertically integrated Souza Cruz company in Brazil) while the

⁴ Because of limited competition from transnational companies due to China's state-owned monopoly, international trade quotas, and high tariffs, as well as the sheer size of its domestic market, the CNTC's initial efforts at “going out” were relatively limited. China's entrance into the WTO in 2001 became a key turning point, since transnational tobacco companies from the Global North, especially BAT, used the negotiations to pressure the Chinese government to end its monopoly on tobacco, or at least reduce tariffs and increase quotas. Indeed, import tariffs were reduced from 70% in 1996 to 25% in 2004, and foreign cigarette companies were granted limited opportunities for distribution within China, primarily through joint ventures with Chinese companies under the umbrella of the CNTC. Combined with the restructuring of the sector domestically to consolidate companies, increase operational efficiency, and develop both brands and managerial expertise (including transnationally), the new global geography that emerged with China's entrance into the WTO is resulting in an increasingly more market-based and transnationally oriented tobacco sector in China (Wang 2009; Holden et al. 2010; Fang et al. 2017; Gao 2017).

⁵ Although I was unable to interview the Chinese officials in the CNTC and CTIB, this account was expressed by both high-level Brazilian executives in the board of directors and administration of the China Brasil Tabaco joint venture (see interview details in subsequent footnotes), and matches as well the analysis of existing literature on the “going out” strategy of China's state-owned tobacco company (Wang 2009; Fang et al. 2017).

⁶ Personal interview, Venancio Aires, RS, August 28, 2015.

verticalization of PMI and JTI was “shaking up” the Brazilian market. The global headquarters of both companies recognized that with the transformation of PMI and JTI from clients into competitors in Brazil, however, they had to find new strategies for expansion (cf. Alliance One 2010, 2011). Simultaneously, the CTIB’s desire to establish its own independent operations in Brazil became increasingly palpable, as it feared losing access to the suddenly much more restricted Brazilian wholesale market. Thus, the pursuit of investment partnerships between the CTIB and tobacco wholesalers in Brazil became not only of mutual interest, but also high priority among all players in the Brazilian tobacco sector. “They started looking to invest in 2009,” Alexandre Strohschoen recalls, “but they didn’t really know what they wanted very clearly. Logically the companies in the sector, ourselves and our competitors, knew their intentions, and started to elaborate project proposals for the CTIB.”⁷

The president of the CTIB at the time, Hu Angang, had already been leading the company in Brazil since around 2007, and building on personal relationships developed by his predecessors since 2002. He held countless conversations with directors of all tobacco companies operating in Brazil at the time, from whom he was just starting to purchase for the CTIB’s own first exports. By 2010, it seems Hu Angang concluded they might not be able to procure tobacco directly from Brazilian growers and operate their own processing facility due to language and cultural barriers.⁸ And so, their options were to either acquire a smaller company already operating in Brazil, or establish a joint-venture with one of the leaders in the sector. “For a long time we have been studying the Brazilian market with the intention to start buying directly from the tobacco farmers,” Hu Angang wrote in the 2012 announcement of their joint venture with Alliance One, and ultimately settled on this deal as their preferred form of “strategic alliance” (Alliance One 2012). But to understand how and why they ultimately made the deal with Alliance One instead of Universal or other companies, we must take a few steps back in time and up the corporate ladder.

J. Pieter Sikkel, current president and CEO of Alliance One International, began his career in Standard Commercial, one of the main precursors of Alliance One, in 1983. He held various positions in South Korea, Thailand, and the Philippines before becoming country manager in China from 1991 to 1999, when he was appointed regional director for Asia. Soon after Standard Commercial merged with Dimon to create Alliance One in 2005, the company became one of the two largest tobacco wholesalers in the world, and Pieter Sikkel took the position of “executive vice president for business strategy and relationship management.”⁹ It was a position designed around Sikkel’s longstanding relationships/*guanxi* in China and the rest of Asia, and through which he enabled Alliance One to become the CNTC’s main partner for tobacco imports and exports from China. “Is tobacco a commodity?”, Alexandre Strohschoen asked rhetorically.¹⁰ “Yes and no. Tobacco is knowledge, tobacco is relationships. Selling tobacco requires personal connections. Even as the sector has grown and transnationalized, this importance of personal relations of trust remains... and in China, where the tobacco industry is extremely conservative, this is unavoidable.”¹¹ So it was Pieter Sikkel’s longstanding *guanxi* with STMA/CNTC officials in China that “made it possible for us to be one of the potential partnerships,” concluded Alexandre Strohschoen.¹² “Ultimately, the partnership [with

⁷ *ibid.*

⁸ As reported not only by Alexandre Strohschoen from Alliance One, who became CTIB’s partner in the joint venture, and Roberto Naue, who became director of finance and administration for their joint venture, but also by Carlos Sehn from Sinditabaco, the association of tobacco companies in Brazil, who provided informal consultancy to Hu Angang during those years as the CBIT was itself a member of the association.

⁹ Information from the executive profiles on Alliance One International’s website.

¹⁰ Personal interview, Venancio Aires, RS, August 28, 2015.

¹¹ *ibid.*

¹² *ibid.*

CBIT] goes back to the relationship between those individuals.”¹³ And it was Pieter Sikkel himself who tasked Alexandre Strohschoen, then financial director of the Alliance One subsidiary in Brazil, to elaborate a proposal for their Chinese clients in Brazil.¹⁴

Alexandre Strohschoen, who has an MBA from a prestigious Brazilian university, speaks fluent English, and worked his whole life in the tobacco sector, spent months during late 2009 and early 2010 elaborating the project proposal for the CTIB. He described the laborious process of researching and writing the proposal, preparing and rehearsing the presentation, and working especially carefully on “the cultural nuances of what can and can’t be said, how it must be said, what words they [i.e. the Chinese prospective partners] like to hear, and so on.”¹⁵ In March 2010, Li Keming, then vice director of the STMA (and brother of the current premier) was among Hu Jintao’s presidential delegation to Brazil, making a state visit alongside the second BRICs event taking place in Brasília. Li Keming extended his own travels to Rio Grande do Sul, where he asked the directors of the main tobacco companies in Brazil to present partnership proposals to Hu Angang (president of the CTIB) for translation and evaluation by the STMA/CNTC headquarters. Alexandre Strohschoen handed them their project proposal (then or soon thereafter), and a few months later he joined Pieter Sikkel and other executives from Alliance One in Brazil and the US to present the proposal in Beijing. This is how he described the key moment when the deal was made:

We got to the STMA building in Beijing and were taken to a meeting in a huge room. It [was so big that it] looked like a cinema. Huge table in the middle, microphones for everyone, and speeches upon speeches welcoming us and celebrating our commercial relations. I still had to deliver the presentation, and I was already getting nervous, when our [i.e. Alliance One’s] country manager in China, Wang Jin, turned to us faster than the translators and said: “You bloody Brazilians, you got it!” I didn’t even have to deliver the presentation! They had already received and translated everything before, and Chinese are like that [sic], nothing is decided at the moment. Everything was decided ahead of time. So Li Keming announced we had the green light to go ahead and start working [on assembling the joint venture], and afterwards it was just celebration. Lots of *ganbei* [full glass toasts], lots of drinking and smoking. It’s part of their culture, and now I’m already used to it.¹⁶

Alexandre Strohschoen and the other Alliance One executives began drafting a Letter of Intent (LOI) with the CNTC and CTIB officials already during that visit, but it took another four or five months until their new Chinese partners would sign off on it. “The LOI was prepared by our US lawyer, so there was a bit of a culture shock. They write in very *straightforward* language you know,” Alexandre Strohschoen would pepper his account with words in English sometimes to make a point, “and the Chinese would take offense to some of that. They have to embellish it, place nice words, and they like it when there is an escape. They don’t like the strict [US-style] legal commitment, so when its useful for them, they will exit out that way.”¹⁷ Thankfully for Alliance One, however, the CTIB agreed to sign the LOI in December 2010, enabling Alexandre Strohschoen to begin working on the creation

¹³ *ibid.*

¹⁴ Pieter Sikkel also stressed in his written remarks on the announcement of the joint venture in 2012 that “China Tobacco is a highly valued partner and we are pleased that our collaborative relationship has *again expanded*, to now include the new joint venture in Brazil. Consistent with our strategic focus, this arrangement helps a key customer achieve one of their stated goals, while providing AOI incremental growth opportunities and further alignment with the largest and fastest growing market in the world” (Alliance One 2012, emphasis added).

¹⁵ Personal interview, Venancio Aires, RS, August 28, 2015.

¹⁶ *ibid.*

¹⁷ *ibid.*

of the joint venture in 2011. “The project was basically for creating mirror company for Alliance One. It [i.e. the joint venture] would do the exact same things as Alliance One, using the same policies and practices, and identify areas of production with quality indicators for the specific type of tobacco desired for the Chinese market.”¹⁸ As a joint venture in which the CTIB would own 51% and Alliance One in Brazil would own the remaining 49%, the CNTC would purchase all the tobacco the joint venture produced of the specific classification desired for the Chinese market, while Alliance One would take responsibility for selling off the remaining amount to complementary markets elsewhere in the world. The Chinese monopoly would thus secure direct access to Brazilian tobacco growers, albeit relying on local Brazilian managers under the corporate umbrella of their main transnational supplier, while Alliance One would gain more than another instrument for expanding its market share in Brazil, it would gain more importantly preferential treatment in accessing the largest and last growing tobacco market in the world.¹⁹

Ultimately, the proposal amounted to sectioning off a percentage of Alliance One’s operations in Brazil, particularly its existing contracts with tobacco growers, and establishing a separate management structure that would collect the produce from those contracts in warehouse space leased from Alliance One itself, and process it for export in Alliance One’s own facility. In September 2011, the company that would become China Brasil Tabaco was created as a wholly-owned subsidiary of Alliance One in Brazil. But even though the deal had already been made with the highest echelons of the STMA/CNTC in China the year before, the agreement wasn’t public yet, and the executives involved were careful enough to name the new company simply Brasil Tabacos Exportadora S.A., giving no hint whatsoever that it would be an instrument for Chinese investment. This strategy of pursuing joint ventures or M&As, relying on transnational experts and local partners, and being careful not to make public announcements before a deal is materialized (particularly in a moment when sinophobia was on the rise and focusing on agribusiness investments) are some of the key characteristics that distinguish Dragon Heads from Paper Tigers. In addition, placing Chinese executives for relatively long-term (e.g. three years) in Brazil, rather than shuffling management multiple times in the same period, staggering their rotations so that personal contacts and expertise are passed on from one team to the next, and cultivating in-depth knowledge and personal connections with agribusiness professionals abroad has also been a key factor enabling the CTIB’s successful entrance into Brazil. This also generated important practical advantages that contrast the CTIB with several of the Paper Tigers discussed above, such as the manner the former were able to secure permanent work visas for five executives it assigned to work in Brazil starting in 2010, and who were already poised to take legal responsibility for their investment vehicle years before it was established (thereby avoiding reliance on *huaren* or sketchy local partners).

Already in September 2011, Alexandre Strohschoen, who had risen to become head of Alliance One in Brazil (in part because of his success brokering the partnership with the CTIB), designated the director of production at his company to become executive director of the new subsidiary (designed to become the joint venture with the CTIB), and hired Roberto Naue from the management of a competing tobacco company in the region to become director of finance and administration. Working

¹⁸ *ibid.*

¹⁹ “The agreement was just between the CTI and Alliance One subsidiaries in Brazil, but the deal is much bigger, its part of a global business strategy,” explained Roberto Naue, the financial and administrative director of the China Brasil Tabacos (personal interview in Venancio Aires, RS, June 26, 2015). As illustration of the preferential treatment that Alliance One was able to secure with the STMA/CNTC following the establishment of their joint venture in Brazil, Alexandre Strohschoen explained that from 2014 to 2017 the STMA/CNTC decided to offload domestic surpluses beyond its previously determined export quotas, and while all major transnational tobacco companies receive roughly equal shares of regular quotas, Alliance One gained exclusive rights to export these additional volumes from domestic stocks (personal interview in Venancio Aires, RS, August 28, 2015).

still from within Alliance One's own offices, these two executives selected 6,039 Alliance One contracts with tobacco growers in various regions of Rio Grande do Sul state. The Alliance One employees responsible for those contracts, and the contracted farmers themselves, were asked to sign agreements transferring them to this new company, but at the time there was no mention of new Chinese investors or anything. Almost all adhered without concern, as they were reassured (correctly) that only the name of the company was changing, but everything else would remain the same. The first two years "were a bit weird," Roberto Naue confessed, since "the company was and wasn't a joint-venture yet. Gao [Jinggang²⁰, who had just replaced Hu Angang²¹ as president of the CTIB] would participate in some strategic discussions, but didn't have power of decision. We took all directions from Alliance One."²² They also scanned and sent the six thousand contracts and all other documentation for due diligence on behalf of the CTIB, who hired a major Brazilian law firm, and the CNTC who used their own Chinese legal department to audit the newly created company under Alliance One in Brazil.

With the successful transfer of the contracts, the CTIB and Alliance One in Brazil signed an agreement to establish the joint venture in November 2011. The new company then changed its name to China Brasil Tabacos Exportadora S.A. on January 1st, 2012, and later that month the first public announcement of their deal was made (Alliance One 2012). In that first harvest year (2011/2012) the 6,039 contracts yielded 25,908 tons of tobacco from an estimated 11,223 ha, which were stored and processed in Alliance One's own facilities, and even discounting the lease and fees for the use of these assets, the new company was profitable since this first operation. But it would still take over two years for the joint venture to be formalized with the CTIB actual investment in the acquisition of 51% of the new company created by Alliance One for their partnership. In this meantime, the new partners had to overcome some of their most difficult hurdles in determining the value of the new company (to define how much CTIB would have to pay to Alliance One for its 51% stake), and the terms in which public relations would be pursued. "Valuing the contracts was the main barrier for negotiations," explains Alexandre Strohschoen.²³ After all, the new company was extremely asset-light. It acquired some vehicles, computers, and machinery to offload tobacco at the warehouses, but it leases its offices, warehouse space, and use of the processing line in Alliance One's own agroindustrial complex. "The main value were the contracts, the intangible contract with the producers. And the concept of 'intangible asset' isn't very well absorbed by the Chinese yet," sighed Alexandre Strohschoen.²⁴ "That delayed things some time... They asked, 'why should I pay today for a contract that I might not have tomorrow?'"²⁵ Ultimately, it was only by demonstrating in practice that transferring (and therefore paying for) the contracts was necessary for the establishment of the joint venture that the Chinese investors were convinced and acquiesced.

At this point, it is necessary to clarify how the tobacco sector functions in Brazil.²⁶ Tobacco procurement contracts are signed and renewed yearly, and tobacco companies contract to purchase a farmer's entire crop at the market price per grade at the time of harvest based on the quality of the tobacco delivered. Tobacco growers contracting with China Brasil Tobacco are almost always small-

²⁰ Pseudonym.

²¹ Pseudonym.

²² Personal interview, Venancio Aires, RS, June 26, 2015.

²³ Personal interview, Venancio Aires, RS, August 28, 2015.

²⁴ *ibid.*

²⁵ *ibid.*

²⁶ This account is based on interviews with officials from the tobacco industry association (Sincitabaco), the tobacco growers association (Afubra), and the Small Farmers' Movement (Movimento dos Pequenos Agricultores), all undertaken in and around Santa Cruz do Sul, Rio Grande do Sul, July 2015; and triangulated with the interdisciplinary literature on the sector, particularly Prieb (2005) and Silveira (2013).

scale commercial farmers, many specialized in producing high-quality (and high start-up and production cost) varieties of flue-cured (i.e. Virginia style) tobacco, but there are also many other peasant farmers who incorporate lower production cost tobacco varieties (e.g. Burley) into more diversified farming systems. All tend to plant relatively small areas with tobacco, somewhere around one or two hectares each. Pursuant to the contracts with the tobacco companies, the latter provide farmers with seeds, fertilizer, agrochemicals and other materials necessary to grow tobacco through employees called “orientadores” (literally “mentors”). These are usually agronomic technicians from local farming and merchant families with deep personal ties to the communities in which they work, and they function as the face-and-arms of the tobacco companies in the countryside. They explain the contract to farmers (who are sometimes barely able to read and understand the document), supply them with seeds, agrochemicals, and other inputs, provide extension services like guidance in planting and pest management, and ultimately collect the harvest. Operating as a typical Brazilian tobacco company, China Brasil Tobacco’s first 6,000 contracts were serviced by about 70 “mentors”, who became the key agents between the farmers in the countryside and the managers in town.

Very significantly, tobacco companies also procure rural credit loans with the Brazilian banks in the name of the farmers themselves, providing guarantee and managing the funds. “We take the producer’s [i.e. the farmer’s] documentation, prepare the invoices, get the finance in their name, and the credit doesn’t even go to the producer. It comes to me [i.e. the management of the tobacco company] to pay for the inputs, and then when payment is due after harvest, I liquidate the whole operation with the revenues from our procurement and sales operations,” explained the director of finance and administration at China Brasil Tobacco.²⁷ “For the bank, it’s easier to deal just with me than with twelve thousand small loans, their risk is basically zero, and my risk is just if the producer doesn’t deliver. Then I have to charge somehow. And there are a few, like 1 to 3 percent, who can’t get finance, so those I have to finance myself, but that’s the exception.”²⁸ Unlike the growing trend in the agrochemical and trading sectors for soybeans and other crops, “we don’t really make money from this finance” he added.²⁹ Since tobacco companies hardly advance their own capital to make these loans, and purchase inputs from external suppliers themselves, “we have no interest in increasing this cost to the producer, which would cut into our own profits in what we pay them afterwards upon delivery.”³⁰ Yet disagreements over prices, the classification of particular bundles upon delivery, and manners of servicing debts have been endemic to the sector, leading to class action lawsuits and other disputes between tobacco farmers and companies.³¹

²⁷ Personal interview with Roberto Naue, Venancio Aires, RS, June 26, 2015. For a more detailed description of the “Brazilian model” of tobacco contract farming see Prieb (2005) and Silveira (2013); and for a discussion of how finance has become an increasingly important aspect of the operations of agribusiness input and trading companies see (Murphy et al. 2012; Isaakson 2014; Salerno 2017).

²⁸ Personal interview with Roberto Naue, Venancio Aires, RS, June 26, 2015.

²⁹ *ibid.*

³⁰ *ibid.*

³¹ In 2007, for example, tobacco farmers, unions, and social movements sued the main tobacco companies in Brazil through the Public Defendant’s office to argue their contracts should be recognized as establishing a form of outsourced employment, which should then provide them with far greater labor rights and benefits as well. The following year, a tobacco farmers’ association brought another class action lawsuit against tobacco companies for confiscating farmers’ harvests when they refused to deliver them upon disagreement over the prices and classifications offered by the tobacco company with which they had contracted. Prices are set yearly through a meeting between tobacco companies and farmers’ unions and associations, but the company’s employees have total discretion about the *classification* of each bundle of tobacco upon delivery, enabling the companies to “squeeze” farmers in times of abundant harvests by systematically classifying leaves as lower quality, or “relax” terms of procurement when supply falls short. Both lawsuits were partially settled and dismissed by 2012, when the courts ruled the companies could not confiscate farmers’ harvests as debt repayment, since the contracts could not require exclusive rights for the company without qualifying the relationship as outsourced employment as well. Ultimately, from the point of view of the tobacco companies, the situation is resolved and the only

When China Brasil Tabacos started operating with its own name in 2012/2013, following the verticalization of PMI and JTI a few years before, prices paid to tobacco growers in Brazil “got all messed up,” as I was told by everyone I interviewed across the tobacco companies’ association (Sinditabaco), the tobacco growers’ association (Afrubra), and the social movement that contests the whole sector largely from the outside (such as the Small Farmer’s Movement, MPA). Newcomers to the sector were accused of “paying above the contract” to sway contracted farmers, or “integrated producers” as they are called in the region, to switch to their new company. “It seems that when the Chinese started operating in Africa, they did do that,” Alexandre Strohschoen admitted, “but they were procuring directly from farmers there. In the first year, that was very bad for our imagine, but it wasn’t like this here, we [i.e. China Brasil Tabaco] have always stuck to the contract, and after those first couple of years everyone saw how we operate and our competitors stopped complaining.”³² Nevertheless, the verticalization of PMI and JTI, followed by the entrance and fast expansion of China Brasil Tabaco, certainly increased the prevalence of “mixed” farmers, that is, farmers who make two or even three contracts with different companies simultaneously, and then deliver variable amounts according to prices offered at the time of harvest. By the time I interviewed China Brasil Tabaco’s director of finance and administration in 2015, he both celebrated the fact their company had basically doubled their number of “integrated” or contracted farmers from 6,000 to 12,000 (and their procurement from about 25 thousand tons to almost 50 thousand tons), but also admitted “in this expansion, we do have some responsibility for increasing the number of ‘mixed’ producers out there.”³³ Indeed, MPA organizers told me they originally hoped the entrance of Chinese investors, who they imagined to be qualitatively distinct from tobacco companies from Brazil and the Global North, could enable farmers to increase their bargaining power. But the CTIB officials would not even receive them, and their attempt to reach out to the Chinese embassy in Brazil also produced no results. “Now we see they’re like all the rest,” the MPA organizer groaned with dismay.³⁴

The one major difference in the way China Brasil Tabaco operates is in the manner they coordinate processing and purchasing. The CTIB executives in Brazil are not actually involved in the management and administration of China Brasil Tabaco, but their work focuses instead on coordinating a small delegation from China that come to Brazil at the beginning of the harvest season to negotiate prices and quotas with all Brazilian companies based on crop samples, then another much larger delegation that arrives after harvest to *personally* accompany the *entire* classification and processing of the tobacco they agreed to purchase. They do this not only for the classification and processing of China Brasil Tabaco itself, but also for all the other companies from which they still purchase (reduced amounts of) tobacco. “This is unusual,” the China Brasil Tobacco executive explained to me, “normally a buyer might check a line here or there, but the Chinese are the only ones

problem is the expansion of “mixed” farmers who make two or even three contracts with different companies simultaneously, and then deliver variable amounts according to prices offered at the time of harvest (interview with Carlos Sehn, director’s assistant at Sinditabaco, Santa Cruz do Sul, RS, July 2015). The position of the formal farmer’s association (Afrubra) is barely distinct (interview with Benício Werner, president of Afrubra, Santa Cruz do Sul, RS, July 2015). This generates tension between Afrubra and rural social movements, such as the Small Farmers’ Movement (MPA), that has been very active in the region, arguing the contract relationship is fundamentally exploitative to the farmers, and campaigning against the sector more generally for its heavy use of agrochemical pesticides, nicotine intoxication of farmers, production of a harmful final product, relying on the exploitation of unpaid labor of women and children, and calling instead for the diversification of peasant production away from tobacco and towards organic food crops for the domestic market (interview with MPA leader, Santa Cruz do Sul, RS, July 2015). For more on the MPA’s campaign for agroecological diversification from tobacco monocultures see Krauser (2015).

³² Personal interview, Venancio Aires, RS, August 28, 2015.

³³ Personal interview with Roberto Naue, Venancio Aires, RS, June 26, 2015.

³⁴ Personal interview, Santa Cruz do Sul, RS, June 27, 2015.

who accompany the whole process like this.”³⁵ The CTIB hosts about 25 to 40 classifiers during one month in Brazil, placing them in an apartment-hotel with full-service kitchens to reduce costs and facilitate their own cooking of Chinese food. In 2013, when the news of the joint venture had already circulated and these large delegations were working in Brazil only for the third or fourth time, a local newspaper produced the only report I could identify in which the Chinese tobacco investments were associated with the broader sinophobic discourse that had been raging in Brazil since 2010: “Tobacco attracts Chinese invasion in Rio Grande do Sul,” ran the headline (Kannenberg 2013). But despite its title, the article had a very positive tone that welcomed the “increasing frequency and number of Asian visitors in recent years” for leveraging prices and exports from Brazil, and described how the Chinese tobacco classifiers became enamored with the barbeque and mate tea (*churrasco e chimarrão*) typical of southern Brazil, as well as the “beautiful landscapes” and “semi-precious stones” in which they would indulge with extended trips for tourism and souvenir shopping, all organized by the Brazilian executive working at the CTIB (*ibid.*) (Figure 1).

Figure 1. A delegation of Chinese tobacco classifiers enjoys *churrasco* in Rio Grande do Sul, 2013



Source: Bruno Viegas in Kannenberg 2013

The successful and profitable operations in the 2012 and 2013 harvests produced as well a substantial legal and accounting basis for the STMA/CNTC’s due diligence of China Brasil Tabaco (which remained *de jure* a subsidiary of Alliance One in Brazil). Renewed and additional contracts with farmers had to be scanned and sent again to China during 2012 and 2013, and since the leadership of the CTIB changed (from Hu Angang to Gao Jinggang) since the original signature of the LOI in late 2010, all the paperwork for the joint venture had to be renovated. In this meantime, the Brazilian executives at Alliance One and China Brasil Tobacco itself convinced their Chinese partners of the extremely strategic value (and its corresponding price) of the intangible assets of farmer contracts as

³⁵ Personal interview with Roberto Naue, Venancio Aires, RS, June 26, 2015.

the core of the joint venture and its economic valuation. “There is no way you could create a company today with 25 thousand tons [procurement] from scratch,” explained Alexandre Strohschoen, “you can put 50 ‘mentors’ in the countryside to get contracts, but if its an unknown company, it simply won’t work. The whole point of this intangible [asset] is that you’re buying a business that is already running. It’s not a start-up that will take four, five or six years to reach 25 thousand” tons of tobacco procurement per year, “and that could fail!”³⁶ China Brasil Tabaco, its chief Brazilian director pointed out, “has been profitable since the first year, and it’s only growing! This impressed the Chinese, who are not used to or expected to generate profits like this right away... They became convinced and finally formalized the joint venture in March 2014, only then did they invest any money in Brazil! And it wasn’t very much, basically just paying for the contracts, since CBT leases all storage and processing from Alliance One still.”³⁷

With the final agreement finally signed on March 26, 2014, formalizing the CTIB’s acquisition of 51% of the China Brasil Tabaco from the Alliance One subsidiary in Brazil, three CTIB executives joined Alexandre Strohschoen (and two other Brazilian executives from Alliance One) as members of the China Brasil Tobacco board of directors. But Chinese participation in the administration of the company “remains limited to strategic, not operational level,” as reported by Roberto Naue, the China Brasil Tobacco director of finance and administration.³⁸ This relative “aloofness” has also generated some operational challenges, particularly regarding public relations. After all, in addition to accusations by competitors that they were “messing up the prices” in 2012 and 2013, the Brazilian executives recognized they also had to work against the general opposition to the tobacco sector from public health and environmental social movements (particularly regarding intoxication of farmers themselves, and contamination of the environment with agrochemicals, cf. Prieb 2005; Etges and Ferreira 2006; Silveira 2013; Krauser 2015), and the specific xenophobic concerns regarding Chinese agribusiness investments in Brazil. So they joined and participated in both major tobacco industry associations (that provide sector-wide public relations and lobbying), and even made direct campaign contributions of their own to congress officials who deregulate smoking, agrochemical use, and labor relations in the agribusiness sector (Gao 2017). “We also designed our own public relations campaign since the very beginning,” explained Deise Kanitz, the supervisor of communications and social responsibility at Alliance One in Brazil, who has continued to provide the same services to China Brasil Tabaco even after the majority state in the joint venture was formally sold to the CTIB in 2014.³⁹ “It was a challenge to convince them [i.e. the CTIB executives] of the importance of this public relations work, [and it was also] a challenge for them to accept something they saw as ‘interference in their business’ from a woman,” she continued.⁴⁰ Gradually she was able to get their respect and coordinate a public relations campaign for China Brasil Tabaco, which was both an “effeminate” effort beyond the almost exclusively male world of the Chinese tobacco industry, as well as an affirmation of the patriarchal imagery and standards through which the company would promote itself (Figure 2).⁴¹

³⁶ Personal interview, Venancio Aires, RS, August 28, 2015.

³⁷ *ibid.*

³⁸ Personal interview, Venancio Aires, RS, June 26, 2015.

³⁹ Personal interview with Deise Kanitz, Venancio Aires, RS, August 28, 2015.

⁴⁰ *ibid.*

⁴¹ Interestingly from the perspective of gender studies, another point of contention between Deise Kanitz and the all-male CTIB executives turned around the colors selected for the company’s logo and flag. Deise was surprised to learn that the white background she proposed for the flag as a symbol of “purity” was not accepted by the Chinese executives, since in China white represents “death” above all. On the other hand, Deise had to fight hard against their desire to use a very light shade of blue as the background for the flag, because “this tone of blue, that in marketing we call ‘panties blue’ (*azul calcinha*), doesn’t reflect very good sentiments. So after much struggle I got them to accept changing to this darker, more masculine blue here instead.” Feminist gains in the corporate world, evidently, include acceptance of a “woman’s

Figure 2. “Model producer(s)” and China Brasil Tabaco “mentor” being celebrated in PR materials



Source: China Brasil Tabacos (2015: 4). The article illustrated by these pictures is entitled “Producing the quality desired by CBT guarantees profitability for the farmer”, and the caption reads “Staub and wife Fabiane seek to produce the tobacco [variety] intended by the company.”

As Deise Kanitz explained, her public relations campaign has “focused on the producer” (*o produtor*, a male word, and both conceived and illustrated as such), “rebuilding pride in agriculture, and cultivating pride in the [China Brasil Tabaco] brand.”⁴² The imagery and engagement with Brazilian tobacco farmers was both aimed at the regional rural community itself, actively recruited to contract with the China Brasil Tobacco, and also Brazilian society at large. “We have promoted model producers for sustainability and best practices, and even awarded some of them with invitation to join our delegation to China,” Deise explained⁴³ (cf. Revista Expoagro 2016). The Chinese executives, however, refused to contribute their own participation to these public relation efforts. “They refuse to hold press conferences, and refused to make a public event to inaugurate the joint venture even after it was formalized”⁴⁴ in 2014 (only a private signing ceremony took place with about five Chinese and five Brazilian executives present). Chinese tobacco industry executives have avoided public spotlight not only because “it is an extremely conservative industry,” as Alexandre Strohschoen pointed out⁴⁵, but also because they fear getting entangled in the growing environmental and public health campaigns against the sector (Wee 2015). In addition, a specific event in late 2014 caused the CTIB executives to clam-up even more, thus refusing to grant me an interview during fieldwork in

interference” with the effeminate work of of public relations, as well as the reaffirmation of patriarchal standards at the very same time.

⁴² Personal interview with Deise Kanitz, Venancio Aires, RS, August 28, 2015.

⁴³ *ibid.*

⁴⁴ *ibid.*

⁴⁵ Personal interview Venancio Aires, RS, August 28, 2015.

2015. But to understand the tension and sensitivity around this event, I must first explain the company's uncertain expansion plans in Brazil.

After smooth integration between 2010 and 2014, the two partners in the China Brasil Tabaco joint venture have developed divergent interests in the future of the company. The Chinese executives in the CTIB wish to establish their own independent storage and processing operations as soon as possible, even as they recognize that operational management will continue in the hands Brazilian directors like Roberto Naue with whom they can communicate well in English, while they develop language and cultural skills to eventually manage the company themselves. (Gao Jinggang, for example, has already been living in Brazil for five years, and his son has also joined him in Rio Grande do Sul, where he attends college, contrasting with managers of Paper Tigers who never cultivate sufficient language and cultural skills to become effective executives of a subsidiary in Brazil.) The Brazilian executives in Alliance One, however, are concerned with overcapacity in their storage and processing facilities (which were operating at about 60 to 70% capacity during our interviews in 2015). Thus, they would prefer that China Brasil Tabaco continue operating through leasing space and time on the Alliance One's own agroindustrial assets as long as possible.⁴⁶

This tension came to the foreground on September 30, 2014, when the vice director of CTIB told a China Daily reporter that his company was planning to invest 20 million USD in the construction or acquisition of warehouses, and subsequently another 20 million USD in the construction or acquisition of an existing tobacco processing facility for their own independent operation (China Daily 2014). The report was reproduced by other Chinese outlets (e.g. China Tobacco Association 2014) that also translated it into English and Portuguese (particularly MacauHub 2014), and so it quickly reached Brazil itself (Niedermayer 2014; Rádio Guaíba 2014). "There wasn't any arrangement" with tobacco or construction companies for the acquisition or construction of these facilities, "and there certainly wasn't any agreement with their partners in Alliance One," Roberto Naue, the China Brasil Tobacco director, lamented to me.⁴⁷ "It was this specific interview," Alexandre Strohschoen explained, "nothing was approved, and this 'maybe we will grow' was turned in the newspaper into an assertion that there are concrete plans... This caused some problems back in China, and that's why they are now especially standoffish."⁴⁸ It was indeed a slip by the CTIB executive into a Paper Tiger-style announcement, and it may have contributed to aggravating the tension between the two partners in the joint venture, which continues to operate with no physical assets of its own, only 15 full-time Brazilian executives and managers in a leased office, about 120 "mentors" out in the countryside, and about 100 more seasonal employees in the leased warehouses during harvest and processing season. "It is a Chinese company without any Chinese people working in it," chuckled Roberto Naue, the China Brasil Tabaco director.⁴⁹

The China Brasil Tabaco perfectly illustrates the essence of what I call Dragon Heads: it is (1) investing in Brazilian agribusiness through a joint venture (or M&As) rather than direct investments; (2) it focuses on trading, processing, and finance of agroindustrial inputs and commodities, rather than agricultural production itself; (3) it has maintained a very low political and public profile, negotiating quietly and directly with transnational business partners rather than turning to politicians to elaborate or even broker their investment projects, and holding off on any public announcements before the project was materializing; and last but not least, (4) it has relied on locally rooted and transnationally experienced executives and managers to elaborate the partnership and operate their project in Brazil,

⁴⁶ I have produced this account of conflicting interests on my own from the triangulation of multiple interviews with executives at China Brasil Tabaco and Alliance One, as well as specialists in the sector at Sinditabaco.

⁴⁷ Personal interview, Venancio Aires, RS, June 26, 2015.

⁴⁸ Personal interview, Venancio Aires, RS, August 28, 2015.

⁴⁹ Personal interview, Venancio Aires, RS, June 26, 2015.

including thereby as well proactive efforts to undertake public relation campaigns to avoid negative publicity and social resistance, and to build trust and its local brand in Brazil.

The patient work of the CTIB in Brazil from 2002 to 2010, operating through Chinese executives who were fluent in English and highly experienced in transnational (tobacco) agribusiness, and who remained in Brazil for at least three years each and effectively transferred contacts and experience to subsequent executives, has also been integral to these strategic assessments and operational decisions. In this process, the CTIB had to spend a fair amount of money to sustain its 3- to 5-person teams in Brazil from 2002 to 2010, and to bankroll multiple delegations with dozens of classifiers to Brazil each year since. In this regard, the politically and economically powerful STMA/CNTC umbrella has surely played an important role in making China Tobacco International into a Dragon Head in Brazil. It could seem that smaller companies, particularly private ones, might then lack such political and financial support to become Dragon Heads. However, what is remarkable about the CTIB case is the manner it secured such an effective investment strategy and powerful international position with an extremely limited amount of actual capital investments, and minimal social resistance. With no more than fifteen million dollars invested primarily in Brazilian management expertise and contracts with tobacco growers, the CTIB has secured access to an estimated 22,000 ha of tobacco production in Brazil. This has become celebrated as a model for investment by other CNTC subsidiaries around the world, as Alexandre Strohschoen pointed out and I could verify in China's tobacco industry literature, where an in-depth report on China Tobacco International's trajectory and joint venture in Brazil ran with the headline "Actively explore the 'Brazil Model' and promote the consolidation of the strategy" (Tobacco Online 2014).

Such successful investments by Dragon Heads, however, have deeply ambivalent consequences on the ground. It has enriched and empowered an increasingly more transnational class of Brazilian and Chinese agribusiness professionals (like Gao and Hu at the CTIB, and Alexandre Strohschoen and Roberto Naue at Alliance One and China Brasil Tabaco), but it has also contributed to the expansion of highly problematic agroindustrial production system. In the words of the MPA organizer who I interviewed about their political organizing in the region:

Tobacco production in Brazil is based on fundamentally uneven and exploitative contract relations between transnational corporations and small farmers. It requires intensive use of poisons and pesticides, it causes nicotine intoxication of farmers;⁵⁰ and it still relies on the exploitation of unpaid labor by women and children... the companies say there is no child labor anymore, but when a [company] "mentor" drives up, all you see are kids running off from the fields to go hide.⁵¹ And all for what? To produce a product that is harmful to the health of those who consume it, and everyone else around them... What we need instead is to diversify peasant production away from tobacco entirely, and get land and resources instead to produce organic food for our own market.⁵²

⁵⁰ The tobacco company association Sinditabaco has invested heavily in public relations campaign that argue the sector has significantly reduced overall agrochemical use and is even "the [commercial] crop that uses the least amount of pesticide in Brazil" (e.g. Sinditabaco 2015: 20-21). But its statements on pesticide use are derived from their own research, which they don't make available for independent verification of data sets, methods, or analysis. On the other hand, independent scientific research has repeatedly demonstrated the continued extensive use of highly toxic agrochemical inputs, resulting in widespread environmental contamination and a veritable public health crisis among tobacco growers, including not only cancer incidence but also suicide rates significantly above national averages (Csillag 1996; Prieb 2005; Etges and Ferreira 2006; Riquinho and Hennington 2014; Krawczyk et al. 2014).

⁵¹ On these social ills, see also Araujo (2010), Marin et al. (2012), and Silveira (2013).

⁵² Interview with MPA leader, Santa Cruz do Sul, RS, June 27, 2015. See also Krauser (2015).

3. Agrochemical Partnerships: How ChemChina (Syngenta, Adama) outpaces all the rest

The large-scale monocultures and even the intensified small-scale production of crops like tobacco that constitute the boom in Brazil-China agroindustrial trade are fundamentally predicated on the use of synthetic fertilizers and toxic agrochemicals for weed and pest control. I will discuss fertilizers briefly in conjunction with agroindustrial trade and infrastructure in the following section, and focus here on herbicides, insecticides, fungicides and other toxic agrochemicals euphemistically called *defensivos agrícolas* (“crop protection” chemicals) by Brazilian agribusinesses, and to which I will refer collectively as pesticides. In recent decades, Brazil emerged as the world’s largest pesticide market and importer, while China simultaneously became the world’s leading exporter by volume, and fastest growing exporter by value (Young et al. 1996; Zhang et al. 2011; Pelaez et al. 2015). Just like in agricultural commodity trade, however, where the ABCDs and their trade in soy holds center stage, the largest transnational pesticide companies from the Global North have also created an oligopoly in international markets. They control procurement of chemical precursors from thousands of industries in China and other leading producers, as well as the sale of formulated agrochemical products to millions of farmers in Brazil and elsewhere in the world. These leading transnational corporations have captured and sustained this powerful position in the global pesticide industry through three main mechanisms. First, aggressive consolidation through acquisition of smaller companies and mergers with larger rivals. Second, heavy investments in research and development (R&D) of new products, particularly in association with emerging transgenic seed technologies, generating patented product packages for which they can charge monopoly prices during several years. Third and just as significantly, investing heavily in the registration of new formulations of generic or off-patent pesticides, the largest and fastest growing portion of the sector by volume, in a race to gain windfall profits from early entrance into tightly-regulated but extremely large, fast-growing, and profitable markets, above all in Brazil. Just as Chinese and Brazilian agribusiness companies began seeking direct partnerships during the 2000s through which they could bypass the leading corporations from the Global North in agricultural commodity trading, so too have Chinese and Brazilian companies sought to capture the flows and profits of the pesticide industry through direct trade and investment partnerships. In this section, I examine the different strategies pursued by various Chinese pesticide to invest in Brazil. I demonstrate that even though all of them operate in ways that I have associated with Dragon Heads, most that attempted direct investments in Brazil have languished for years without much success accessing the Brazilian market, while ChemChina has outpaced all the rest through its sheer financial power to undertake global-level mergers and acquisitions.

The pesticide industry hearkens to the late 19th century (A. Romero 2015), and it expanded vertiginously from the US and Europe to the rest of the world during the 20th century through the extension and consolidation of the so-called “green revolution.” This occurred a primarily through the political process of “modernizing” agriculture in ways that would increase its orientation towards the market, including not only the commercialization of crop production and exports, but also the turn towards purchased off-farm (and often imported) inputs like seeds, fertilizers, and pesticides. Structured by the so-called Cold War, this process was also integral to the competition between the US and its allies (particularly western Europe and Japan) against the Soviet Union and China for influence over the rest of the world. While from the perspective of the US-led bloc, the diffusion of the “green revolution” was essentially about increasing yields and rural income in a manner that would defuse social and political unrest that could fuel socialist revolutions and secure international markets for food and agroindustrial input exports (Patel 2013), virtually the same pesticide-based “high modernist” models of agricultural production were simultaneously pursued in the socialist bloc as an attempt to sustain domestic production of food and agroindustrial crops (Schmalzer 2016), and

cultivate similar “food power” through agricultural exports and technological extension to sway non-aligned countries to their side in the Cold War (McMichael 2013).

The Brazilian government had already been encouraging the adoption of pesticides through multiple policy mechanisms since the 1950s, especially subsidized credit for farmers to purchase agroindustrial machinery and inputs, and fiscal incentives for pesticide production and imports (Kageyama 1990). Starting in the 1970s, the government designated the pesticide industry as a strategic sector for the broader import-substitution industrialization (ISI) policies then en vogue, and various Brazilian companies emerged and grew substantially. Simultaneously, major pesticide companies began relocating their own production facilities from the Global North (where they were starting to face mounting labor costs and stricter environmental regulations) to places like India and Brazil, thereby bypassing high tariffs and import quotas, and capturing subsidies and fiscal incentives in such countries with growing pesticide markets and strong ISI policies (Pelaez et al. 2015). By 1984, domestic pesticide production was attending 79% of the total Brazilian market (Bull and Hathaway 1986), but this would soon change through a conjunction of shifts towards transgenic seeds and their associated and patented pesticides, the replacement of ISI with neoliberal policies in Brazil, and the radical relocation of the pesticide industry to China. After all, China had already cultivated a strong scientific and technological basis for the development of the pesticide industry during the mid-20th century (Schmalzer 2016), and the market-oriented reforms that started in the 1980s and accelerated since the 1990s included pesticides (and other chemical industries) among the most strategic sectors for “modernization” through inbound foreign investments and growth through government subsidies of various sorts (Perlitz 2005; Feng 2008; KPMG 2013).

Mirroring the process through which giant transnational agricultural trading companies from the Global North secured their dominant position as middlemen for the growing burgeoning agricultural commodity exports from Brazil to China just as they were becoming the world’s leading exporter and importer respectively, so too have the leading pesticide corporations from the Global North secured a similar position controlling the reverse flow of pesticides from China to Brazil. By the mid-2000s, the six largest companies (Syngenta, BASF, Bayer, Dow, Monsanto, and Dupont) controlled about 85% of global pesticide markets (Econexus and Berne Declaration 2013). In Brazil itself, the market share of the eight largest companies reached 78% in 2006 (MDIC 2007). These companies achieved this position over the previous two decades primarily through their control over patented pesticides associated with the new transgenic seed technologies they were also developing during this period, which set extremely high barriers for entry from smaller competitors who lacked financial and R&D capacity for the development of new chemical molecules and associated transgenic technologies.⁵³

As patents began to expire, however, the sector began to transform with the emergence of medium-sized but still increasingly transnational pesticide corporations operating primarily with generic or off-patent products. By 2013, the “Big Six” still gobbled up 70% of global pesticide markets, but the next seven largest companies already accounted for 20% of the total and the majority of generic products (Econexus and Berne Declaration 2013; Pelaez et al. 2015). Table 1 illustrates this intense concentration, and the rough division in the sector between a top-tier that dominates patented products and R&D, and a second-tier that operates transnationally with significant market shares, but

⁵³ Personal interview on condition of anonymity with officials at the Ministry of Agriculture responsible for the regulation of the agrochemical industry, Brasília, June 2014. It is noteworthy that although this information could be documented through independent political economic analysis, this official felt concerned that expressing this characterization might place them “in a bad light” on the eyes of the leading agrochemical and biotechnology companies they regulate. “They absolutely dominate the sector now,” one of these officials added, “and they don’t like to be accused of shutting down competition [by smaller local companies] and monopolizing the sector.”

stake their business strategies instead on price competition for generic products and strategic market access. Note, however, that this table was drawn from corporate financial statements, and so it overlooks leading Chinese pesticide companies that don't make such reports public, particularly the state-owned giants ChemChina and Sinochem, and fast-growing private companies like Zhejiang Tide, Shandong Rainbow, and Huapont-Nutrichem.

Table 1. The leading (non-Chinese) pesticide companies by global sales, 2013 (company / global sales in million USD / market share)

Empresa	Vendas mundiais (US\$ milhões)	Participação (%)
Syngenta	10.923	18,0
Bayer	10.420	17,0
BASF	6.943	11,0
Dow	5.546	9,0
Monsanto	4.521	7,0
DuPont	3.557	6,0
Adama	2.876	5,0
Nufarm	2.078	3,0
Sumitomo	2.052	3,0
FMC	2.146	3,0
United Phosphorus	1.715	3,0
Arysta	1.503	3,0
Cheminova	1.101	2,0
<i>Outras</i>	5.538	10,0
Total	60.919	100,0

Source: Company financial statements, in Pelaez et al. 2015

Until ChemChina's spectacular acquisition of Syngenta (announced in February 2016, and concluded only now in May 2017), it was in this second-tier segment oriented towards off-patent pesticides that Chinese companies began to compete during the 2000s and early 2010s with previously established transnational corporations from the Global North and other emerging economies. And the boom in Brazilian pesticide consumption during the same period established this gigantic and still-growing market as the main target for their transnational commercial and investment operations.⁵⁴ Yet

⁵⁴ The huge and growing demand for pesticides in Brazil is not simply a function of the sheer size of the country and the importance of its agricultural sector. It is also a result of the specific political ecological condition of the country, which has overlaid "modern" agroindustrial technologies and techniques over colonial-era patterns of land distribution that produced the largest scale agricultural properties in the world, and thus the most extensive monocultures as well, which in turn exacerbate the vulnerability to and intensity of pest outbreaks. In contrast to the US, Canada, parts of Russia and eastern Europe, as well as northeastern China, where relatively large-scale agricultural production and similar monocultures exist at the landscape level (even as properties might be smaller on average than in Brazil), the tropical and sub-tropical climates in which most Brazilian agribusiness expansion has taken place also generates far greater pressure from weeds, fungi, insects and other pests, since those don't become dormant during snow-covered or cold winters, but sustain high populations in off-season stubble and other vegetation on the margins of the farms. Finally, the high social, environmental, and economic costs associated with such widespread pesticide use in Brazil has been largely defended by a powerful landowner and agribusiness lobby, which shifts social struggle from opposition to pesticide and agroindustrial monocultures towards policies for agrochemical ISI (until the 1980s) and more favorable regulations for new pesticide registration and imports (since the 1990s). The growing strength of environmentalist, public health, and anti-capitalist rural

the very strong regulations established in Brazil with the democratization of the government in 1989⁵⁵ were not accompanied by significant public investments in the capacitation and expansion of regulatory agencies, which could not keep up with the growing demand for registration of new chemicals and formulated products. A comparative study of pesticide regulatory regimes in Brazil and the US reveals that while regulatory agencies in the latter⁵⁶ operate with about 850 technical experts, all three Brazilian agencies responsible for the same regulatory work⁵⁷ employ merely 46 individuals (Pelaez et al. 2013). As the virtual line for pesticide registrations grew, agribusiness lobbies pressured the government to create new measures that would loosen regulations and accelerate registration of new products. Two executive branch decrees in 2002 and 2006 in particular enabled the fast-tracking of generic (off-patent) chemical precursors and formulated pesticides with equivalent products already on the market, and the average time for their registration dropped from 3 or 4 years to 1.5 to 2 years (Pelaez et al. 2015). This facilitated the entrance of new players in the Brazilian market, especially Chinese companies that were fast becoming the world's largest exporters of generic pesticides, but the most immediate beneficiaries of these loosened regulations were the largest transnational pesticide corporations and other leaders in the second-tier who already had pending registration requests in Brazil.⁵⁸

Competition in the global pesticide industry has since turned on the capacity of smaller companies (especially in China) to produce generic products far cheaper than the “Big Six” pesticide and biotechnology corporations from the Global North, who in turn compete among themselves primarily in R&D for patented products directly associated with transgenic seeds. Among the smaller companies focused on generic products, however, cost of production differences have become basically negligible, and competition turns instead on their capacity to secure registration for their products in large and tightly regulated markets like Brazil, aiming especially for windfall profits from gaining registrations before their competitors. After all, Chinese-made chemical precursors and even formulated pesticide products were already flooding the Brazilian market⁵⁹, but they were still sold exclusively to the major transnational pesticide companies (listed in Table 1), which already held registrations for these products in Brazil, where they would sell them with their own brands and make exorbitant profits as intermediaries for this trade. Agribusiness professionals specialized in this field who I interviewed would frequently illustrate this dynamic as follows:

The Chinese [company] has a production cost of 10 dollars per kilo[gram] for a certain product, let's say, and sells to the multinational [company] for 12 [USD/kg]. They are super happy with this 20% profit, but the multinational then turns around and sells that same product here in Brazil for 60 [USD/kg]! So who do you think is the real winner? When I put that product on the market myself, we were the first to do it with the generic, I sold it for 45 [USD/kg]. You might say we were still robbing [the farmers], but we still brought down the market price. Plus, we have to make it cheaper for the farmers, since in our case they are also our stockholders as well [as this company is a consortium of farmer cooperatives]. But now,

social movements since the 1980s succeeded in imposing stricter regulations on pesticide use and registration, as well as promoting alternative agroecological production practices, but failed to shift government priorities so far.

⁵⁵ In particular Law 7.802/89, known as the Law on Agrottoxics.

⁵⁶ Namely the US Environmental Protection Agency's department on pesticide control.

⁵⁷ The pesticide control departments of the Ministry of Agriculture and the federal agencies on health (ANVISA) and the environment (IBAMA).

⁵⁸ Among the first 13 products registered under this new fast-track regulatory regime, for example, none were from Chinese companies (Valor 2007).

⁵⁹ Chinese pesticides registered for sale in Brazil (through non-Chinese distributors) rose from 60 in 2000 to 117 in 2006, while Brazilian products decreased over the same period from 242 to 235 (Valor 2007; Macaueh 2007).

two years later, when everyone else got their registration for the same generic, the product now costs only 28 [USD/kg]. That's the strength of a new player in the market.⁶⁰

Chinese companies began developing the capacity (and obtain government support) to seek registrations of their products abroad to make direct exports during the 2000s, just as Brazilian markets were becoming particularly desirable and more welcoming to such new entrants. But Chinese companies still lack personnel with both language skills and practical expertise to secure the necessary registrations for their products in Brazil. So most turned to a growing field of consultants specialized in the procurement and commercialization of pesticide registrations, above all Flávio Hirata's Allier Brasil Agribusiness Consulting and Advisory firm. Flávio Hirata is a Brazilian *nikkei* with agronomy and MBA degrees, and fluent in English. He emerged during the 2000s as the most important booster for the Brazilian pesticide market in China, and primary consultant and broker for Chinese pesticide companies seeking to register their products for direct export to Brazil. He did this by investing heavily in boosting himself and his own company at major pesticide conferences, fairs, and publications, particularly in China. He even began organizing annual or biannual conferences in Brazil, in partnership with the China Council for the Promotion of International Trade (CCPIT), to promote the registration of products from foreign pesticide companies, especially, of course, China. The "China-Brazil AgrochemShow" features primarily presentations by Flávio Hirata himself, along with officials from the three regulatory agencies for pesticide registration in Brazil, and CCPIT members of the sub-council of chemical industry, which even funds the travel of Chinese pesticide company officials to the event (São Paulo Investment Promotion Agency 2009; Agrochemshow 2016). Through these efforts, Flávio Hirata's Allier Brasil became the leading solicitor of pesticide registrations in Brazil (out of 120 consultancies and pesticide companies), with 133 requests filed with the Brazilian government in 2013 (Pelaez et al. 2015).

However, Flávio Hirata's aggressive boosting and brokering for Chinese companies also appears to be marred by "selling dreams" and "broken promises," as executives at some Chinese and several Brazilian companies who I interviewed accused under condition of anonymity. Boosting his own consultancy soon after fast-track regulations were implemented, Flávio Hirata told a journalist: "The Chinese companies already had interest in the Brazilian market since 2000, but the delay in approval for registrations scared them off. With the approval of registrations by equivalence, this time was reduced from five years to *six months?*" (Valor Online 2007, emphasis added). While 180 days was in fact the goal set by the government fast-track, this was an overly optimistic assessment to say the least. Flávio Hirata himself wrote elsewhere during the same period that registration for each product would cost around 170,000 to 200,000 USD (including laboratory exams, field studies, and government fees) and take up to 3 years (Hirata 2006). While disgruntled clients and competitors accused him of "selling dreams," Flávio Hirata could justify himself saying his firm offers not only new registration of products for clients, but also commercializes dossiers (with laboratory exams and field studies and prearranged documentation for registration) and even *pending* registrations from other companies that abandoned the process before completion (usually frustrated with the delay and the ongoing cost of solicitation). In retrospect, however, it seems evident his track record was not immaculate. Flávio Hirata bragged in 2007 that he already had four of China's leading pesticide companies as his clients, submitting registrations requests with his consultancy since 2006 (Valor 2007). But Hirata's own report years later shows several of these requests were denied because the dossiers sponsored by these Chinese companies were "not eligible for Brazilian registration," and the first ones sponsored directly through his own company were only approved in 2011 (Hirata/Agronews

⁶⁰ Interview with Jorge Moura, past CEO and current president of the administrative council of the CCAB Agro S.A., São Paulo, SP, August 25, 2015.

2015). Consequently, several Chinese companies that hired his consultancy in the hopes of gaining registration within two years or less became disillusioned, and started turning to competitors or searching for alternative strategies to access the Brazilian market.

One of the companies that appears to have switched consultants is the Sichuan Fuhua Tongda Agrochemical Technology Company (hereafter Fuhua Group). In 2009, the Fuhua Group became the second largest manufacturer in China of the herbicide glyphosate, and the third largest in the world. Patented as Round Up by Monsanto until 2000, it is used especially in conjunction with soybeans genetically modified to resist this herbicide. Since then, glyphosate came to account for the largest volume of pesticides consumed in Brazil and exported from China. “Since we are so big, we do not have another option if not to enter the great markets,” explained a Fuhua Group executive, “and in this case, Brazil is the largest” (São Paulo Investment Promotion Agency 2009). It seems Fuhua filed for registration of their generic glyphosate in Brazil through Flávio Hirata’s consultancy the previous year, and expected that in five years their exports to Brazil would represent between 20 and 30% of their sales. “The cost of the registration in Brazil is high, but the profits are proportional,” explained the Fuhua executive at Flávio Hirata’s event (*ibid.*). Around 2012 or 2013, however, the Fuhua Group was already working with a different consultant, Marina Duchemin⁶¹, at her ProRegistros firm. “I never lied,” she answered when I asked how she makes and keeps clients in such a competitive field.⁶² “I say today it takes seven years. I learned this years ago. There are many ‘sellers of dreams’ out there, who say they can get it faster because they have a friend [in the Brazilian government] or a shortcut. All those clients consulted me, but said ‘no’ and bought the dream. Then they came back and said, ‘ok, we lost two years, now we want to do it with you.’”⁶³ Marina Duchemin might not have as many clients as Flávio Hirata, but at the time of my fieldwork, it seemed clear her consultancy was much more highly regarded.

Marina Duchemin is a toxicologist who served as head of the product registration department in the Brazilian pesticide company Defesa Defensivos Agrícolas from 1990 to 1996 (eventually incorporated by ChemChina in 2011, as discussed below).⁶⁴ She then set up her pesticide registration consultancy company, providing services to Brazilian companies as well as new entrants from abroad, who she attended in fluent English. She only began working with Chinese clients in 2008, however, and they only found her through word-of-mouth among other pesticide companies that intermediated sales from China to Brazil. “We are different than the others,” she explained, “there are consultants who are always going to fairs in China, setting up booths, holding events. We never went. I’ve only been to China once, and for me it was enough.”⁶⁵ Surprised, I asked her to elaborate. “It was a huge fair in Shanghai, specific to the [pesticide] sector. I went as a visitor, without setting up a booth or anything... We had some meetings at the fair, but I didn’t think it was a place for serious business.”⁶⁶ The highlight of her business trip was instead a visit to her first client in China, the Shandong Weifang Rainbow Chemical Company (hereafter Rainbow). “Our goal is to give good service to the clients we

⁶¹ Pseudonym.

⁶² Personal interview, Porto Alegre, RS, June 22, 2015.

⁶³ *ibid.*

⁶⁴ Defesa operated a single factory in Taquari, RS, and merged in 1998 with a slightly larger Brazilian pesticide company, Herbitécnica Indústria de Defensivos, from Londrina, PR. Herbitécnica was already associated with the Israeli pesticide conglomerate Makhteshim Agan since 1996, and the new company resulting from its merger with Defesa, named Milenia Agrociências, was fully incorporated by Makhteshim Agan in 2001. The Israeli conglomerate was then acquired by ChemChina in 2011, and renamed Adama in 2014. This trajectory perfectly illustrates how Brazilian pesticide companies that emerged during the period of ISI policies became incorporated by transnational corporations since the 1990s, and most recently by the emerging Chinese agrochemical Dragon Head.

⁶⁵ Personal interview, Porto Alegre, RS, June 22, 2015.

⁶⁶ *ibid.*

have, rather keep trying to get more clients, because what we saw is that those consultants didn't do that," implicitly skewering Flávio Hirata.⁶⁷ "All our clients were introduced to us by other clients," she continued explaining her modus operandi. "In fact, I believe that in the sector we work, it's the client who is well attended that does the advertising and brings me new clients. And it works! I don't want to advertise."⁶⁸

At the time I interviewed Marina Duchemin, she had three or four other Chinese clients in addition to Shandong Rainbow (the Fuhua Group, Zhejiang Zhongshan Chemical Industries Group, Taizhou Bailly Chemical Company, and Jiangyin Suli Chemical Company, the last two integrated as the Suli Group). "They were all introduced to us by other clients," she explained, "and perhaps most surprisingly, none of them were introduced by other Chinese companies! When Zhongshan started working with us, for example, they were shocked that we already had Rainbow as our client. 'How did Rainbow find you?', they asked me!" We were both laughing together at this point in her relatively small and non-descript office. "You see, they don't help each other out with introductions or anything. They even hide it! Zhongshan had another consultant, they were skidding around and not even getting any registration request filed. Then a client of theirs in Europe indicated us. [The Chinese companies] ask for indications but never give them, they don't want competitors, especially among other Chinese companies." For most of these clients, Marina Duchemin was filing registration requests at first in the name of her own consultancy, and once the documents were ready to be issued the clients could open their own subsidiary in Brazil for independent commercialization, or they could make a partnership with a local distributor. "This means you might not find many Chinese companies already soliciting registration in the government records," she cautioned, "but like our clients they might be making them in the name of consultants who host the registration." Thus, it is uncertain how many Chinese pesticide companies are actually in the process of establishing direct exports to Brazil, and among them it is also unclear which ones will ultimately invest in their own subsidiary or simply to operate through local distributors.

The first Chinese pesticide company that I could document effectively opening a subsidiary in Brazil was Rainbow with Marina Duchemin herself at ProRegistros. "Rainbow already wanted to establish the registrations in its own name. So we established the Brazilian subsidiary for them," she explained.⁶⁹ Working only with an outside accountant, Marina Duchemin created a paper company for Rainbow with herself as legal representative. "They were the first Chinese company to have a complete dossier" of laboratory exams, field studies, and registration solicitation documents prepared.⁷⁰ As their first pesticide registrations were issued in 2015, Rainbow intended to send a Chinese official to establish commercial operations with its Brazilian subsidiary. But the work visa was delayed, and so when Marina Duchemin transformed the legal purpose of the subsidiary into pesticide commercialization, she placed her husband's name as the new legal representative instead. "Huang [pseudonym for the president at Rainbow] hadn't determined any Brazilian who could substitute me, and by then I was the person who they most trusted in Brazil. After all, I've managed their [paper] company since 2008. But once it's commercial, I cannot be linked to it anymore. I would have [a conflict of] interest as manager for Rainbow, while still attending my other clients to register their products in Brazil. So [placing her husband as legal representative] was the only solution we could find until 'Jenny' Li⁷¹ arrives from Shandong to actually establish commercial operations."⁷² When I asked

⁶⁷ *ibid.*

⁶⁸ *ibid.*

⁶⁹ She registered Shandong Rainbow itself in Brazil on September 2008, and created its Brazilian subsidiary, Rainbow Defensivos Agrícolas S.A., two months later. Information triangulated with Brazilian government records.

⁷⁰ Personal interview, Porto Alegre, RS, June 22, 2015.

⁷¹ Pseudonym.

⁷² *ibid.*

if she didn't have concerns about becoming embroiled in judicial problems by serving as (formal and informal) legal representative for the company like this, she replied: "As long as it was just registration, its ok. Rainbow is basically an investment company, it just pays for registration [fees and services]. So it has no workers, no assets beyond the intangible [registration solicitations], no risks at all. But when it becomes a commercial operation, well... these are chemical products, there can be serious environmental liabilities, so that's when I leave. I prefer this way, and of course, my own specialty is [pesticide] registration, not trade."⁷³ In late 2015, Rainbow became the first Chinese pesticide company to successfully register its own products for direct exports to Brazil, and manage this trade through a subsidiary established for its own independent operations.

There are other Chinese pesticide companies that pursued different investment strategies and thereby outpaced Rainbow and all others slowly registering their products and (possibly) opening subsidiaries for independent distribution in Brazil. More specifically, some companies decided to access the Brazilian market through the acquisition or minority-share investments in other pesticide companies already operating in Brazil. The most straightforward example is the Tide Group. A conglomerate that emerged in 2003 from the merger of various chemical production and trade companies from Ningbo and Hangzhou in Zhejiang province, Tide opened a paper-company subsidiary in Brazil in 2010. "The initial plan was to commercialize our agrochemicals by bringing them directly from China," explained Alberto Massanori Koshiyama, the Brazilian *nikkei* president of the subsidiary (Caetano 2014). "But [since] these regulations are very complex and sluggish," he continued, "Tide acquired control of Prentiss Química in Paraná state [in March 2014], and this way found a shortcut to put roots in the country [and work with] a portfolio of products that are already registered, thus speeding up its access to the Brazilian market" (ibid.). The catch is that all registrations acquired with Prentiss are only valid for products from its own facility in Brazil, and Tide must still go through the same process to register any products it wants to import from China through its operational subsidiary in Brazil. Tide already has over fifty products registered for direct sales in the US and other markets, but the Prentiss factory it acquired in Brazil became its first overseas industry. "The most immediate goal," Tide's *nikkei* CEO in Brazil explained, "is to reinvigorate Prentiss's own production line" in Brazil, which was operating at only 20% capacity (ibid.). In the medium- to long-term, however, Tide might be well placed to cultivate synergies between exports of precursor chemicals from its factories in China, and then formulate pesticide products for sale at its Prentiss factory in Brazil.

Nutrichem is another Chinese pesticide producer pursuing access to the Brazilian market through investments in existing companies. But unlike Tide, Nutrichem did not seek a controlling stake in an existing pesticide *production* company, it pursued instead two distinct minority-share investments in pesticide *trading* companies through which it could gain strategic access to the Brazilian (and other) market(s). It also established an independent subsidiary to register products in its own name. Their case is illustrative of the challenges Chinese and Brazilian agribusinesses face when seeking to establish strategic partnerships, which ultimately causes them to be outpaced by a Dragon Head like ChemChina that has financial capacity for M&As at a global scale.

Nutrichem was founded in 2003 by a group of 18 agrochemical engineers and pesticide traders who knew each other from their time at the China Agricultural University in Beijing. Seeing that most other Chinese pesticide companies were simply competing on high volumes and low production costs in the export of the cheapest and most basic pesticides (like glyphosate and 2,4-D), the founders of Nutrichem decided to distinguish themselves instead through R&D and the production of higher

⁷³ ibid.

value but still generic (off-patent) pesticides.⁷⁴ “We are a high tech firm,” the senior executive who I interviewed explained (in English), “that makes us different from the other companies. Our market strategy is to find and create products for niche markets. At the beginning, our target is the high-level market in the USA and Europe. Maybe our volume is not so big, but we can make a lot of money.”⁷⁵ The strategy worked. Nutrichem not only avoided competition with other mushrooming Chinese pesticide companies, they even found business opportunities in the crisis of their clients and competitors. “Glyphosate has been used globally for a long time, and [weed] resistance is getting stronger. So we develop new products to control glyphosate-resistant weeds.”⁷⁶ Three years after its establishment, Nutrichem became the first Chinese laboratory approved by the OECD for non-clinical studies of government-regulated products, such as pesticides. “This makes it easier for us to solicit registrations abroad, since we can run the lab studies ourselves instead of paying to outsource it.”⁷⁷ Already in 2008, Nutrichem became China’s leading pesticide exporter by value. Then in 2014, “we made almost 550 million USD in total sales,” the senior executive boasted.⁷⁸ “Only 15 million [USD] were domestic, only 2 or 3 percent. So Nutrichem became the model in the Chinese [pesticide] industry to enter the global market.”⁷⁹ In these first years, however, Nutrichem’s exports were all through cooperation with the leading transnational pesticide companies from the Global North. Their next goal was much more ambitious, “we want to go to the market directly,” the senior executive explained.⁸⁰ “The USA is the second biggest market, but the selling system is very strict. Almost 90% through [exclusive] distributors [of the “Big Six”]. So its difficult to enter the market. But in Brazil,” the senior executive’s face brightened, “there are many different models. You can sell to distributors, cooperatives, even directly to big farmers. So that’s why we went to Brazil.”⁸¹

Nutrichem’s first strategy was a partnership with CCAB Agro, a consortium of very large scale soy and cotton farmers (and their cooperatives) from Mato Grosso, Mato Grosso do Sul, Goiás, and Bahia states. Together, they are responsible for about 80% of all cotton production in Brazil (a crop that requires some of the largest volumes and most expensive pesticides), and their total pesticide consumption reached 1.6 billion USD in 2015.⁸² The CCAB was created in 2006 through an experimental purchase of 1 million liters of the fungicide Carbendazim, representing 20% of the product’s sale in Brazil at the moment. The operation was so successful that the group decided to move ahead with the consolidation of the CCAB as a corporate vehicle for additional pesticide acquisitions, soliciting registrations to import about ten pesticides independently (Farias 2011). Jorge Moura, who was the main architect and first CEO of CCAB, then set out to assemble strategic partnerships with Chinese pesticide suppliers and financial/trading companies that could provide credit for their large-volume/high-price pesticide acquisitions. He successfully courted the agribusiness trading giant Louis Dreyfus, even though “Dreyfus doesn’t understand anything about agrochemicals,” as Jorge Moura told me dismissively.⁸³ “They are just financial. They just get capital and repress to Brazil in dollars.”⁸⁴ Their role was essential, however, since the obtaining sufficient

⁷⁴ Three years after their establishment, for example, Nutrichem became the first OECD approved laboratory in China for non-clinical studies of government-regulated products, such as pesticides.

⁷⁵ Personal interview with Nutrichem senior executive, Beijing, April 22, 2015.

⁷⁶ *ibid.*

⁷⁷ *ibid.*

⁷⁸ *ibid.*

⁷⁹ *ibid.*

⁸⁰ *ibid.*

⁸¹ *ibid.*

⁸² *ibid.*, as well as Jorge Moura from CCAB, São Paulo, SP, August 25, 2015.

⁸³ Personal interview with Jorge Moura, São Paulo, SP, August 25, 2015.

⁸⁴ *ibid.*

working capital is the second barrier for the entry of smaller companies in the pesticide sector after they secure their own product registrations.⁸⁵ Indeed, the financialization of agroindustrial input and commodity trading has transformed Brazilian agribusiness. During the 1970s, for example, about 85% of all pesticide acquisitions by Brazilian farmers were financed with subsidized credit by state-owned banks, but today it is the major pesticide companies that finance the majority of sales in Brazil instead (Pelaez et al. 2015; Salerno 2017). With the financial backing of Louis Dreyfus, and direct access to some of Brazil's largest farmers (who are themselves stockholders in CCAB), CCAB was an extremely attractive partner for Nutrichem. "They used to buy from Sygenta, Dow, and all, but decided they wanted to buy directly [from China]. We also wanted to do that, to reach the Brazilian farmers directly. So we saw a huge opportunity to sell product to CCAB," the senior executive at Nutrichem told me. "About 40% of their consumption are generic products, so about 640 million [USD]. If we can get just 30% of that share, that is more than 100 million [USD]. That is huge for us! So we decided to do a strategic partnership."

Jorge Moura met Nutrichem executives as early as 2006, but it was only in 2009 that he followed up with the invitation for a partnership. During 2010, as Louis Dreyfus undertook due diligence for its injection of liquidity in the CCAB, Jorge Moura negotiated a market plan with the selection of about 30 products for Nutrichem to develop for CCAB, and already in September 2011 all three companies reached an agreement. Nutrichem would invest 20 million USD for a 7.5% share of CCAB itself (in equities), which the CCAB would use to pay for the registration of their products. In exchange Nutrichem would become preferential suppliers of those pesticides to the CCAB, which would count on Louis Dreyfus to inject 300 million USD as debentures into CCAB for their commercial operations.⁸⁶ But the partnership went sour very soon after it was established. "We don't have qualified people to manage a company abroad," the senior Nutrichem executive told me, "so we worked with some guys we knew well in the US to set up the subsidiary in Brazil for us."⁸⁷ This was Shannon Russell, who a pesticide trader at the German BASF and the Australian-based Nufarm pesticide company for years, and a Brazilian business partner who was his coworker at Nufarm. Nutrichem officials personally took them to establish Proventis Lifescience as a paper-company in Hong Kong in 2011, and they set up a small office in São Paulo to begin soliciting registrations on behalf of Nutrichem and intermediate their participation in the CCAB. However, this intermediation was not very successful. "We got along great with the guys in China," Jorge Moura told me, "for me they are like the Brazilians of Asia, we have a lot in common. If it were not for the language, I think it would be much easier. But we had the wrong interlocutors."⁸⁸ I won't get into specifics, but there was no chemistry between Jorge Moura and Shannon Russell, to pun it mildly. Moreover, conditions in the Brazilian pesticide market were changing, and strategic communication between Nutrichem and CCAB executives became increasingly strained.

The massive entrance of new pesticide companies from China soliciting registrations caused the backlog at the Brazilian regulatory agencies to extend substantially from 2006 to 2011, and at the end of that year the Brazilian government (responding to pressure from civil society against pesticide contamination scandals) revised regulation procedures in a way that further delayed registrations.

⁸⁵ This was expressed by Jorge Moura from the CCAB, the senior executive at Nutrichem, and the CEO of their Brazilian subsidiary in Brazil, who stated bluntly that "the big agrochemical companies in Brazil are more like banks than anything... they make more profit on their loans to farmers than the actual commercialization of the product." Personal interview with Shannon Russell, CEO of Proventis, São Paulo, August 25, 2015. For more on the financialization of agrochemical companies, see Salerno (2017).

⁸⁶ Personal interviews with senior Nutrichem executive, Beijing, April 22, 2015, and with Jorge Moura, São Paulo, August 25, 2015.

⁸⁷ Personal interview with senior Nutrichem executive, Beijing, April 22, 2015.

⁸⁸ Personal interview with Jorge Moura, São Paulo, August 25, 2015.

Between 2010 and 2014, the average time for new pesticide registrations almost doubled (Pelaez et al. 2015), and the CCAB revised their business strategy from registration of new products to the expansion of the company to new markets beyond the original large-scale farmers and cooperatives. “As long as CCAB kept their original business plan, it was fine for us and Nutrichem,” said Shannon Russell⁸⁹, the CEO of their subsidiary in Brazil, referring to the clause in their contract that prevents them from bypassing CCAB to sell directly to the cooperatives that integrate the group. “We did due diligence [on CCAB and its expansion plans], but maybe not as carefully as we should. [Louis] Dreyfus had just done theirs, after all, and determined it was ok to go ahead with the partnership. But after we came in” to the board of CCAB as minority share investors, “we uncovered some things that we could not swallow.”⁹⁰ With the delay in registrations (at no fault of the CCAB itself), and the shift in the CCAB’s business plan, both Louis Dreyfus and Nutrichem started to back out. Louis Dreyfus sold their debentures in the CCAB to a major Brazilian investment company by 2013 (BR Partners). But with equity in the CCAB, Nutrichem’s divestment was a more complicated process that was only completed in January 2017 with the sale of their shares to the French cooperative-based transnational pesticide trading company InVivo (Nutrichem 2017; CCAB 2017).

Also in early 2017, Nutrichem obtained its first independent product registrations through its Proventis subsidiary in Brazil.⁹¹ Their commercial plan to access the Brazilian market, however, shifted to another minority-share investment in an existing pesticide trading company, but this second time they went through a business partner in the US named Albaugh. Albaugh is a pesticide trading company established in 1979 in the US, and since its growth was limited in there due to the oligopoly of the “Big Six” with exclusive distributors, they expanded abroad instead, especially to Latin America. In Argentina, Albaugh acquired a local pesticide company (Atanor) that had in turn acquired a Brazilian pesticide factory, thereby accessing the Brazilian market through those subsidiaries since 2005. Albaugh was also one of Nutrichem’s closest partners in the US since the early 2000s, registering and distributing several of their products. With strong commercial relations for several years, and requiring no intermediaries between Nutrichem and Albaugh executives (who could communicate directly in English), the companies reached a deal similar to the one Nutrichem had attempted with CCAB. Nutrichem invested 200 million USD for preferential supply and a 20% share of Albaugh, who in turn used that cash to pay for additional Nutrichem product registrations, particularly in Brazil. The high priority for expansion to Brazil is evident in Albaugh’s restructuring of its South American businesses, injecting 300 million USD into a new Brazilian subsidiary independently of its previous Argentinian-based operations, and making it the world’s 13th largest pesticide trading company (Albaugh 2016). “I visited Brazil in 2013 to see the Albaugh plant there,” the Nutrichem senior executive told me, “it is good, we can use that plant to manufacture our products there too. [Moreover,] with this minority investment we can gain experience and learn from them, especially [overseas] management. Before it was just development and sales, but now we have to deal with marketing [internationally] as well. We go step by step... Maybe after three or five years we can buy another 20 or 40 or even 100 percent of Albaugh, but we go step by step.”⁹²

While Nutrichem was moving into Brazil step by step (and having to retrace some of its steps along the way), ChemChina was pursuing a much more aggressive investment strategy by acquiring controlling stakes in transnational pesticide production and trading companies. Already in 2011, the Chinese central government-owned chemical giant acquired a majority share of the Israeli pesticide conglomerate Makhteshim Agaim, which was then renamed Adama in 2014. With about 2.9 billion in

⁸⁹ Personal interview, São Paulo, August 25, 2015.

⁹⁰ *ibid.*

⁹¹ Documented on the Official Diary of the Union (January 13, 2017, p.6; March 22, 2017, p. 2).

⁹² Personal interview with senior Nutrichem executive, Beijing, April 22, 2015.

sales in 2013, Adama was already at the very top of what I called the second-tier of the pesticide industry, just a notch below DuPont (Table 1). Moreover, Adama had already incorporated the Brazilian pesticide production and trading company Milenia Agrociências since 2001 (which was itself a 1998 merger of two Brazilian companies established during the previous ISI era). ChemChina's acquisition of Adama had a global footprint, and hoisted it the compete neck-to-neck with the "Big Six" from the Global North. To gauge not only the fast pace and large scale of their investments, but also their strategic access to the Brazilian market, note that the subsidiaries ChemChina gained in Brazil through Adama predated Tide's acquisition of Prentiss by three years, and provide more than twice the industrial capacity and number of registrations that Tide obtained in Brazil via Prentiss. But ChemChina was only warming up with its 2011 acquisition of Adama. In part due to growing competition from ChemChina itself and the other Chinese companies that are slowly but surely launching their own transnational operations, a strong push for M&As began to take place among the top-tier of the pesticide industry. Monsanto led the charge in April 2015 with bids to take over Syngenta, which would have combined the world's largest seed biotechnology and pesticide companies, and resulted in control of about 45% and 30% of global seed and pesticide markets respectively. Syngenta refused the take-over, however, and it was possible that anti-trust regulations in the US, Europe, Brazil, and elsewhere could have scuttled the emerging colossus. Then in December 2015, Dow and DuPont announced a merger that could total 130 billion USD once required divestments are undertaken to secure approval from anti-trust regulators. Two months later, ChemChina cinched the deal to acquire Syngenta for about 43 billion USD. Merely seven months later, Bayer was able to reached an agreement for the takeover of Monsanto itself for 66 billion USD. In less than a year, therefore, the "Big Seven" became the "Big Three": Dow-DuPont, Bayer-Monsanto, and ChemChina-Syngenta (BASF remains global leader in the chemical industry, but in the pesticide sector in particular it has now fallen off this new top-tier entirely). The regulatory proceedings for these massive global-level M&As has taken more than a year, but ChemChina's acquisition of Syngenta gives it important advantages: unlike all the previous "Big Six", ChemChina's own business was focused almost exclusively on generic (off-patent) pesticides, so its takeover of Syngenta is the deal that raises fewest restrictions from anti-trust regulations.

Of course, these global-level M&As pertain to far more than the entrance of Chinese agroindustrial capital into Brazilian pesticide (and seed) markets, and in this regard ChemChina's incorporation of Syngenta also grants the latter privileged access to China's own seed and pesticide markets, the third largest after Brazil and the US. Moreover, Syngenta will remain headquartered in Switzerland, operating under the leadership of its existing European executives, and with its global assemblage of locally-rooted managers, transnational trade and finance experts, and strategic assets ranging across multi-million dollar research and pesticide production facilities, to a capillary network of warehouses and distributors who supply seeds and pesticides to farmers all around the world. Since my fieldwork was accomplished before ChemChina's announced takeover of Syngenta, it was only incidental that I traced Syngenta's leading role in driving the expansion of soybean agribusiness in northern Goiás (as described above). At that moment, I thought that would be a narrative of how Chinese agroindustrial capital failed to establish itself in a key new frontier of the soybean agribusiness in which they had most interest, and was outpaced instead by the leading agribusinesses from the Global North. It turned out, however, that it was really a narrative about how Dragon Heads like ChemChina outpaced the Paper Tigers that I was examining, and placed themselves among the leading agribusinesses of the Global North beating them at their own transnational game.

4. Trading and Infrastructure: How COFCO (Noble and Nidera) outmaneuvers all the rest

In 2015, the oligopoly held by the ABCDs over Brazilian soybean exports since the 1990s was broken by Asian trading companies. Not only did the share of Brazilian soybean exports controlled by the leading agribusiness trading companies from the US and Europe fall below 50%, but for the first time since the boom of South American soybean exports to East Asia (centered primarily on the flows from Brazil to China), they were actually surpassed by their Asian competitors: a study of shipping records conducted by Reuters revealed that while the ABCDs accounted for 37% of Brazil's total soybean exports that year, trading companies from Japan and China were responsible for 45% of that trade (Bonato 2016). Leading this group is the Chinese central government-owned agribusiness giant COFCO, but Japanese general trading companies (known as *sogo shosha*) control a larger share collectively. This is a remarkable transformation not only in the Brazilian agribusiness landscape, but in the broader process of global agroindustrial restructuring that began to take place in the aftermath of the food price and financial crisis of 2007-2008. To gauge how drastic this shift has been, remember that until 2010 the ABCDs were absolutely dominant in this market, controlling 85% of soybean exports from Brazil (as well as 80% of credit issued to soybean farmers, 65% of the national fertilizer production, and 50% of Brazilian soybean crush capacity; Wesz Jr. 2016). Chinese companies have been clawing control back from the ABCDs over imports and domestic crush capacity in China during the same period as well (Oliveira and Schneider 2016), and there COFCO's leadership is undisputed. While Paper Tigers that attempted to invest in soy production in Brazil over the past decade became embroiled in a series of misadventures, the Dragon Head COFCO has made a powerful "counterattack" in the Battle of the Beans by fully incorporating two transnational trading companies with important operations in Brazil, Nidera and Noble Agri, which were gaining ground fast especially in soybean and other grain markets. While limitations of time and space preclude me from discussing Noble and Nidera's operations at length, or even to detail COFCO's own operations at home and abroad, in this section I briefly outline the landscape and the manner in which COFCO's senior executives made these important transnational acquisitions, and in turn how new infrastructure investments already underway by Noble and Nidera enable COFCO to outmaneuver other Chinese companies that were attempting to invest not only in soy production but also trade, and place itself strategically in neck-to-neck competition with the new, more multipolar structure of transnational agroindustrial trade giants.

So to begin, it is important to note that by the time COFCO announced the acquisition of Nidera and Noble Agri in early 2014, there was already significant consolidation taking place in the agricultural commodity trading sector, particularly targeting the Brazilian origination of grain and oilseeds (grain and oil, or "G&O" as known in the sector, pertains primarily to soybean and its crushed byproducts—soy meal and vegetable oil—and other main livestock feed and agroindustrial grains, particularly maize and wheat). This was a consequence of the food price and financial crises of 2007-2008, which increased not only Chinese agribusiness interest in investing abroad to secure greater control over the flows and profits from what has been its largest agroindustrial imports by far, but also triggered the entrance of new players, particularly energy and mineral commodity trading companies, the Japanese *sogo shosha*, and financial investors joining them all. After all, as discussed in chapter 4, agricultural commodities were seen as a relatively safe and profitable area for investment with short-term gains and long-term growth prospects. And the recognition among all these players that there was a rush for investments in the sector, including of course the highly visible entrance of Chinese agribusiness investors in an already crowded field, contributed to the formation of a wave of M&As, which in turn increased the pressure on those seeking investments to reach agreements before all good opportunities for investment were lost to competitors.

“The Chinese are late, you know,” the director of logistics at Nidera in Brazil told me, “the Japanese came way ahead.”⁹³ Indeed, most Japanese *sogo shosha* had already been trading in soybeans from Brazil as early as the 1970s, but until this turning point around 2008 they purchased all their soy from Brazilian trading companies or the ABCDs at Brazilian ports, and simply shipped them to Japan and other markets. As Chinese soybean imports skyrocketed during the 2000s, and Chinese agribusinesses began making efforts to invest in Brazil to bypass the ABCDs and their Japanese suppliers, the *sogo shosha* realized they would lose their position in this extremely important market if they did not move into the origination of soybeans within the Brazilian countryside and ports themselves. In the five years between the global food price and financial crisis, and COFCO’s acquisitions of Nidera and Noble Agri (i.e. 2009 to 2014), almost every major Japanese general trading company acquired at least one Brazilian soybean trader or a transnational company with significant soy and other grain origination and exports from Brazil, often with additional large-scale operations for soybean and other agricultural production as well.

Mitsui, for example, acquired Multigrain from its Swiss controllers in 2011, which has not only important soybean origination operations in Brazil, but also an agricultural production subsidiary that owns 120,000 ha of farmland, much of it already under cultivation, including a neighboring farm just north of the Chongqing Grain Group’s own (largely failed) soy plantation in western Bahia. Curiously, Multigrain also owns the warehouse to which the CGG sold the soy harvests they were able to produce. Since 2013, Mitsui even expanded its soy production in Brazil through a joint-venture with the Brazilian farmland management giant SLC Agricola over another 40,000 ha, and established an exclusive non-GMO export project in northeastern Brazil.⁹⁴

Mitsubishi established a subsidiary in Brazil for the origination of soybeans from central and southern Brazil in 2011 as well, and then in 2013 it used this subsidiary to acquire the Brazilian operations of the Argentinian *pool de siembra* Los Grobo, and the Brazilian farmland management company Sollus. Combined, they gave Mitsubishi not only a national-level presence in the Brazilian soybean export market, but also a privileged position in the agricultural frontier of Bahia, Maranhão, and the rest of the northeastern Cerrado region, where they incorporated about 120,000 ha already under cultivation with soy and other crops, and the management of Brazilian experts in the field.⁹⁵

Sojitz launched its acquisition of 43% of the Brazilian soy production and trading company Cantagalo General Grains in 2013, and then completed its total acquisition in 2016. The investment by Sojitz targeted Cantagalo specifically because of the company’s successful bid for one of the four new grain terminals at the port of Itaquí in 2012. The acquisition also gave the Japanese *sogo shosha* access to about 150,000 ha of farmland, mostly in Piauí and Mato Grosso states, but also in Goiás and

⁹³ Personal interview with Rogério Moda, São Paulo, August 25, 2015.

⁹⁴ Multigrain had 17 warehouses for soybean origination in Goiás, Mato Grosso, Bahia, Maranhão, Tocantins, and Minas Gerais states already in 2007, when Mitsui acquired 25% of the company from its Swiss-owned controller, in partnership with the US grain trading company CHS and the Brazilian PMG Trading company. It was Mitsui’s first overseas acquisition after its partnership with CHS in the US (Mitsui 2007). Mitsui then increased its share to 98.1% of Multigrain in 2011, transforming it into a Japanese controlled subsidiary (Mitsui 2011). Although the company does not own its own grain terminal, it rents space in seven ports in Brazil, including an exclusive operation for the export of non-GMO soy in Sergipe (Bonato 2015). Interestingly, Multigrain was already controlled by Mitsui when the Chongqing Grain Group sold their first soybean harvests to them, at a warehouse located in the place that professional agribusiness consultants (rather than local politicians) had encouraged them to place their proposed soybean processing facility. Its own farm neighboring the CCG’s estate in western Bahia specializes in production of non-GMO soybeans, and is operated by its agricultural production subsidiary Agricola Xingu (Mitsui 2014).

⁹⁵ Mitsubishi’s grain trading subsidiary in Brazil was named Agrex do Brasil, and handled about 2 million tons of soy and other grain exports at the time it acquired Ceagro do Brasil from the Los Grobo group, which handled about 1 million tons of soy and other grains per year (Mitsubishi 2013; Pontessojitz 2014).

Minas Gerais, and with the new grain terminal at Itaqui, the company was able to increase its soy exports from about 2 to 4.4 million tons from 2013 to 2015.⁹⁶

Likely the most powerful *sogo shosha* operating in international soybean markets, Marubeni acquired the Terlogs grain terminal in São Francisco do Sul in 2011 (where Sanhe Hopeful joined a Brazilian consortium for the construction of its own TGSC terminal). The next year, Marubeni also moved to acquire a fast-rising US trading company named Gavilon, which in turn had just incorporated the emerging Brazilian grain trader AgriService (that sold its stake in the TGSC to Sanhe Hopeful). At that time, Marubeni was actually the largest soybean supplier to China, with a strategic partnership with Sinograin, the state-owned grain reserve company (that would become merged into COFCO in 2016). In 2010, Marubeni was responsible for about 20% of China's soybean imports, and it kept this position into 2012, when the 10.5 million tons it supplied accounted for 18% of China's total imports, outpacing the ABCDs as well as COFCO and China's other major soybean importers. Its proposed acquisition of Gavilon, therefore, with warehouses and terminals for the origination of soybeans in the US, generated significant concern in China. After a tense process only completed in 2013, Chinese antitrust regulators approved the take-over as long as Marubeni and Gavilon continued selling soy to China as separate companies, without sharing market intelligence. Lamenting that "domestic... bargaining power is weak," China's Ministry of Commerce issued an official statement on Marubeni's acquisition of Gavilon to express the concern that "this concentration of business operators may further weaken the bargaining power of the [Chinese] soybean crushers" (quoted in Blas 2013). Indeed, COFCO had been searching for similar investment opportunities, and even attempted negotiations with Gavilon itself between 2012 and 2013. The COFCO executive who I interviewed cited this case specifically to illustrate how concentrated and competitive the grain and oils market is becoming. "Today when we look around in the world, there are very few opportunities for you to acquire. There are very limited [possible] transactions. There was Gavilon, for example, but Marubeni bought them at an extremely high premium."⁹⁷ Indeed, Marubeni's original offer to buy Gavilon for 3.6 billion USD was already quite high, and once the deal was completed in 2013, it included Gavilon's debt as well and reached an astounding 5.3 billion USD (ibid.). "The Japanese banks give very favorable terms for those overseas acquisitions," explained the COFCO executive, "they are very actively supported by the Japanese government, so they can afford higher premiums."⁹⁸

Only two *sogo shosha* made investments in soy origination in Brazil after COFCO's own entrance into the sector, and both are significantly smaller than the previous ones that moved much faster and more aggressively before COFCO. Toyota, for example, acquired NovaAgri from its Brazilian owners in early 2015. Founded only in 2007, NovaAgri operates eight warehouses in Mato Grosso, Tocantins, Bahia, Minas Gerais, and Maranhão states, where it also participates in a consortium with Cantagalo (Marubeni) with one of the new grain terminals at Itaqui. By the time it was acquired by Toyota, NovaAgri exported slightly over 1 million tons of soy per year (Toyota 2015). Then in January 2017, the Japanese cooperative-based Zen-Noh trading company acquired a 33% stake in the neighboring grain terminal at Itaqui from the joint-venture between the Brazilian soy producing giant Amaggi and the French-based Louis Dreyfus (the D of the ABCDs) (Teixeira and Bonatto 2017).

It is notable that this entire series of Japanese agribusiness investments raised no social or political opposition in Brazil, even while they collectively incorporated not only a substantial share of warehouses and strategic new port terminals, but also over 430,000 ha during the same time that Chinese agribusiness investors like the Chongqing Grain Group were being publicly criticized for

⁹⁶ Sojitz (2013) and Barros (2016).

⁹⁷ Personal interview with senior executive at COFCO International, Hong Kong, March 26, 2015.

⁹⁸ ibid.

pursuing farmland acquisitions of their own. For the sake of comparison, the CGG announced the intention to purchase 200,000 ha but ultimately only obtained 68,620 ha, including its farm in western Bahia and the two others incorporated from the the Zhejiang Fudi agribusiness company. This is most immediately a result of the differences in *modus operandi* between Paper Tigers like the CGG, which sought greenfield (i.e. new) investments relying on local consultants and made high-profile announcements with Brazilian politicians before deals were consolidated, and Japanese *sogo shosha* or Dragon Heads like COFCO that acquired existing agribusinesses and negotiated for them privately, without making politically-oriented announcements before their deals were already well under way. But this difference in *modus operandi* and the Brazilian perceptions of both Japanese and Chinese investors in general are also built upon a much deeper foundation of diverging histories of migration and racialization. As I demonstrated in chapters 2 and 3, the faltering foundations of Brazil-China agroindustrial partnerships since the early 1800s actually paved the way for the establishment of a Japanese diaspora in Brazil during the 20th century, as the racialization of the Japanese as trustworthy model minorities was produced in dialectical contrast with the the Chinese, producing thereby the Cold War and current “yellow peril” discourse that the Chinese cannot be trusted as investors or even as business partners because they have underlying “political interests” in occupying Brazil and seizing its natural resources.

But Japanese general trading companies are not the only newcomers against which COFCO and other Chinese agribusinesses had to compete for access to Brazilian soybean origination and other agroindustrial commodity markets. There are other important trading companies emerging from Brazil and East Asia that want to stay or grow on their own in these markets. In Brazil, for example, we saw above how major cooperatives and trading companies with presence in the domestic market (like COMIGO and Caramuru) were approached by Chinese investors, but refused to sell out or even engage in joint ventures. In East Asia as well, the Singapore-based agribusiness trading company Wilmar has grown strong throughout the region, even within China itself. “But they don’t want to sell,” told me the COFCO executive, “we have approached them. But Mr. Han⁹⁹ has been very determined not to leave this market.”¹⁰⁰ On the other hand, the COFCO executive also doesn’t see Wilmar as a serious competitor in their global operations. In accessing Brazilian markets, for example, it was energy and mineral commodity trading companies moving strongly into agribusiness trading that most concerned COFCO.

An important example is Glencore, an Anglo-Swiss giant that consolidated its position in agricultural commodities with the 2012 acquisition of Viterra, Canada’s largest grain trading company (Reguly 2017). The same year, Glencore also successfully acquired one of the four new grain terminals at Itaquí in Brazil, consolidating its position as a soybean exporter in Brazil after previously acquiring a soybean crushing facility in Paraná and several warehouses in Mato Grosso state. More recently, as the sugarcane/ethanol sector’s crisis has extended in Brazil since 2008, projected expansion gave way to intense consolidation and “foreignization” of the sector (cf. chapter 4). Glencore has been among the leading energy and mineral trading companies acquiring mills and their associated sugarcane plantations. Interest in ethanol in particular also attracts energy giants like BP, which outbid COFCO itself for acquisition of the major Brazilian sugarcane/ethanol conglomerate CNAA in 2011. “What is difficult for agricultural players is that we cannot offer as high a price as energy companies, because in energy the margin is much bigger than in agriculture,” the senior executive who I interviewed at COFCO explained¹⁰¹, answering my question about how they were outbid by BP in what would have been COFCO’s first major investment in Brazil. “The offer they made for CNAA was an irrational

⁹⁹ Pseudonym.

¹⁰⁰ Personal interview with senior executive at COFCO International, Hong Kong, March 26, 2015.

¹⁰¹ *ibid.*

price [for agricultural trading companies], that's why among the new players we are more at a disadvantage, and so we lost [the bid for] CNAA. But we don't have any regrets."¹⁰² Indeed, later that year COFCO acquired Tully Sugar, and it fit COFCO's needs much more clearly than CNAA would. While in Brazil the sector was considered overvalued and overextended due to its heavy emphasis in ethanol production, even while biofuel prices tanked and remained low after 2008, Tully in Australia is much more specifically devoted to sugar exports itself. "Tully is the largest and single best player in the Australian [sugar] market. The production cost is lower than in Brazil, even for sugar, and Australian agriculture as a whole is much better [than Brazil] in terms of legal environment, infrastructure, and currency. We bring our own currency [to undertake Tully's sugar exports], and all these things affect [positively] the sugar assets price," the COFCO executive told me¹⁰³, explaining also why their sugar import business does not suffer much from the losses their Brazilian sugar assets have been facing with Noble Agri. "Perhaps we will sell them, it will depend on the decision of the team in Brazil. Now it is the bottom of the [sugar] market, so we will see."¹⁰⁴

The Noble Group, which sold its agribusiness trading arm to COFCO in early 2016, was itself an energy and mineral commodity trading company entering the agribusiness sector in recent years. It was founded in 1987 in Hong Kong by Anglo-European energy and mineral commodity traders and investors, and subsequently listed in the Singapore stock exchange. It began moving into agribusiness trading, particularly grain and oils, with its acquisition of strategic infrastructure in Brazil and Argentina since 2008, and after 2010 it also acquired four sugarcane mills and their associated 120,000 ha of sugar plantations. Noble's sugarcane business, however, like much of the sector in Brazil, was operating at a significant loss, which dragged down the overall profitability of the company's agribusiness operations. Still, Noble was well positioned and growing strongly in soybean and other grains. Its most strategic assets included a lot in the Brazilian port of Santos (acquired from the Brazilian trading company Coimex, which made the sale after failed negotiations for the acquisition of the company's agribusiness trading operations by Chinatex, cf. chapter 3) where Noble built a terminal for soybean exports. Noble also built a soybean processing facility from the ground up in Rondonópolis, Mato Grosso state, as well as multiple warehouses elsewhere in that state and in Paraná. From COFCO's perspective, then, Noble's agribusiness trading operations were at a particularly good moment for acquisition. The company had strong positions in soybeans and other grains, which were COFCO's main targets for acquisition in Brazil (and Argentina), and its problematic sugar operations cheapened the acquisition, but would not negatively affect COFCO's own global strategy for sugar imports, given its successful acquisition of Tully in Australia three years before.

COFCO's acquisition of Noble illustrates the advantages the Dragon Head has over other Chinese companies, even those seeking similar investments in agroindustrial trade infrastructure in this extremely competitive moment of global M&As. After all, as a central government-owned enterprise, COFCO was able to draw not only on significant financial assets, but also the interlocking interests of China's state-owned financial institutions and the strategic information they can generate. The process began in 2009, when the Chinese sovereign wealth fund (China Investment Corporation) acquired 14.9% of the Noble Group (CIC 2009), making it the second largest shareholder after its founder (who held 21% of the company). The CIC thus obtained a seat on Noble's board of executives, taken by the chairman of the State-owned Assets Supervision and Administration Commission (SASAC), and welcomed the expansion of the group into agribusiness trade and infrastructure, above all in Brazil. After 2013, when the Xi Jinping administration indicated that import quotas and tariffs on maize imports would be gradually loosened, COFCO's senior executives

¹⁰² *ibid.*

¹⁰³ *ibid.*

¹⁰⁴ *ibid.*

intensified efforts to secure acquisitions that could enable them to originate both soybeans and maize from Brazil and Argentina (since the US market was considered largely closed by the ABCDs, and the few investment opportunities there at the time like Gavilon were lost to Marubeni and other competitors). According to the senior executive I interviewed at COFCO, their negotiations for the acquisition of Noble started in October 2013, when “the CIC came and said to us, if you are interested [in Noble’s agribusiness operations], then we can come sit down to talk to you about this joint-venture potential.” COFCO had just received an offer from Nidera through an investment bank they hired to seek possible buyers the month before, and it pursued those negotiations simultaneously through private investment banks. “But Noble was part of the CIC’s strategic investment match” and COFCO executives agreed to move ahead with the CIC’s negotiations for acquisition of Noble’s agribusiness arm.¹⁰⁵

The COFCO executive who I interviewed did not speak do this, but COFCO’s acquisition of Noble surely benefitted from privileged information about Noble channeled through SASAC. In particular, COFCO was likely able to learn that Noble was becoming significantly overleveraged in its mining assets and operations in Australia by late 2013, 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 with 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 then exited the remaining and increasingly troubled energy and mining operations of the Noble Group entirely in 2014. That was just before Noble’s financial manipulations and accounting frauds were exposed in early 2015, a scandal that 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). In other words, the interlocking interests between COFCO and the CIC through SASAC enabled not only the identification and negotiation of COFCO’s original investment in 51% of Noble’s agribusiness arm, but also a broader strategy through which COFCO was able to incorporate the entirety of Noble’s agribusiness operations at significant discount.

COFCO’s acquisition of Noble Agri was facilitated not only by the CIC and strategic information channeled through SASAC, but also by a broader set of financial relationships across the very top of China’s capitalist networks. The key financial backers of the take-over were organized by Hopu Jinghua (Beijing) Investment Consultancy Company Ltd. (hereafter Hopu), a major private equity and venture capital firm founded in 2007 by the leading Chinese operatives of Goldman Sachs in Asia. “Hopu became our strategic partner when we made the investment in Mengniu, our largest dairy player [in China], and also our subsidiary,” the COFCO executive related about the investment that was first made in 2008, then raised to an even larger share and control in 2012.¹⁰⁶ “Hopu was our co-investor in Mengniu, and that cooperation was a very big success. Since then Hopu is very close to us. They have Goldman Sachs background, you know, and a lot of access to different international market top players, just like the IFC,” which also was invited by Hopu to participate in COFCO’s takeover of Noble Agri.¹⁰⁷ Indeed, Hopu was entirely responsible for assembling three more important financial investors to join them in a joint-venture for the take-over, which ultimately was divided 60%

¹⁰⁵ *ibid.*

¹⁰⁶ *ibid.*

¹⁰⁷ *ibid.*

to COFCO, 19% to Hopu (itself backed by another handful of transnational financiers), 9% for the Singaporean sovereign-wealth fund Temasec, and 3% for the Anglo-Hong Konger financial giant Standard Chartered (well, its subsidiary in Mauritius). In merely two months after the CIC first brought COFCO the offer to take over Noble Agri, “Hopu came with the four of them to talk with me about future cooperation, it was just before we have the [Lunar] New Year,”¹⁰⁸ that is, just before February 19, 2015. The very next month, the agreement was signed and COFCO announced its acquisition of 51% of Noble Agri in joint-venture with the Hopu-led consortium. “COFCO is also a Fortune 500 company,” the senior executive explained their financial capacity, “and it is facilitated by our strong relations with banks, since we can help them lower financing costs.”¹⁰⁹

As mentioned above, it was an investment bank hired by Nidera’s headquarters in the Netherlands that sought out COFCO with the offer for investment. Nidera was founded in 1920 to participate in agricultural trade at the port of Rotterdam, into which it would import grains and other agricultural products from the (East) Indies, Deutschland (Germany), England, Russia, and Argentina, hence its name as an acronym for its original bases of operation. With the South American soy boom of the last quarter of the 20th century, Nidera’s Argentinian exports to the Netherlands became predominant, and in the 1990s the company’s maize and soy seed business was Monsanto’s strategic partner for the development and commercialization of glyphosate-resistant soy seeds, the first transgenic variety that radically altered soybean production systems in the Americas (Oliveira and Hecht 2016; Craviotti 2016). It remained a family-owned company in the Netherlands, even while it delegated full administrative autonomy to its transnational subsidiaries. In the late 2000s, Nidera’s seed business was already making sales to Brazil, and the company decided to also establish its own trading operations in Brazil. To do so, it acquired a freshly minted trading company owned by Brandon Crozier and Thaigo*.

Brandon Crozier was the executive who had just established the US giant ADM’s operations in Brazil, where he met his Brazilian business partner, and together they assembled a team of Brazilian executives, commodity traders, and seed production and commercialization experts to grow their business with the financial backing from their incorporation by Nidera. Starting from their cocoa and oils company in Bahia state, Nidera quickly began leasing space in public port terminals and building warehouses for the origination of soy and maize in Paraná and Mato Grosso states, where it soon built warehouses and added origination of cotton as well. Running primarily with this “asset-light” strategy, Nidera was able to expand fast and make strategic new infrastructure investments where they saw “gaps and opportunities.”¹¹⁰ As their director of logistics explained, “we are investing in the south [i.e. in Rio Grande do Sul] because there are lots of cooperatives and local traders going into judicial recuperation, and an area of expansion to the south [of the state, where Zhejiang Fudi bought its first farm] where we can capture the market, and we are investing in the north of Mato Grosso because that is where we can drain out the soy through our new terminals on the Tapajós.”¹¹¹ These ports and waterways in the Amazon basin were indeed the most strategic areas of expansion not only for Nidera, but also for Noble and all the other big players and new entrants, as illustrated by the only other large-scale alternative port investments in the north of Brazil at Itaquí.

Until the time COFCO acquired both Noble Agri and Nidera in early 2014, Cargill had pioneered soy exports from the Amazonian heartland of Santarém, but without sustained expansion of soy production in the Amazonian valley itself due to intense social resistance, Cargill had to truck soy from northern Mato Grosso state about 1,500 kilometers through the unpaved BR-163 highway.

¹⁰⁸ *ibid.*

¹⁰⁹ *ibid.*

¹¹⁰ Personal interview with Brandon Crozier, CEO of Nidera Brazil, São Paulo, May 29, 2014.

¹¹¹ Personal interview with Rogério Moda, São Paulo, August 25, 2015.

Then Amaggi established a terminal further west in the Amazonian basin at the Madeira river, from which it would ship barges down past Santarém to the port of Barcarena at the mouth of the Amazon. There, it established a partnership with Bunge for the use of its terminal, and Bunge in turn pioneered construction of a new fluvial port in the town of Miritituba on the Tapajós river, halfway between the soy frontier in northern Mato Grosso and Santarém. At half the distance by road from Mato Grosso to either Amaggi or Cargill's ports, and basically equal prices on the waterway to the Amazon delta, the location where Bunge established itself quickly proved more advantageous and became a hub for new port investments. At that moment, the director of logistics who led Cargill's pioneerism in the region was working for Noble, and the remainder of that team had left to launch their own port infrastructure construction and fluvial navigation company, named Hidrovias do Brasil S.A. (Brazil Waterways S.A., hereafter HBSA). The HBSA was already operating in partnership with Nidera in shipping soy on HBSA barges on the Plata basin, and so when the HBSA offered a project for two new ports interlinked by waterway operations between Miritituba and Barcarena, both Noble and Nidera jumped on the opportunity. It speaks to the power of COFCO's strategic investment capacity that it learned about the intended participation of both Nidera and Noble in the HBSA project in northern Brazil before any of the three companies in Brazil knew that COFCO was considering acquiring both companies and their contracts with HBSA. "I thought I would be getting two different clients, so there could be a power balance with my company," lamented the president and CEO of HBSA, "but just as we are signing the contracts, they announce both Noble and Nidera are getting incorporated by COFCO."¹¹² So you end up basically like a subsidiary of COFCO as well, I asked, and he sighed "exactly. That's why we brought a third company."¹¹³ Mitsui was then invited to take a smaller stake in the HBSA port projects in the Amazon, but the bulk of the operations will still go to the newly acquired COFCO subsidiaries.

The unexpectedly joint investments by Noble Agri and Nidera on the HBSA projects were the final proof COFCO executives needed to be sure of their acquisitions, which they were able to complete simultaneously in just less than six months, and for a total of 2.2 billion USD (for the first moment of acquisition, in which COFCO only took 51% control of both companies). This is remarkably fast, and it was only possible not only because of COFCO's powerful financial basis and backing, but also because of its managerial relations. In the words of a senior COFCO executive:

I am very glad, honored, and proud to work with this company. I think COFCO has a very different structure, a very flat reporting structure. That is why the decision [to acquire Nidera and Noble Agri] can come very quickly. The head of the M&A department reports directly to chairman Frank Ning. Even though there are several peers above, no problem, they can answer email anytime. A lot of SOEs have a very big bureaucracy [as indeed was my observation of the CGG and Beidahuang]. But we don't like bureaucracy at all, and our boss is very open minded, you can ask directly any issue that you think is necessary. Everything is very horizontal, especially for M&A, Patrick [Yu] and Frank [Ning] are very personally involved, email everyday. We like a very simple structure, so everything can be made quick.¹¹⁴

This "horizontal" in corporate management also translated into placing great trust in delegating all management of transnational subsidiaries to its local executives. Moreover, these executives at COFCO's headquarters and throughout the Noble Agri and Nidera subsidiaries around the world all spoke fluent English, and shared similar educational backgrounds in the top management,

¹¹² Personal interview, São Paulo, May 15, 2015.

¹¹³ *ibid.*

¹¹⁴ Personal interview with senior executive at COFCO International, Hong Kong, March 26, 2015.

economics, and law programs in Europe and the US, and career experiences working in the ABCDs or their rising competitors. As my interviewee explained¹¹⁵, “We are a very international company here” at COFCO International in Hong Kong, and at their headquarters in Beijing. “So there aren’t any kind of barriers in our daily operation and communication” with the transnational subsidiaries under Noble Agri and Nidera.¹¹⁶ When I asked about COFCO International’s strategies for expansion in Brazil, the senior executive explained, in perfect English I might add:

For the strategy in Brazil, we can fully leave it in the hands of Brandon’s [Crozier] team [at Nidera], both our Brazilian teams are very strong. So they can make their decisions, all we do is we look at their proposals and approve or not at the board level... For frontline operations we fully rely on our teams, because I don’t think there is a way to distinguish between the employees of COFCO and Nidera today, they are all COFCO employees. There are the COFCO teams in São Paulo, in Argentina, and they are all our employees. We rely on them, we trust them. If we didn’t trust them, we would move them [the contract with Nidera, however, stipulated that COFCO would not change the company’s management for the first three years]. We cannot say, we will send all Chinese people to the frontline to say this is right or not. I don’t think that makes sense, because the local Brazilian team should know better the market there than us, right? So we only take an indirect role as shareholders. This horizontal way is not just with Frank [Ning], it’s everywhere. We will not put a Chinese manager there in the future, we will still have kind of a foreign sense. But here [at COFCO International in Hong Kong, the subsidiary of the group responsible for integrating Nidera, Noble Agri, and five other smaller transnational acquisitions], we all have the same western background... and we fully respect corporate governance. That is our bottom line.¹¹⁷

When I asked about how they could both encourage the merger between Nidera and Noble Agri’s operations in Brazil and elsewhere to streamline the company, reduce redundancies and cost, and gain benefits from economies of scale and shared market intelligence, and also respect their autonomous management, the COFCO executive’s response was once again an affirmation of their distinct approach to transnationalization that contrasts with the hands-on and sometimes even authoritative, even if poorly informed and inexperienced, managerial approach of many Paper Tigers:

Of course... it would be more efficient, it would be ideal to have just one office in São Paulo and the same team. We just try to push the two in this direction, but we don’t force them to do this. The real trading business asset is the people! We want to make our teams happy. If they think they will be happier independent and they can make more money for us, that’s good. Why force them when we can be very flexible in terms of future structure, as long as both companies are delivering performance? This is our requirement... They are not sharing information at this stage yet, but there is no fierce competition [anymore]. Ultimately, it’s the ABCDs [we compete against], we are still small today, we have to grow bigger, we have to unite [referring to the subsidiaries]. Fank [Ning] and Patrick [Yu], everyone has this same philosophy, even in our headquarters. Because *COFCO is not a Chinese company these days, we are a global company*. We have employees everywhere. They are the same family, [Noble Agri and Nidera] are subsidiaries just like a Chinese mainland subsidiary, same!¹¹⁸

¹¹⁵ *ibid.*

¹¹⁶ *ibid.*

¹¹⁷ *ibid.*

¹¹⁸ *ibid.*, emphasis added

At the main offices of Nidera and Noble Agri in São Paulo, however, the feeling was certainly not the same. Nidera had just completed another warehouse in northern Mato Grosso state and had four more to come into operation in the next year or two, which would supply the HBSA ports and waterway that came into operation in 2016, and the mood in their office was upbeat. At Noble Agri, however, the feeling was much more cautious and concerned. First with the crisis of the Noble Group's energy and mining operations in early 2015, while the group still had a minority share in Noble Agri dampened the subsidiary's impetus for expansion. Then with the full acquisition by COFCO, a new CEO was appointed for the global operations of Noble Agri: Matt Jansen, who had been overseeing ADM's grain and oil trading operations across all South America. Matt Jansen was Brandon Crozier's collaborator before at ADM then, and executives who I spoke to at Noble Agri in São Paulo suggested they "could not see Matt [Jansen] eventually firing Brandon [Crozier from Nidera] to keep someone from Noble instead to run the merger in Brazil."¹¹⁹ Indeed, after COFCO's acquisition of Noble's agribusiness operations, the Brazilian subsidiary began losing its top executives. The first was the director of grains and oil trading Horacio Ackerman, an Argentinian agribusiness executive who became famous in the sector for driving the *pool de siembra* El Tejar's expansion from Argentina into Paraguay, Uruguay, Bolivia, and especially Brazil, reaching not only over one million hectares planted, but also diversifying its operations in grain trading as well. Horacio Ackerman left Noble to become president of the US-based CHS trading company's subsidiary in Brazil. Another high-profile defection was Ricardo Nasciombeni, the logistics director who had become famous in the sector for pioneering the new agroindustrial trading logistics in the Amazonian basin first with Cargill, and then with Noble's participation in the HBSA. He left to run an independent infrastructure investment consortium with US and European financial backers. "They lost their leadership team," so the director of logistics at Nidera concluded "it will be Nidera leading Noble. They have a nice corporate structure, they are also global and strong in Latin America. But who makes money there? They have this management crisis, who is going to take care of that? ... We will have some culture shock [merging with Noble], but we think we are a better team that is more prepared to take control of this new whole."¹²⁰

Yet things did not work out so well for the senior Nidera executives in Brazil. In 2016 it was revealed a "rogue trader" had caused over one hundred million dollars in losses in biofuel operations, and the company had been overleveraging itself through aggressive "mark-to-market" accounting, much the same way the Noble Group had done with its mining assets in previous years. Matt Jensen left the direction of Noble Agri, and a long-time COFCO executive, "Johnny" Chi, assumed control of the renamed COFCO Agri. And soon after the three-year period in which Nidera would not have its management restructured by COFCO elapsed, the top three executives at Nidera in Brazil resigned, and the replacements brought from within the company itself and other competitors in Brazil were then merged along with COFCO Agri (that had been Noble) into COFCO International. This merger was triggered by the reshuffling in Nidera in Brazil, but encompassed the global operations of both companies, thus completing their integration into COFCO under the direction of COFCO's own Johnny Chi (Saul and Mano 2017).

Despite troubled sugar assets and the losses in profits and personnel, this new assemblage of agribusiness professionals and their trade infrastructure, seed research and development operations, processing facilities, and financial instruments under COFCO's leadership will continue to consolidate its position as a Dragon Head investor in Brazil and other regions where they see space to bypass the oligopoly of the ABCDs, such as Argentina and the Black Sea region. The COFCO senior executive's

¹¹⁹ Personal interview with senior Nidera Brazil executive, São Paulo, 2015.

¹²⁰ Personal interview with Rogério Moda, São Paulo, August 25, 2015.

account of their rationale was underpinned by the same neo-Malthusian and productivist analysis of leaders of Paper Tigers like the CGG and Zhejiang Fui, that “China doesn’t have enough land and water resources,” but the appropriate strategy to address this concern was very distinct:

As COFCO, we are definitely not going to be investing in that kind of farming area, we will not buy land, because it is really very bad. [Remember that COFCO’s chairman was personally accompanying very closely the Chongqing Grain Group’s misadventure in Brazil, and was therefore deeply familiar with the ongoing efforts to make such direct investments in agricultural production.] Although we are a SOE, we are more like a market player, because the food industry is highly competitive. So it’s not because we have any subsidy [sic] or monopoly power, we are more like a blue chip player in the market. So everything we do has to be based on return [on investment]. We are not like the normal SOEs. If you see our senior management at COFCO, everyone speaks very good English, everyone has overseas experience. When we sit on the boards [with transnational financiers, subsidiaries, etc.], we don’t see any kind of difference or divergence. All this background [of our executives] makes us more like a market player. That is why we have less barriers [entering Brazilian markets].¹²¹

Even without detailing Nidera, Noble Agri, and COFCO’s operations in Brazil, this description of how their deals were assembled and how their top-level management is becoming integrated already illustrates the contrast I have outlined between Dragon Heads and Paper Tigers. Note, however, that just because the Dragon Heads have invested more successfully than Paper Tigers from the corporate and Chinese state point of view, that does not mean their operations are without blemish in Brazil and beyond. As major new players entering into the transnational corporate landscape of major agribusiness conglomerates concentrating incredible wealth, power, and resources in increasingly fewer companies and their senior executives, COFCO’s powerful albeit indirect entrance in Brazil has neither represented a new form of South-South cooperation, nor any post-neoliberal development strategy, but simply the incorporation of corporate elites from China and Brazil into the neoliberal world order still dominated by capital from the Global North (cf. Hung 2016; Starrs 2016). In my future projects, deepening and expanding the examination of COFCO’s and other Chinese investments in Brazilian agribusiness infrastructure (about which I already have a substantial amount of material that could not be incorporated into this dissertation due to limitations of time and space), I demonstrate how the company’s strategic investments in the ports and waterway in the Amazon basin, the Babitonga bay in southeastern Brazil (where the TGB, TGSC, and São Francisco do Sul ports are located), and the Plata basin are actually proceeding at substantial social-ecological cost. And these costs are externalized and socio-ecological resistance is overcome precisely because the Chinese investors trust and rely upon the both transnationally-connected but locally-rooted managers who are more experienced and competent in navigating Brazilian bureaucracy, market conditions, and socio-ecological resistance to agribusiness expansion.

Ultimately, it is by reproducing and becoming integrated with the existing neoliberal practices of transnational agribusiness, and propelling a few corporate elites and agribusiness professionals from China and Brazil in class and transnational ascendance, that Dragon Heads like COFCO successfully establish themselves in Brazil. They are powerfully backed by a broader political strategy of the Chinese central government, but since they pursue global-level M&As, they also entirely bypass the Brazilian (and other) government’s specific attempts to boost, broker, and even direct Chinese agribusiness investments. Very abstractly, the expansion of COFCO in Brazil through its acquisitions of Noble Agri and Nidera does reflect the broadest terms of the Brazilian federal government’s interest

¹²¹ Personal interview with senior executive at COFCO International, Hong Kong, March 26, 2015.

in having Chinese capital contribute primarily to infrastructure construction, rather than farmland and agricultural production. But how the construction of new warehouses, ports, and perhaps in the future even railroads may play out with this new influx of Chinese, Japanese, and other international capital is entirely beyond their control. On the other hand, it is absolute priority for COFCO and its competitors. When I asked the senior executive at COFCO about how important its new Brazilian teams and operations are for their global strategy, they replied without any hesitation and much emphasis: “They are the most important!”¹²²

Their existing and new ports in particular are highly prized for enabling COFCO to continue outmaneuvering other Chinese agribusinesses like Chinatex and Sinograin (which were ultimately incorporated as subsidiaries of COFCO itself in 2016), Beidahuang-Jiusan and the Chongqing Grain Group (which also considered but failed to gain a foothold in Itaquí or other Brazilian ports), and Sanhe Hopeful (whose smaller share in the smaller TGSC terminal is belated and outpaced by COFCO-Nidera’s own competing TGB project). Thus it was not surprising that when premier Li Keqiang and vice-premier Wang Yang visited Brazil in May 2015, it was to the neighboring Nidera and Noble Agri port terminals in Santos that Frank Ning Gaoning and the other COFCO executives took the government delegation. A particularly poignant moment in this visit, as related to me by a senior executive from one of the subsidiaries acquired by COFCO, was when “after the delegation went through the terminals, greeted people, took pictures and all that, a more select group of us was taken on a boat tour of the port and its harbor, and I thought it was crazy, they pulled me by the arm and asked point blank: ‘Now, point to us where are the terminals of the ABCDs.’ They wanted to know specifically like that. And then they were saying, ‘We have more money, we didn’t even start with our money, and these ABCDs are fucked with us.’” Indeed, with its domestic consolidation and strategic acquisitions of Noble Agri and Nidera, I estimate COFCO is now controlling over 10 million tons of soy exports from Brazil, and holding to strong positions in other commodities and production chains, putting them individually at a similar scale with the ABCDs in Brazil, and leader of the Asian trading companies that have displaced the oligopoly from the Global North.

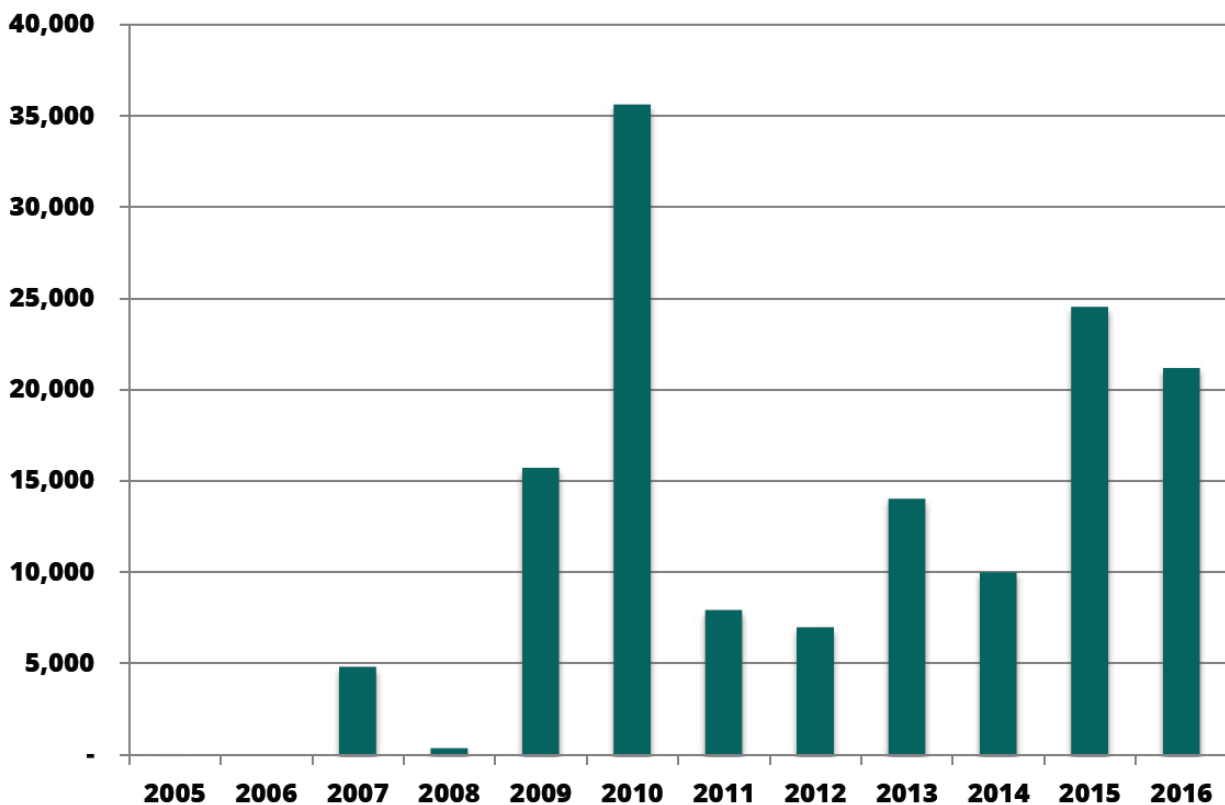
5. Chinese Finance for Brazilian Agribusiness: Early signs of a new era?

Since Dragon Heads outpace and outmaneuver Paper Tigers through the conjunction of their more transnationally-experienced senior executives’ decisions and capacities to delegate operations to locally-rooted managers who are more competent than new entrants, and the more effective political and financial backing from both Chinese and transnational banks, the sector in which we might ultimately expect the most straightforward advancement of Chinese Dragon Heads into Brazilian agribusiness would be finance itself. However, the Chinese financial sector’s role in Brazilian agribusiness reflects a microcosm of the general history and dynamics of recent Chinese agroindustrial investments in Brazil. Large-scale and high-profile announcements by state-owned policy banks, particularly the China Development Bank, were central to the construction of both sinomania and sinophobia in the past decade, but they largely failed to materialize in any significant investments in Brazilian agribusiness. On the other hand, the leading Chinese commercial banks have made far more quiet entrances into Brazil, targeting especially finance for agribusiness production and exports. Banks that set up their own subsidiaries have gained a small foothold in Brazilian financial landscapes, while those that acquired medium Brazilian banks outright have been able to enter more quickly and powerfully in the sector. Still, all their operations remain relatively small when compared to the disproportionate power of a few major Brazilian banks and the continuing dominant presence of

¹²² *ibid.*

capital from the Global North in multiple financial forms. Therefore, if the entrance of Chinese financial firms with a strong focus in agribusiness finance in Brazil are the early steps of future Dragon Heads, particularly through the synergies between these banks, the financialization of major agribusinesses incorporated by COFCO, the China National Tobacco Company, and other Dragon Heads, and long-term shifts in currency exchanges and reserves, it could be possible that we are witnessing the early signs of a new era for Brazil-China agroindustrial partnerships, commercial relations, and agribusiness finance – an era in which Chinese capital and corporations might converge with the declining financial and corporate power of the Global North.

Figure 3. Chinese policy-bank finance to Latin America by year, 2005 – 2016 (million USD)



Source: Gallagher and Myers 2016

Before describing where these new synergies and possible structural transformations are taking place through Chinese finance for the Brazilian countryside, I will first dismiss the common assumption that large-scale loans by China’s policy banks are the main instrument of this transformation. 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 (Figure 3). Their total loan commitments undertaken between 2005 and 2016 reached a total of 141 billion USD, 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 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). 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 also raised expectations similar loans for agribusiness investments would be under way. Indeed, 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),¹²³ and although some of these platforms mention agriculture, agroindustries, and related infrastructure sectors eligible for this financial support, it does not seem any agribusiness projects in Brazil have tapped into these resources yet. 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 (S. Romero 2015). This sense was so strong among China Development Bank (CDB) officials responsible for the Brazil portfolio that they were rejecting my request for an interview about finance for agribusiness projects in Brazil, until I remarked and underscored the fact that I am *also* interested in agribusiness-related *infrastructure* like deep-water and fluvial ports and railroads.

Still, there were indeed announcements that the 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 (CGG) and in Goiás with the Sanhe Hopeful Grain and Oil Company, but those negotiations ultimately fell through, as I explained in chapter 6. Ultimately, all capital used by the CGG and Sanhe Hopeful in their investments in Brazil (the main cases associated in the news with possible loans by the CDB) were actually from the companies' own agroindustrial operations. There was also an announcement in 2015 of a 1.2 billion loan for the Chinese citric acid giant BBKA Group (discussed in chapter 5). However, only about 300 million (not all of which provided by the CDB) are associated with 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 BBKA Group's operations in Brazil. The only additional case I identified that drew upon funds from China's policy banks, the palm oil project of the Shandong Guanfeng in Pará, also had its operations paralyzed before any substantial disbursements were accumulated, and it is unclear how long the project will be sustained (as discussed in chapter 6). It is safe to say, therefore, that the policy banks 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, 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).

¹²³ 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).

Private equity funds as well, with the exception of Hopu's participation in COFCO's takeover of Noble Agri, and the Shanghai Pengxin's acquisition of the regional grain trading company Fiagril, were largely overstated in the sinomania of Brazil-China boosters and the sinophobia of those who surmised they would be the preferred vehicle for large-scale farmland acquisitions (Acioly, Pinto, and Cintra 2010; Faleiros et al. 2014). As I showed in chapter 4, the only two cases of such investments that I identified were CalyxAgro and Agrifirma, both Hong Kong-based funds that joined incipient efforts at large-scale agribusiness ventures in Brazil, and then stalled after 2010. Moreover, what these two cases illustrate is not the strong presence of Chinese private equity funds in Brazilian agribusiness, but only 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, but turned out to be mere Paper Tigers. Of course, it is possible that Chinese capital has flown through complex series of private equity and holding companies with participation in minority shares of some of these new agribusiness production and farmland management companies in Brazil (cf. Oliveira and Hecht 2016), but those remain unverified and certainly do not support the alarmist accounts that have circulated in journalistic and academic discourse (e.g. Acioly, Pinto, and Cintra 2010; Faleiros et al. 2014).

While multi-billion dollar loans by policy banks capture most headlines, as the CDB and *also* the National Bank for Economic and Social Development (BNDES) from Brazil have surpassed the World Bank to become the world's largest development banks, it is primarily through commercial banks that Chinese finance is flowing into the Brazilian countryside. 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 the largest or 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 2009.¹²⁴ 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 a hundred small- to medium-scale institutions conducting regional and/or specialized operations.¹²⁵ Moreover, it is noteworthy that several financial institutions from the Global North that entered Brazilian markets with full-force during the period of neoliberal reforms (1994–2002) reversed gear thereafter, and the period from 2003 to 2008 was marked by the “de-internationalization” of the sector as foreign firms exited and/or became acquired by the largest Brazilian commercial banks (Fachada 2008). So the entrance of Chinese commercial banks in the aftermath of the financial crisis centered in the Global North signifies an important shift in both Brazilian and global geography of finance. Their Brazilian operations are still relatively limited in terms of assets and loans, and some of them faced legal difficulties upon establishment and a greater incidence of non-performing loans in a largely negative investment climate (marred by the ongoing and deep recession into which Brazil has fallen since late 2014). But agribusiness features prominently in their loan portfolios, and they are clearly setting up strategic positions through which they can play an important role in the long-term

¹²⁴ The ABC only held an event there in 2014 as part of its cross-border RMB business promotion campaign (ABC 2014).

¹²⁵ 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, and international banks operating multiple financial markets (Central Bank of Brazil 2015).

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 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 2). 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 3).

Table 2. Bank of China (Brazil) lending by sector, 2015 (thousand BRL)

Sector	Amount	Percentage
Agribusiness¹²⁶	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 ¹²⁷	12,042	3.53
Total	341,503	100

Source: Elaborated by the author from BoC 2015b

¹²⁶ Including agricultural chemicals (7.99%), food and beverage (4.4%).

¹²⁷ Includes rental services (2.59%), utilities (0.68%), and retail (0.26%).

Table 3. 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
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. Although I do not categorize the BoC and ICBC as such, they do share the strategy of establishing independent subsidiaries in Brazil like Paper Tigers have attempted to do, and thus fall behind competitors who pursue alternative strategies through the acquisition of existing companies already operating abroad.

Two other large-scale Chinese commercial banks entered Brazil through this mechanism favored by Dragon Heads – 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 4). 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 4), which are unfortunately not disaggregated in the firm's annual report; and also tobacco, which increased 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 China-Brasil Tabaco, the a Chinese Dragon Head described above, demonstrating 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 4. 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
Agribusiness¹²⁸	1,573,456	16.10	1,073,970	17.27
Manufacturing ¹²⁹	1,566,635	16.03	973,441	15.64
Retail, Wholesale, Vehicle Dealerships	1,395,866	14.29	738,839	11.88
Services ¹³⁰	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
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

¹²⁸ 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.

¹²⁹ Includes steel, iron, machinery, shoes and leather products, automobile and parts, industrial assembly, and others, which may also include unspecified agroindustrial processing.

¹³⁰ Includes passenger and cargo transport, rentals, medical and other professional services, and financial intermediaries.

November, 2016, when the BoCom also received permission from the Brazilian government to expand ownership to 100% (BoCom 2016; Valor 2016b). 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).

Table 5. Banco BBM lending by sector, 2015 and 2016 (thousand BRL)

Sector	2015 loans	%	2016 loans	%
Agribusiness ¹³¹	611,414	39.64	788,094	41.18
Retail	164,149	10.64	188,016	9.82
Services ¹³²	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 ¹³³	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

The BBM has diversified from agribusiness since its origins, but the sector remains by far the most significant among its operations (Table 5). 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

¹³¹ 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.

¹³² Includes financial and other specialized services.

¹³³ 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.

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). As an example of the broader dynamic of (successful) Chinese agribusiness investments in Brazil, such on-lending demonstrates how Chinese capital and capitalists gain ground not by transforming the terrain of corporate-dominated agribusiness and finance, but rather by joining the ranks of an increasingly more transnational elite that is still predominantly rooted in the Global North (cf. Starrs 2014; Hung 2016).

Regardless of their competitive/associative relations with corporations and capital from the Global North, 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.¹³⁴ 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 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

¹³⁴ 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.

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.

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. The last two, incorporated by COFCO, loaned a total of 8.5 million BRL to Camera, demonstrating a meaningful scale of financial operations undertaken by these trading companies. But 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 but also ChemChina's acquisition of Syngenta), they have not yet surpassed capital from the Global North in the trade-finance nexus. In this regard, Cargill's role as a financial actor remains unparalleled. It remains global leader 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).

As shown in the opening section, agribusiness trading has become one of the world's most oligopolistic sectors, characterized by massive transnational operations of vertically integrated conglomerates such as the ABCDs, and the entrance of new major corporations from China, Japan, and the energy and mineral commodity trading sector. Consequently, agribusiness 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; Isaakson 2014; Clapp 2015; Salerno 2017). As I also showed in the example of COFCO's acquisition of Noble's agribusiness arm above, the interlocking of Chinese agribusiness Dragon Heads 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. If these become seeds also for a broader and gradual shift in reserve currencies towards the renminbi, we may be witnessing the early signs of a new era for agribusiness finance across China, Brazil, and the rest of the world. Until very recently, therefore, critical social sciences could challenge the sinomania/sinophobia over the "China boom" (Hung 2016) by exposing the "chimera of global convergence" (Starrs 2014) in the fact that corporations from the Global North (and from the US above all) continue to dominate most sectors of the global economy. With the emergence of Chinese Dragon Head enterprises as major players in transnational agroindustrial networks, particularly with the assemblage of Chinese capital with Brazilian agribusiness, and the medium- to

long-term possibilities that Chinese finance might restructure reserve currencies and trade relations with its major agroindustrial partners like Brazil (Oliveira 2016a), it is possible that we may indeed be witnessing the convergence of Chinese agribusiness corporations and emerging transnational elites with the relative decline of their peers from the US and the rest of the Global North.

6. Challenges and chimeras of global convergence

Does the emergence of Dragon Head enterprises from China, particularly through their effective entrance into the large, growing, and crucial Brazilian agribusiness sector, illustrate the “global convergence” of state/corporate power from China and the Global North (Starrs 2014)? Does the “rise of China”, exemplified in transnational agribusiness investments in Brazil, mount “an ultimate challenge to Western domination” (Hung 2016: 2)? Against the “sinonamia” that has gripped the imaginary of many across Brazil and the Anglophone world (Anderson 2010), scholars like Sean Starrs and Ho-fung Hung have been correct to carefully dismantle the most speculative and hyperbolic conclusions advanced in this debate. Starrs (2014) called the idea of global convergence a mere “chimera”, and Hung (2016) subtitled his book explicitly “why China will not rule the world” – and both of them rely on political economic data that shows how corporations from the Global North (and above all from the US) continue to be dominant over the global capitalist economy. In fact, their corporate power may have increased even as it may have become gradually delinked from the US state and its own hegemony in the inter-state system. The massive industrial boom in China, and the parallel agroindustrial boom in Brazil, may represent a drastic shift of production and processing away from the Global North and towards these emerging economies (cf. Oliveira and Schneider 2016), but until very recently that illustrated more the power of agribusinesses from the Global North to make gains in these new hubs of transnational agribusiness, than an effective challenge to their dominance by agribusinesses and agribusiness professionals from China and Brazil. It is for this reason that, until recently, these arguments by Starrs and Hung were somewhat reinforced by other social scientists who criticized the idea that “China” is “taking over” natural resources and markets around the world, especially Africa, at the expense of the Global North and to the detriment of the Global South (Moyo 2010; Brautigam 2011, 2015; Myers and Wise 2012). Calling out the “China as land grabber” discourse for relying on “zombie deals” (Brautigam 2015; Guo and Myers 2017) is the most pertinent expression of this position regarding agribusiness in general and Chinese investments in Brazil in particular. Nevertheless, the formidable entrance of Dragon Head enterprises into transnational agroindustrial assemblages since 2014 does begin to challenge the hegemony of agribusiness corporations from the Global North – it does begin to demonstrate a certain “global convergence” – and thus it requires an even more nuanced discussion of the “rise of China” in transnational agroindustrial assemblages.

By discerning Chinese agribusiness investments in Brazil as undertaken by both Dragon Heads and Paper Tigers, we can account for this ambiguous multiplicity of failed investments and major deals. On the one hand, the misadventures of Paper Tigers certainly do illustrate that major land grabs were indeed sought, even though they were not directed by a coherent and centralized directive “from Beijing”. On the other hand, their widespread failure and afterlives as “zombie deals” also expose how sinophobic this discourse about Chinese land grab has been, justifying as well the arguments that China “will not rule the world” anytime soon (for better or for worse). The effective operations of Dragon Heads in turn demonstrate another ambiguity. While their recent strides do chip away at the dismissal of “global convergence” by scholars like Starrs and Hung, they also reinforce what might be their more sound argument: namely, that “the China is rising as a major, competitive capitalist power implicated in the world market that is no different from other capitalist powers such as the United States, Japan, and Germany” (Hung 2016: 5). The question that we must investigate further, therefore,

is not simply whether the “rise of China” discourse can be backed by the effective incorporation of Chinese corporations and elites. The successful entrance of the Dragon Head enterprises into Brazilian agribusiness shows clearly that they can indeed be so incorporated. What requires further attention is the manner this incorporation challenges or not the hegemony of actors from the Global North, and opens possibilities for transformative intervention by non-elite actors from China, Brazil, and beyond.

So far, the evidence examined across both Dragon Heads and Paper Tigers points to a dismal conclusion, also expressed by Hung: “The China boom has been dependent on the global neoliberal order, which is based on expanding, unfettered transnational flow of goods and capital, and it is in China’s (sic) vested interest to maintain the status quo, though China (sic) might seek to change the balance of power within this arrangement” (ibid.). Unlike Hung, however, I wish to underscore the multiple, contradictory, and indeterminate nature of “China’s” interests. In particular, exposing the interests of an emerging transnational capitalist class from Brazil-China agroindustrial partnerships (and Chinese agroindustrial takeovers worldwide) in outright conflict with the more egalitarian discourses of “national development” and “South-South cooperation” will enable a critique that neither overstates the rising power of Chinese agroindustrial corporations as “neo-colonial” or “imperialist” (Yan and Sautman 2010; Brautigam 2011, 2015), nor as the harbinger of “the demise of the capitalist world economy” (Li 2008). Moreover, such critique must tackle explicitly and directly the assumption that the “rise of China” as a new set of elites in a transnational capitalist class may be celebrated for its positive development for workers, peasants, and other non-elite actors across Brazil, China, and beyond (*pave* Moyo 2012; Quaresma 2012; Tang 2013). It is to this critique that I now turn in the next, concluding chapter of this dissertation.

Chapter 8

**Panela velha é que faz comida boa / 民以食為天
(It's old pots that cook good food / To the people, food is heaven)**

1. The South-South Question

The intensification of commercial and political relations between Brazil and China, particularly the boom in Brazilian agroindustrial exports since the 2000s and the wave of Chinese investments since 2010, has played out far differently than feared or promoted. The main weight of Chinese agroindustrial investment in Brazil has not materialized in the form of neocolonial land grabs, nor has it been a form of post-neoliberal South-South cooperation that disrupts global agroindustrial markets and power relations, which remain largely dominated by the Global North. Instead, what we witness in the most effective and global-scale investments by the leading Chinese agribusiness companies is the emergence of transnational elites among agribusiness professionals from China, Brazil, and elsewhere. In assembling Chinese capital with Brazilian agribusiness, these professionals build the infrastructures, corporate instruments, and social-political connections that propel their own ascendance in class, state, and transnational hierarchies. Successful take-overs of transnational companies from Europe or regional players in Brazil by Chinese Dragon Heads are not fundamentally altering international agroindustrial markets, this process simply incorporates Chinese senior executives and Brazilian corporate managers into their operations. It is not accidental that English predominates in all communications that compose transnational agribusiness partnerships between China and Brazil, that corporate executives from the Global North participate intimately in some of the main negotiations, companies and subsidiaries that were established or incorporated by Chinese capital in Brazil, and that most agribusiness professionals from China and Brazil were trained in the Global North, continue to send their children to study there, and even aspire to live there.

Unsurprisingly, these forms of South-South cooperation also reproduce in turn the same problematic relations of power and production that characterize North-South relations: deepening the exploitation and marginalization of peasants and workers, and intensifying the unsustainable rate of extraction of natural resources and the degradation of the environment, in order to maximize profits and economic growth. In every interview where the conversation lent itself to this discussion, the Brazilian and Chinese agribusiness professionals assembling these investment partnerships might recognize these socio-ecological “challenges” that we face, but justify the need for this intensification through the neo-Malthusian and neoliberal dismissal of any alternatives, and/or the requirements of “national development.” The question about South-South relations becomes then a question of whether or not there are alternative forms of conceiving and addressing the current crisis of food security, sovereignty, and national development across Brazil and China. In this conclusion, I reflect on the preceding material with participant observation of attempts by social movements in Brazil to not only resist agribusiness expansion with Chinese investments, but also establish their own agroindustrial partnerships with Chinese peasants and agribusinesses outside and against the mainstream corporate and state-led partnerships. I argue there are exciting possibilities for more democratic and agroecological forms of cooperation that could guarantee food sovereignty and well-being in both Brazil and China, and their implementation would reflect and contribute to a much deeper transformation in our societies. A transformation that will be required if we are to overcome the aggravation of the multiple crises we face in a way that doesn't simply incorporate new elites into an unjust and unsustainable even if increasingly multipolar world order.

Before turning to these positive but marginalized alternatives, however, I briefly synthesize in the next section how exactly the Brazil-China agroindustrial partnerships that have emerged recently (not unlike the majority of efforts to establish them as early as the first contacts were made between what became “Brazil” and “China” by Portuguese merchants) reproduce socio-ecological harms and injustices that characterize the transnational power and production relations first established by European colonialism and consolidated into the current hegemony of neoliberal capitalism centered in the Global North. After all, whether Chinese agroindustrial investments “succeed” through the take-overs of Dragon Heads or “fail” through the misadventures of Paper Tigers (terms for analysis that reflect on how transnational capital “works” and restructures globally), they have consistently generated ambiguous assemblages of economic benefits for a small group of boosters, brokers, bureaucrats, and businessmen (mostly men), and socio-ecological harms to many workers, peasants, and other communities upon whom the failures or costs of capitalist agribusiness ventures are “externalized”. Then in section three I briefly outline the instance when Brazilian social movements for agrarian reform and food sovereignty actually identified a possibility for cooperation with Chinese agroindustrial investors, the only partnership in which I undertook a direct participant observation of the negotiations for agroindustrial investment. Although the project failed to materialize, it serves as a concrete illustration of how alternative forms of Brazil-China agroindustrial partnerships that could strengthen food sovereignty based upon more agroecological and democratic relations of production. Finally, the last section concludes with a meditation on the insights that can be derived from multiple forms of traditional (and particularly peasant) knowledge from Brazil and China that can orient further transformations of agroindustrial partnerships and South-South cooperation to overcome the multiple crises that continue to intensify through the inclusion of southern elites in capitalist agribusiness.

2. The crisis of food sovereignty and national development

I begin by revisiting the exceptional case of the BBKA Group’s successful direct investment in a greenfield agroindustrial processing facility in southwestern Brazil (discussed in chapter 5). It illustrates the rise of agribusiness professionals from China in collaboration with business partners and bureaucrats in Brazil, who assembled Chinese capital with an Brazilian land and labor for the construction of agroindustrial enterprise that will “add value” to the region’s fast growing maize (and soy) frontier by processing it into citric acid and its byproducts. This contribution to agribusiness in Mato Grosso do Sul state, however, also consolidates the dispossession of indigenous peoples and their marginalization from the socio-economic development associated with the BBKA project. This dispossession is not a “merely historical” fact, but an ongoing process in which indigenous peoples are still seeking the recognition of territories from which they have been displaced in this lifetime, and which includes maize-producing farms in the entire region that will supply the BBKA factory.¹ In the construction of the BBKA factory itself, moreover, the environmental licensing process was pushed through business and bureaucratic elites in a way that marginalized the indigenous community in the municipality from the socio-economic development the project supposedly provides, virtually erasing them from a process that could and should have provided more direct benefits and compensation for the environmental impact of the industry. An environmental impact that is far from negligible, which has been formative to the transnationalization of the citric acid industry in the first place, and that articulates with a much broader set of problems with contamination of people and the environment

¹ I documented this through interviews and field site inspections accompanying indigenous peoples displaced from the municipality of Maracaju itself, and triangulated this information with processes currently under examination at the Federal Public Defendant’s office in the region.

through intense use of toxic agrochemicals. All for what? The vast majority of citric acid used in the world today is used in the production of soda and other sugary drinks. Far from addressing concerns over food security and well being, therefore, the citric acid industry (and the presumed need for its expansion that sustains the BBCA project in Brazil) is actually dependent on the perpetuation and growing consumption of a luxury product that contributes significantly to problems of obesity, diabetes, and other sugar-rich diet associated diseases (Lustig et al. 2012). It is questionable at best whether this “modernization” of agribusiness and diets justifies its negative social and ecological “externalities”, and although “successful”, the BBCA investment in Brazil might ultimately contribute more to the multi-faceted crises intersecting with food production (including its health-related aspects), agribusiness practices predicated on ongoing displacement and marginalization of the most vulnerable, and the ecological sustainability of this entire process.

If even the exceptionally “successful” case of the BBCA Group’s investment in the “technological upgrading” and industrialization of Brazilian agribusinesses raises such concerns, the failures and misadventures of the Paper Tigers described in chapter 6 are even more blatantly problematic. The illegal clearing of regrown Cerrado vegetation at the CGG farm in western Bahia and the labor rights violations by Guanfeng in eastern Pará state are only the most shocking instances of a process of agribusiness expansion that is thoroughly marred by socio-ecological conflicts, regardless of the national identity of the investment capital, board of directors, or managers on the frontlines. The fact several companies that I have identified as Paper Tigers committed some of these investment and administrative “mistakes” certainly exposed them to greater resistance and their legal repercussions, but the “successful” investments discussed in this dissertation are also predicated more on overcoming regulatory barriers and avoiding socio-ecological conflicts, rather than eschewing socio-ecological harms and “externalities” in the first place.

The successful entrance of the Chinese tobacco monopoly into production in Brazil, for example, not only sustains the growing consumption of a carcinogenic and addictive product, but also perpetuates an agricultural production system in which small farmers are dependent on a global oligopoly of processing and trading companies (who extract the bulk of the wealth from their land and work), reliant on heavy applications of extremely toxic pesticides, and associated with nicotine poisoning (by handling leaves during harvest), child labor, unpaid women’s labor, and the aggravation of cancer, depression, and even suicide rates among tobacco-producing peasant families (Csillag 1996; Prieb 2005; Etges and Ferreira 2006; Araujo (2010); Marin et al. (2012); Silveira 2013; Riquinho and Hennington 2014; Krawczyk et al. 2014; Krauser 2015). At no point did this Chinese investment become embroiled in legal problems (particular to its own corporate restructuring and operations), but in establishing its commercial operations it also joined sector-wide public relation efforts to dismantle socio-ecological opposition and sustain its profits. Similar accounts could be elaborated about the agrochemical and agroindustrial trade sector, addressing the contributions to a technological treadmill that exacerbates health problems from the contamination of the environment with toxic pesticides, and the extension of infrastructures that prioritize the profits of transnational corporations over the socio-environmental wellbeing of communities.

In the cases of grain terminal construction at the ports in the Babitonga bay in southeastern Brazil (where both Sanhe Hopeful and COFCO through Nidera have major new projects under way), and the Tapajós-Amazon waterway between the new terminals in Miritituba and Barcarena in Pará state (where both COFCO-controlled companies Noble and Nidera have their largest infrastructure expansion under way), I have already documented extensively the manner that agribusiness and construction companies displace residents and bypass environmental restrictions. Pushing through the TGSC project, for example, required not only the displacement of a community of hundreds of poor residents, but also an exemption from constitutional protections over the Atlantic forest, setting a disturbing precedent for one of Brazil’s most endangered ecosystems. The collective impact of the

TGSC and TGB projects in the Babitonga bay, moreover, are harming the breeding grounds of countless of species that populate the entire southern Atlantic, and thereby also undermining the livelihood of small-scale fishing communities. These concerns have been raised by local environmental NGOs and the Federal Public Defendant's office in Santa Catarina state, which have been challenging the zoning regulations that pave the way for the construction of these new terminals.² Finally, the profitable operations of these private terminals is predicated on public investments in road access and, in the case of the TGSC, the use of the grain-delivery infrastructure of the public port, thereby "externalizing" costs to the public, and privatizing profits in the region's grain trade. The port construction projects in the Amazon basin are equally as problematic, as can be briefly illustrated through the mere fact that five neighboring terminal construction projects (the largest among them being the COFCO-controlled terminal operated by HBSA with Noble and Nidera as its main clients) were being licensed individually and at the state level, blatantly ignoring the cumulative effects of the transformation of the entire landscape with these infrastructure projects. Judicial disputes forced construction to halt temporarily after pressure from indigenous and environmentalist social movements required the licensing process to be shifted to the federal level, and reexamined in light of the larger impact of the agglomeration of new port construction projects in the same area. These increased regulations, however, still do not alter the fundamental orientation of these projects, even if they might secure greater compensation for the local community most directly impacted by its negative repercussions (such as ecological degradation, and increased crime and violence through the consolidation of a major port conglomerate without accompanying social infrastructures).

All debate about how to gauge the balance between the positive and negative aspects of these agroindustrial developments ultimately turns on the assumption they are necessary for food security, economic growth, and national development. It transcends the scope of this dissertation to mount a sustained challenge the neo-Malthusian and neoliberal bases of the arguments in favor of such agroindustrial expansion and intensification, but a few basic insights focused on the grain-livestock nexus at the core of Brazil-China agroindustrial trade suffice to question the terms of this debate. First, it is not exactly a lack of land and water resources (relative to population) that has caused China to become the world's leading agroindustrial importer, but a transformation in its domestic agricultural production system, and particularly the disintegration of livestock from small-scale peasant production. As the Chinese government encouraged a massive rural exodus to supply the export-oriented factories in the coastal provinces with cheap labor, a shortage of agricultural *labor* (rather than land or other natural resources) forced the abandonment of labor-intensive practices. Central among them was raising pigs, which each peasant household would do in a dispersed and small scale, relying on farm and household scraps for feed, and obtaining thereby organic fertilizer by recycling the animal's waste. As such small-scale pork production collapsed while demand for meat consumption increased, pork production became increasingly concentrated, and thereby generating the need for greater amounts of livestock feed than can be produced domestically, as well as such concentration of manure that transcends profitable recycling as fertilizer and becomes instead the leading factor in the pollution of rivers in China (Schneider 2011; Peine 2013; Oliveira and Schneider 2016). In turn, the scale of modern soy plantations in Brazil and the reliance on export-oriented monocultures are also not necessary corollaries of the country's environmental conditions, but a specific political-ecological arrangement that has been "naturalized" through the "conservative modernization" of agricultural production over colonial-era patterns of land and wealth distribution (Wolforld 2008; Oliveira 2016a). Small-scale agroecological production in China has been historically far more efficient in terms of food output per land, water, and capital invested (Wen 2001, 2007; Perfecto et al. 2009), and the growing integration of Brazil and China through the soy-livestock nexus has ultimately contributed to

² Personal interviews and judicial documents from the Federal Public Ministry in Joinville, SC.

undermining the food sovereignty of peasants and consumers across both countries (Yan, Chen, and Ku 2016; Oliveira and Hecht 2016), aggravating instead of resolving the intersecting food, ecological, and economic crises we face.

The search for forms of Brazil-China agroindustrial partnerships that might benefit more than a limited number of elite individuals emerging from these countries, therefore, and produce new forms of post-neoliberal South-South cooperation that resolve rather than aggravate the crisis of global agroindustrial and national development, requires turning away from the mainstream of the negotiations and investments that have taken place to date. These are not necessarily radical or even anti-capitalist ideas, and some of the most well-positioned observers and organizers of Brazil-China relations have proposed some of these alternatives and lamented the lack of traction for them among the leading agribusinesses. The late ambassador Clodoaldo Huguency, for example, related to me in our interview that he saw multiple opportunities for Brazil-China agroindustrial cooperation in relatively smaller-scale sectors such as mushrooms, bamboo, and multiple fruits and vegetables. “These are sectors where China has deep traditional knowledge and extremely advanced agricultural production and processing techniques,” he pointed out, “and in Brazil we could certainly benefit from the cultivation of these labor-intensive and high-value-added agricultural production chains.”³ But these interesting alternatives are almost entirely disregarded by the leading agribusinesses and lobbyist in the sector whose fixed capital and bureaucratic inertia sustains their limited focus on increasing soybean exports, and reducing the discourse on “diversification” of agricultural production and the aggregation of value to the expansion of meat exports to China.

The example of garlic is quite telling. Since 2000, Brazil went from a net exporter to the world’s largest importer of garlic, and China became simultaneously the world’s largest exporter of this vegetable. Garlic used to be produced primarily by small-scale farmers in southern Brazil, integrating a diversified farming system through which those farmers could weather natural and economic storms, since climatic or price oscillations that might affect one of their crops would not necessarily drive them out of business and off the land. “But the government had no policy to protect a sector like this, even though it is so important for the livelihood of tens of thousands of small farmers,” the director of the Brazilian Garlic Producers’ Association told me.⁴ Their group was created to fight for emergency tariffs against Chinese garlic imports in 2011, and as southern small-scale farmers abandoned garlic and turned to soy monocultures, or exited agriculture entirely (which in turn further consolidates farmland in their region for soy monocultures), large-scale garlic plantations relying on the exploitation of wage laborers has become predominant in garlic production in Brazil. “It must be because soy is more expensive and profitable than garlic,” speculated the head of the East Asia Department at the Brazilian ministry of foreign affairs when we discussed the topic.⁵ He was shocked to find out, however, that garlic prices were actually five to ten times higher than soy, and can contribute to the livelihood of about 500 small-scale farmers in the same area that is converted to soy production for export. “We don’t lack land, water, labor, science, or technology to be self-sufficient in garlic production,” he concluded, lamenting the fact that Brazil loses about a quarter million dollars in its international trade balance with garlic imports alone, “but we lack the political will to prioritize this form of agriculture and rural development over soy exports to China.”⁶ Officials at the ministry of foreign affairs in particular would recognize these “structural inadequacies” and need for “long-term strategic planning” to leverage Brazil-China agroindustrial partnerships for more socially inclusive, environmentally sustainable, and economically beneficial practices, but ultimately their

³ Personal interview, São Paulo, May 21, 2014.

⁴ Personal interview, Brasília, June 10, 2014.

⁵ Personal interview, Brasília, June 6, 2014.

⁶ *ibid.*

insights and those from outside-experts and environmental and rural social movements are sidelined in the short-sighted and narrow-minded pursuit of profit in the major agroindustrial production chains.

3. A cooperative of donkey ranchers and traditional Chinese medicine

The peasant-led communist revolution in China remains one of the main inspirations of the national leadership of the Landless Rural Workers' Movement (MST) in Brazil. In their transnational collaborations with other social movements for agrarian reform and food sovereignty around the world, most notably in the establishment of the international umbrella of La Via Campesina (Desmarais 2007), the MST has sought to gain insights for cultivating peasant agroecology and securing the political bases necessary for peasant-led food sovereignty. A main limitation of these efforts, however, has been the limited participation of Chinese peasants in these transnational efforts and collaborations due to the highly repressive approach of the Chinese state towards grassroots organizing. Confident that much could be learned from the labor-intensive agroecological practices of Chinese peasants, and realizing that the expansion of transnational capitalist agribusiness in Brazil against which the struggle for agrarian reform is counterposed is increasingly associated with rising Chinese imports of soy and other agroindustrial commodities, the MST leadership began searching for connections with peasant organizations in China with which they could collaborate. In these efforts, one case in which I was able to undertake participant observation is particularly illustrative of the possibilities and challenges for these alternative forms of Brazil-China agroindustrial partnerships.

The WTO meeting and protests in Hong Kong in 2005 are a good place to start this narrative. It was the first time that a national-level leadership of the MST went to (greater) China, and it was through contacts established during that visit that the MST was then able to organize an exchange program with social movement organizers from Taiwan and a Chinese intellectual working on peasant questions across China and Brazil. Funded by resources from a Taiwanese construction conglomerate's philanthropic foundation (the Haoran Foundation), two members from Taiwanese rural and urban social movements, accompanied by a Hong Kong-born and Beijing-based scholar, arrived in Brazil in September 2009 for a one-year exchange with the MST. I was just starting my own collaboration as translator with La Via Campesina in South America, and I was tasked with accompanying these three individuals and provide support for them during their time in Brazil. During that time (early 2010), the MST national leadership also indicated to me that learning what exactly was taking place with the high-profile announcements of large-scale agribusiness investments from China in Brazil would be a particularly important contribution from the doctoral research project that I was starting to elaborate at the time. The personal, academic, and political conjunction of these factors were the motivation for the research that produced this dissertation, and put me in a position to accompany quite closely the manner these attempts to build peasant-oriented Brazil-China partnerships unfolded.

After the Taiwanese and Chinese organizers completed their year with the MST in Brazil, they helped host in turn a group of three MST organizers in Taiwan. Their plan was to stay in Taiwan a year to begin learning Chinese, as the existing networks and resources from the Haoran Foundation, as well as the political climate across the region made their exchange in Taiwan easier than in mainland China. They would thereafter move to mainland China and become something like ambassadors for the Brazilian social movement in China, seeking to learn about the conditions and organizations of peasants in mainland China, and cultivating productive collaborations wherever possible. After the second year, however, the exchange had to be suspended because of limited resources and greater demand for the contribution of these organizers in Brazil itself. Nevertheless, even this limited

exchange would already lay the groundwork for negotiations for a concrete agroindustrial collaboration in 2014 over the possibility of organizing donkey ranching and a cooperative among MST settlements in Pernambuco state in Brazil, and export donkey hides (and meat as byproduct) to a Chinese traditional medicine company.

Some background on the situation of donkey ranching and this donkey-leather-based traditional medicine is required. Named *e'jiao* (阿胶), it is a traditional medicine made by boiling down donkey hides to produce an iron supplement. It was originally developed in the town of Dong'e in western Shandong province (not far from the headquarters of the Shandong Guanfeng company that botched oil palm plantations in Brazil), where the water from a specific well was traditionally used for the production of the highest-quality e'jiao for exclusive consumption of the imperial court. In modern times, the Shandong Dong'e E'jiao Company (山东东阿阿胶, or DEEJ hereafter) emerged as leader in the sector, staking its claim on the branding of its medicine as not only original and high-quality, but only legitimate e'jiao on the market. E'jiao is considered beneficial for maintaining a healthy skin and hair, and as an effective iron supplement it is also regarded as particularly helpful for women due to menstruation and menopause. The expansion of middle-class consumption, and in particular their growing concern over their health, has dramatically increased demand for e'jiao, and the DEEJ company was able to both increase its industrial processing capacity and its donkey ranching operations and sourcing across various provinces of China. However, with the advent of tractors, trucks, and motorcycles, donkey populations have declined dramatically across China and the rest of the world. By the 2000s, therefore, DEEJ executives realized they would have to start importing donkey hides to expand production of its traditional medicine to attend growing domestic demand.

DEEJ executives began sourcing donkey hides from every country where donkey ranching for meat consumption already exists, or where it was possible to establish slaughterhouses that might be able to process donkeys that had no recognized market value and production chains (such as Pakistan, several countries in eastern Africa and the Sahel, as well as Mexico, Peru, and Bolivia). They soon set their sights on Brazil as well, since the country has an estimated population of one million donkeys, but no existing production chains that incorporate them. Their original approach to the Brazilian market was not only unsuccessful, however, but even generated a social backlash against their efforts. The first DEEJ executives who arrived in Brazil did not understand the cultural value that donkeys have in the Brazilian northeast, and “they expected they could simply establish donkey exports from Brazil as if it were just another commodity”, as their current manager for South America explained to me.⁷ Operating very much like the Paper Tigers discussed in chapter 6, DEEJ executives sought contact first through state-level politicians in northeastern Brazil during 2007 and 2008, hoping they would facilitate their partnership with local agribusinesses that could export donkey hides for them. Some politicians were compliant at first, particularly in Rio Grande do Norte state where DEEJ even obtained an MoU for the elaboration of a project to export donkey hides. But there was no broad base of support for the project, however, and when the news circulated that a Chinese company was seeking to export hundreds of thousands of donkeys (sometimes misconstruing it as exporting them alive, and primarily for food consumption and “scientific experiments”; cf. O Globo 2012; JC Online 2012), animal rights activists denounced the project and mounted a campaign to derail it (Apipa 2012). Fearing losing votes in the following elections, the politicians that had previously supported DEEJ abandoned it entirely.

Without being able to move ahead with negotiations, the company abandoned efforts to import donkey hides from Brazil for about two or three years. When they returned, they understood that a more careful and planned strategy would be necessary. They turned to the few Brazilian slaughterhouses licensed to process and export equines (i.e. horses and donkeys, even though they

⁷ Personal interview, Beijing, March 28, 2015.

operated exclusively with horses, consumed as a delicacy in France, Japan, and other markets outside Brazil). However, these were all located in southeastern Brazil, and through negotiations with the new DEEJ manager operating in Brazil, they found it would not be profitable to transport live donkeys almost two thousand kilometers from the semi-arid northeast (where donkeys are concentrated) to the slaughterhouses in the southeast of the country. It was while the company was dealing with this impasse that I sought an interview with them at their office in Beijing.⁸ I was received by a young businessman named “Francisco” Hou Youshan⁹, who spoke fluent English and was trying to learn Spanish and Portuguese as he was tasked with attempting once again to establish the company in Brazil. After a brief conversation, he invited me to get to know their headquarters, e’jiao factory, and donkey-ranching and research center in Shandong. During that visit, Francisco Hou and the director of DEEJ’s international operations gave me an account of their company, its troubled history in Brazil, and their current challenges negotiating with Brazilian slaughterhouses (Figure 1).

I returned to Brazil with much curiosity about this company and their efforts to import donkey hides from Brazil, and so I reached out to a research center on agroecological ranching in the semi-arid northeast of Brazil, and the leadership of the MST in regions with high donkey populations. Much to my surprise, they informed me that donkeys were becoming “like a pest” in Brazil. Replaced by motorized transportation, donkeys were no longer being used by peasant communities, who value them culturally almost like pets (and thus developed a taboo against eating donkey meat), so donkeys were being abandoned alongside the roads and reproducing in the wild. Without any need for them as a means for transportation, and without any market for their meat and leather, these abandoned donkeys started to breach pastures for goats (that do have an extensive market for their meat in northeastern Brazil) and cause serious car accidents on the highways.¹⁰

Figure 1. Meeting with the DEEJ vice-president, flanked by my research assistant Xu Siyuan and Francisco Hou



Source: DEEJ employee as courtesy for the author.

⁸ Although DEEJ was originally a TVE from Dong’e itself, it was privatized during the 1990s, and has since then been reincorporated as a subsidiary of a state-owned conglomerate named China Resources, headquartered in Beijing

⁹ Pseudonym.

¹⁰ Donkeys are the leading cause of accidents in the rural roads in the Brazilian northeast, responsible for hundreds of deaths each year. The animals are especially attracted to rural highways at night, when the asphalt retains heat from the daytime while the semi-arid landscape surrounding it cools at night. Nighttime is also when it is hardest for drivers to notice the donkeys laying on the road, sometimes until it is too late.

Without any need for them as a means for transportation, and without any market for their meat and leather, these abandoned donkeys started to breach pastures for goats (that do have an extensive market for their meat in northeastern Brazil) and cause serious car accidents on the highways.¹¹ Over the course of a series of conversations, the MST leadership in Pernambuco state determined that the establishment of donkey ranching in the common pastures of their agrarian reform settlements could be integrated with their existing operations of a goat slaughterhouse and cooperative. It could be a way to diversify production and increase the income of farmers and the cooperative, and do so relying on an ecologically suitable integration of donkeys into common pastures. “We can turn the donkeys from something that has no price and causes problems for our goat production into a complementary business,” the directors of the MST cooperative in Pernambuco concluded.¹²

Armed with this insight, I reached out to Francisco Hou once again when he arrived in Brazil. I offered to help him assemble the necessary social, political, and economic support his company needed to establish operations in Brazil, “but first you must understand this is not just an agribusiness export project, this is a social development for the agrarian reform settlements in the semi-arid first of all,” I told Francisco Hou. He was not entirely convinced at first, but I offered to accompany him in yet another meeting with a Brazilian slaughterhouse company headquartered in São Paulo. Negotiations didn’t advance, however, and with the spectrum of social resistance still looming over their intended project, Francisco Hou became increasingly more interested in the alternative I proposed. The next month, he joined almost all other Chinese boosters, brokers, bureaucrats, and businessmen operating in Brazil during premier Li Keqiang’s visit to Brasília. We met there again, and this time Francisco Hou was much more open to collaboration, because the “social development approach” to their project found strong resonance with Brazilian politicians from the northeast. The Maranhão state government in particular, which had just been shifted to the Communist Party of Brazil for the first time, was particularly interested in attracting Chinese investments, and so they invited Francisco Hou to visit Maranhão and consider establishing their project there. Understanding he would benefit significantly from my support for these negotiations (since he could not navigate the cultural and political landscape in Brazil as well as me, and the entire re-formulation of their investment as fundamentally a social-development project with agrarian reform settlements was elaborated by me), Francisco Hou invited me to accompany him in his visit to Maranhão and other states in the northeast. I accepted his invitation with the insistence that we should also visit the MST cooperative in Pernambuco with whom I already had established contact and interest in the project could receive us, and articulate a similar meeting with the state government there.

This tour was a remarkable experience in terms of the insights I gathered about the work of assembling Chinese capital with Brazilian agribusiness. Accompanying Francisco Hou in the five-star hotels he would stay, moreover, also gave me a very different experience of fieldwork from the rest of my time staying in cheap and simple accommodations. Our first stop in São Luis, capital of Maranhão, included not only meetings with the state government officials responsible for attracting foreign investments, agroindustrial subsidies and regulations, and rural development projects, but also a visit to the port of Itaqui, where local officials insisted that Francisco Hou’s project would benefit from the refrigerated warehouses they were hoping to construct. After all, donkey leather can be easily

¹¹ Donkeys are the leading cause of accidents in the rural roads in the Brazilian northeast, responsible for hundreds of deaths each year. The animals are especially attracted to rural highways at night, when the asphalt retains heat from the daytime while the semi-arid landscape surrounding it cools at night. Nighttime is also when it is hardest for drivers to notice the donkeys laying on the road, sometimes until it is too late.

¹² Personal interview, Brasília, May 8, 2015.

shipped in regular containers, but the economic viability of the project in Brazil would also require shipping the meat byproducts to high-end markets (particularly in France and Japan). This logistical advantage was only a future possibility, however, and the donkey population in Maranhão was not large enough to justify the cost of investment in the construction of a new slaughterhouse. Moreover, local slaughterhouses operating with cattle from neighboring Pará state represented a competing market that made it difficult to establish the donkey project. So despite enthusiastic support from the state government, we left Maranhão without high hopes for the project there.

After a brief visit to Fortaleza, capital of Ceará state, where the state government also expressed significant interest in the DEEJ proposal as social development project, we continued to Natal, capital of Rio Grande do Norte state, where previous DEEJ managers had already attempted negotiations. The meetings with the state government there were far more curtailed, since they were still reeling from the social opposition against the company's previous efforts, and there was no substantial number of agrarian reform settlements organized by the MST that could show the state government that public opinion could be swayed to support the project. When we arrived in Recife then, capital of Pernambuco state, Francisco Hou was especially impressed with the fact that the secretary for agrarian development in the state government was himself a member of the MST, and that the state government (already encouraged by the MST leadership in the region) was even willing to provide land and financial resources for the establishment of the project.

A local politician from Pernambuco had already secured an area in the west of the state to serve as a reservation for abandoned donkeys, which the state government began capturing from the roads but had nowhere to take. And the MST cooperative, which was already operating a slaughterhouse to process goats from their multiple agrarian reform settlements in the region, reached an agreement with this politician to combine efforts to establish a donkey ranching and processing network in the state. The donkey reservation would become a reception point for abandoned animals, and subsequently a research center to provide extension services for donkey ranching in the common pastures of the agrarian reform settlements in the region. (Technological transfer was of mutual interest to the DEEJ as well as the MST, since they recognized that improving the donkeys in terms of increasing their size would increase income in Brazil and supply in China.) Collaborating with the region's MST leadership and Francisco Hou, we elaborated the Project for the Social and Economic Development of the Northeastern Semi-Arid for Donkey Lassoers and Ranchers, which became known colloquially as *Pro-Jegue* (the common Brazilian way of naming government projects, in this case, the "Donkey Project").

The "Donkey Project" would involve the use by the Pernambuco state government of the donkey reserve area for aggregating abandoned donkeys, coordinated by a government-run operation of donkey lassoers (something that was already taking place at a small scale, but at a cost to the state government that did not articulate with any profitable activity yet). The state government would also grant tax exemptions and subsidies for the MST cooperative to expand its slaughterhouse from goats to donkeys, and waive the costs associated with the phytosanitary inspections required for sanctioning the operation of the slaughterhouse and secure its export license. The DEEJ in turn would guarantee the acquisition of donkey hides and meat at a minimum pre-established price for five years, which would provide the economic security for the MST cooperative and public investments in the setting up the operation. The MST cooperative still didn't have sufficient capital to scale-up its operations to process donkeys, however, so Francisco Hou and I returned from there to Brasília to seek additional financial support from the federal government's ministry of agrarian development. Before we left, however, Francisco Hou and the MST leadership shook hands and reached an informal agreement: "We will export donkeys for you," the regional coordinator of the MST told Francisco Hou on the

occasion, “and in turn you will help us create a new [agroindustrial] sector under the control of the peasants and agrarian reform settlements in the region” (Figure 2).¹³

When we returned to Brasília, I took Francisco Hou to the ministry of agrarian development, where one of the MST members who had lived in Taiwan as part of the social movement exchange was working precisely in the office responsible for the government’s agroindustry and mechanization programs for agrarian reform settlements and small-scale farmers. “The project you propose fits perfectly with the government’s agroindustry project,” that MST organizer turned agrarian development bureaucrat explained, “but we would need to elaborate the petition [for subsidized credit] for next year’s cycle, since all funds for this year have already been allocated.”¹⁴ It was an expected challenge, and it did not discourage Francisco Hou of the MST organizers in Pernambuco from pursuing their negotiations. Already connected through the MST organization itself, Francisco Hou and I were able to leave the ministry of agrarian development reassured that the Pernambuco-based cooperative would have all the orientation necessary from Brasília to successfully petition the federal government for subsidized credit to expand its slaughterhouse the next year. Francisco Hou’s task, in the meantime, would turn to convincing his boss that the deal tentatively assembled with the MST would be the best way forward for their company in Brazil.

Figure 2. Francisco Hou (wearing the MST hat) exchanges gifts with MST organizers in Pernambuco



Source: Photo by MST organizer for the author, Caruaru, PE, June 2, 2015. The author is the second person from the right, and Francisco Hou is the fourth person from the right, wearing the MST hat.

¹³ Participant observation, Caruaru, PE, June 2, 2015.

¹⁴ Participant observation, Brasília, June 18, 2015.

In 2016, however, the political earthquakes that impeached Dilma Rousseff and ended the Workers' Party administration in the Brazilian federal government put an end to the "Donkey Project." One of the first measures of the interim government was the abolition of the ministry of agrarian development, and the subsidies for agroindustries associated with small-scale farmers and agrarian reform settlements were among the first cuts made, eliminating the possibility of obtaining funds for the expansion of the cooperative's slaughterhouse (Pimentel da Silva and Miranda 2017). The activities of the MST itself were also forced to turn far more drastically towards resistance to the impeachment, which they call a parliamentary *coup d'état*, the onslaught of "austerity measures" taking place, and the violent repression of the movement itself. Without the Brazilian government to at least cover part of the costs required to expand the cooperative's slaughterhouse, and with the political and economic climate in Brazil becoming increasingly more unstable, Francisco Hou was unable to secure the support from his company's leadership for the project. "Mr. Qing [the president of DEE] decided he can only invest in a place once he can secure the export supply," Francisco Hou explained, "and without the Brazilian government support anymore, he thinks the collaboration with the MST is too risky."¹⁵ Ironically, this member of the Communist Party of China feared the MST was "too socialist" for his business. Despite the failure of the project, however, the fact there was mutual interest between a Chinese investor and a broad-based rural social movement in Brazil, with negotiations that advanced relatively far and secured significant support from state and federal government agencies in Brazil, demonstrates that it is possible to identify and promote different agroindustrial partnerships that are not limited to the sectors of agribusiness dominated by large-scale landowners in Brazil and transnational corporations abroad. In fact, it illustrates that some agroecologically-suitable and much more democratically-based forms of agroindustrial cooperation exist and could expand successfully with sufficient political will.

4. *Panela velha é que faz comida boa / 民以食為天* (It's old pots that cook good food / To the people, food is heaven)

"Chinese investments are a huge opportunity that is passing us by like a train," a government official at Brazil's Ministry of Agriculture told me in 2014, "and if we don't hop on it now, [the opportunity] will pass by soon."¹⁶ His words were prescient, as the conditions imposed for subsidized credit and support for foreign investments by the Chinese government became far stricter since 2013, and with the onset of the economic and political crisis in Brazil since 2015 most investors have become too apprehensive to risk establishing projects in Brazil. This moment serves then as a fitting end-point for my research project, and also evaluation of the Brazil-China agroindustrial partnerships already established to date. Whether failed misadventures by Paper Tigers or successful take-overs of transnational corporations by Dragon Heads, almost all projects have pursued agroindustrial expansion and intensification in manners that enrich and empower elites, and "externalize" various social and ecological costs to the rest of society across China, Brazil, and the rest of the world. The recognition that this emergence of Chinese agribusiness remains in the shadows of the continuing power and influence of corporations from the Global North, however, does not absolve it of responsibility for socio-ecological harms perpetuated by agroindustrial production relations into which some elites from China and Brazil become incorporated on better terms. Denouncing how the sinophobic discourse around Chinese land grabbing turned out to be a red herring that distracted many from the ongoing expansion of control over Brazilian land and natural resources by

¹⁵ Personal communication, September 2, 2016.

¹⁶ Personal interview with investment analysis at the department of international relations of the Ministry of Agriculture, Brasilia, March 25, 2015.

agribusinesses from the Global North, does not amount to condoning the attempted land grabs that did take place, or the more economically successful operations of Chinese companies that invested up- and downstream from fanning itself. My attempt to expose these misconceptions has been guided by the efforts to comprehend how Brazil-China agroindustrial partnerships are actually being assembled, and the examination of racial discourses that inform and misinform our understanding of this process becomes necessary as well for the discussion of where we go from here. After all, the sinomania and sinophobia that have characterized mainstream discussions and imaginaries about Chinese agroindustrial investments in Brazil are both outcomes of a broader history of racial and political-economic relations between Brazil and East Asia, whereby “yellow peril” and “model minority” racial forms are deployed dialectically to eliminate competition with, or enroll collaboration in, a project of capitalist development led by European elites in Brazil.

“Agribusiness in Brazil plants a sea of soy – that nobody eats [here] – to export to China, and now we need to import from there the black beans that go on everyone’s plate [here]. It’s absurd! Those guys get rich while we lose our food sovereignty,” exclaimed a national director of the MST in one of our conversations.¹⁷ The same could be said about the collapse of the soy sector within China itself at the hands of the ABCDs in the opening salvos of the Battle of Beans (Yan, Chen, and Ku 2016), but the gains made by COFCO and other Chinese agribusinesses are not restoring soy production and food sovereignty in China. They aim instead to provide food security and stability for the Chinese government through increased control over soybean and other major agricultural imports. The underlying differences and tensions are between food security as a technical and market-based concern over access to food, and food sovereignty as a political concern over control over natural resources and the relations of social reproduction (Holt-Gimenez and Shattuck 2011). This is not a distinction between a romantic attachment to subsistence agriculture and the promotion of “modernization,” nor is it a conflict between nationalist autarchy in food production and the “fact of globalization”. These are fundamentally distinct worldviews, agroecological paradigms, and political projects. According to the hegemonic view, the given geographical conditions of China and Brazil make the emerging agroindustrial connections between these countries necessary and inevitable. The only questions turn around how to most effectively establish them, and thereby promote the integration of these “emergent economies” into the neoliberal world order still largely controlled by corporations and state interests from the Global North. What this exhaustive survey of the emerging Brazil-China agroindustrial partnerships has shown, however, is that this is not a process that can address the multiple and intersecting crises that we currently face.

It is also not a process that is enabling the Brazilian state and elite in particular to overcome the crisis of national development that is unfolding. While the leading Chinese Dragon Heads are being able to effectively channel government support into global-level M&As that effectively place them among the world’s leading agribusinesses, and thereby address their government’s (neo-Malthusian and neoliberal) concern over food security, the same cannot be said about Brazilian government interests. As commodity prices stagnated, public investments were curtailed, and the alliance between national elites and the Workers’ Party were eroded, the former cast out the latter and ended the favorable climate for Chinese investments that could articulate with the export-oriented infrastructure the Brazilian government was trying to build with Chinese capital and support. The new administration (which is itself facing its demise through ongoing recession and corruption scandals) made it very clear from the beginning they would cease prioritizing the strategic partnership with China, the construction of the BRICS as a project for more multipolar power relations between states, and South-South cooperation with other developing countries, returning the focus of Brazilian diplomacy and economy towards Europe and the United States (Pinto 2016; Zhao and Chen 2016).

¹⁷ Personal interview, São Paulo, May 13, 2015.

Already unsuccessful when brokering investments by Paper Tigers, and unable to participate in the developments that unfold through transnational M&As by Dragon Heads, the Brazilian government's withdrawal from proactive engagement with and coordination of agroindustrial partnerships with Chinese investors is curtailing the development of mainstream negotiations that were expected to advance (such as Chinese finance and participation in the construction of railroads that would cheapen and expedite agroindustrial exports), as well as alternatives that require government intervention (such as the “donkey project” mentioned above). Technological transfer from China for the cultivation of a bamboo sector in Brazil, for example, was another project that received some limited government support (Pereira 2008; Monte 2011), but was sidelined by the overbearing lobby of the leading agribusinesses in Brazil and the transnational corporations that dominate their production chains.¹⁸

In contrast with the modernist discourse of agribusiness lobbying in Brazil, social movements for agrarian reform and food sovereignty sometimes turn to traditional sayings that capture their longing for a certain quality of life more associated with their own small-scale peasant production than agroindustrial intensification: *panela velha é que faz comida boa* (it's old pots that cook good food). This sentiment should not be read as a rejection of technological improvements or contemporary amenities, but when faced with instruments that sacrifice quality for quantity, democratic control over resources for increased profits, and ecological sustainability for short-term gains, it is indeed in the “old pots” that we might find the solutions we need. After all, a place like Brazil has clearly been unable to industrialize and urbanize in a way that incorporated the generations of rural exodus swelling the slums, while social movements clamor for more labor-intensive agroecological production practices that can provide livelihoods for millions more if only the centuries-old power of landed and agribusiness elites could be broken.

Also in China, a common saying related to food security can serve as a useful point for debate. Usually only rendered as 民以食为天 and translated as “To the people, food is heaven”, the full statement is actually 王者以民为天，而民以食为天, meaning “the most important thing for a king is the people, and the most important thing for the people is food.” The full expression then, amounts to a statement about the importance of food security for a *governor's* own stability. There is no doubt that concerns over food security orients the Chinese government's orientations and subsidies for agribusiness companies launching foreign investments, but such food security is interpreted primarily as “grain security” over the two remaining staples of Chinese diet, viz. rice and wheat (Long and Zou 2010; Xu et al. 2014; Schneider 2014), and the consolidation of powerful instruments like COFCO and ChemChina through which the Chinese government can ascertain their own participation (or “voice” as they usually say, cf. Yan, Chen, and Ku 2016) in the formation of prices and accrual of profits in transnational agribusiness assemblages beyond those two grain staples. But as the Chinese peasantry and their land basis becomes eroded through this “modernization” and transnationalization of Chinese agribusiness, the risks of “Latin Americanization” of China through rural exodus and rising inequalities also increases, and the threat of a “hard landing” in moments of economic crisis when the countryside can no longer absorb migrant workers laid off from factory jobs becomes exacerbated. In other words, the mechanism through which the Chinese government is pursuing food security is itself undermining their basis for food sovereignty, and in critical moments when the legitimacy of the ruler becomes challenged, it is not how powerful and wealthy the elites have become that will guarantee harmony in the country and the stability of the government.

¹⁸ Personal interview with Embrapa official who was agricultural attaché to the Brazilian embassy in Beijing, and also responsible for coordinating agricultural science exchange between Embrapa and the Chinese Academy of Agricultural Sciences, Brasilia, August 11, 2015.

*Townsfolk, stick out your chests, show what you're made of—
Hand in hand we will advance to the seat of power!
Township County Administrator Zhong is no heavenly constellation,
And the commonfolk are not dumb farm animals...*

—from a ballad sung by Zhang Kou inciting the masses to storm
the county compound on the seventh day after the glut,
when garlic lay rotting on the streets,
sending a foul miasma skyward

Mo Yan (2012 [1988]: 153)

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Consent to Participate in Research
Brazil-China Agroindustrial Partnerships
(Agribusiness and Government Officials)

Introduction and Purpose

My name is Gustavo Oliveira. I am a graduate student at the University of California, Berkeley working with my faculty advisor, Professor Michael Watts, in the Department of Geography. I would like to invite you to take part in my research study, which concerns Chinese investments in soybean agribusiness in Brazil.

Procedures

If you agree to participate in my research, I will conduct an interview with you at a time and location of your choice. The interview will involve questions about your business/office involvement in these investment partnerships and other related activities. It should last about 20 minutes to 1 hour, unless you are willing to spend more time with me. With your permission, I will audiotape and take notes during the interview. The recording is to accurately record the information you provide, and will be used for transcription purposes only. If you choose not to be audiotaped, I will take notes instead. If you agree to being audiotaped but feel uncomfortable at any time during the interview, I can turn off the recorder at your request. Or if you don't wish to continue, you can stop the interview at any time.

I expect to conduct only one interview; however, follow-ups may be needed for added clarification. If so, I will contact you by mail/phone to request this a few weeks or months after our interview, scheduling the follow-up sometime during the next year after our interview.

Benefits

There is no direct benefit to you from taking part in this study. It is hoped that the research will help us all better understand the current transformations of global agribusiness production chains.

Risks/Discomforts

Some of the research questions may make you uncomfortable or upset. You are free to decline to answer any questions you don't wish to, or to stop the interview at any time. As with all research, there is a chance that confidentiality could be compromised; however, we are taking precautions to minimize this risk. If you prefer to remain anonymous in the final product of this research, no personally identifiable information will be provided in the research product.

Confidentiality

Your study data will be handled as confidentially as possible. If results of this study are published or presented, individual names and other personally identifiable information will not be used unless you give explicit permission for this below. I request oral rather than signed consent.

To minimize the risks to confidentiality, I will limit access to all research data to anyone but myself, and research notes and recordings will be kept in a personal safe to which only I have access. When the research is completed, I will destroy the tapes and notes at the end of the study.

Compensation

You will not be paid for taking part in this study.

Rights

Participation in research is completely voluntary. You are free to decline to take part in the project. You can decline to answer any questions and are free to stop taking part in the project at any time. Whether or not you choose to participate in the research and whether or not you choose to answer a question or continue participating in the project, there will be no penalty to you or loss of benefits to which you are otherwise entitled.

Questions

If you have any questions about this research, please feel free to contact me. I can be reached at +1(510) 502-0191 or oliveira@berkeley.edu

If you have any questions about your rights or treatment as a research participant in this study, please contact the University of California at Berkeley’s Committee for Protection of Human Subjects at 510-642-7461, or e-mail subjects@berkeley.edu.

CONSENT

If you agree to participate, please say so.
You will be given a copy of this form to keep for your own records.



Consent to Participate in Research
Brazil-China Agroindustrial Partnerships
(Agribusiness Workers and Community Members)

Introduction and Purpose

My name is Gustavo Oliveira. I am a graduate student at the University of California, Berkeley working with my faculty advisor, Professor Michael Watts, in the Department of Geography. I would like to invite you to take part in my research study, which concerns Chinese investments in soybean agribusiness in Brazil.

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Your study data will be handled as confidentially as possible. If results of this study are published or presented, individual names and other personally identifiable information will not be used.

To minimize the risks to confidentiality, I will encode, encrypt, store and protect all data (including notes, other physical data, audio recordings and other encrypted electronic data) in a personal safe and filing cabinet to which only I will have access with lock and key. This safe and filing cabinet will be at a different location than the site where the key to identifiers of coded data will be stored. Relevant portions of data for research will be transcribed over the following one or two years after fieldwork, stored alongside other physical data in a personal filing cabinet to which only I will have access with lock and key. When the research is completed, audio recordings and other study data will be deleted.

Compensation

You will not be paid for taking part in this study.

Rights

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