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New Actors in China–Brazil Financial Geography: Commercial Banks and Currency Exchange Against the "Resource-Seeking Consensus"

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Chinese banks became major players in the global geography of finance. Yet studies of Chinese finance in Brazil focus on development ("policy") bank loans, overlooking commercial banks. This inhibits theoretical advancements beyond the idea that Chinese finance in Latin America is largely "resource-seeking" in nature. Meanwhile, studies of the internationalization of the renminbi focus on state-led policy mechanisms in leading international financial centers, overlooking the expansion of renminbi exchange by commercial banks on the peripheries of global financial networks. I triangulate data from the Brazilian Central Bank, Chinese bank reports, and qualitative materials to present the first comprehensive account of Chinese commercial banking in Brazil. Although they are not yet major players, they are becoming important suppliers of trade finance and currency exchange services. I argue this reinforces challenges to the theory that Chinese finance in Brazil is primarily resource-seeking, and emphasizes that currency-exchange services play a central role in the internationalization strategies of Chinese finance on the peripheries of global financial networks. **Key Words: Brazil, China, currency exchange, financial geography, foreign investments.**

"The power in banking is unquestionably shifting eastwards to China" (Johnston 2019). This accompanies economic shifts that interconnect emerging economies, such as China and Brazil, its largest commercial partner in Latin America (Myers and Wise 2017). Yet most studies about Chinese investments in Latin America discuss "Chinese finance" as the capital behind foreign investments in general, ignoring banks and financial institutions (Nogueira 2018), identify commercial/investment banks very superficially (Conselho Empresarial Brasil-China [CEBC] 2018; Vadell 2019; Zhang 2019), or focus exclusively on policy bank loans (Gallagher, Irwin, and Koleski 2012; Kaplan 2016; Ray et al. 2021; Gallagher and Myers 2022; Myers and Ray 2022). This focus is understandable, as China's policy banks have announced over US$30 billion in loans to Brazil alone (Gallagher and Myers 2022). Yet studies of Chinese finance abroad require more nuanced empirical examination, particularly when neglecting this diversity of financial actors inhibits theoretical advancements. Meanwhile, studies of the internationalization of the renminbi (RMB) focus on the Chinese state's role in driving this process (Cohen 2012; Liu and Dixon 2022), and international state-led policy mechanisms, particularly the Renminbi Qualified Foreign Institutional Investor (RQFII) scheme, and its dynamics in major international financial centers (IFCs) like London, Singapore, and Frankfurt (Töpfer 2018; Töpfer and Hall 2018; Pacheco Pardo, Knoerich, and Li 2019; Green and Gruin 2021). This focus is also understandable, given that Chinese state policy schemes characterize unique geopolitical and state-finance relations that distinguish the RMB from other major currencies that are not subject to such strict monetary controls (Töpfer and Hall 2018; Tobin 2022). Yet studies of the geographical spread of the RMB around the world also require more nuanced empirical examination, particularly when neglecting dynamics on the peripheries of global financial networks inhibits recognition of the role and significance of new financial actors in this process.

Here, I present the first comprehensive empirical examination of China's commercial bank operations in Brazil. Policy banks are state-owned firms engaged in financing activities that implement or coordinate with macroeconomic and the socioeconomic policies. Commercial banks are financial enterprises that take public deposits, issue loans, settle accounts, and engage in other financial activities for profit, even while they might still be state owned (as in the case of China's leading firms). This does not suggest commercial bank operational strategies are independent from Chinese government policies on finance, international investments, and foreign relations, yet their mission and operations remain distinct from policy banks. Here I examine their mode of entry, assets, financial results, and lending portfolios, and discuss their operational strategies in Brazil. My conceptual focus is on the drivers of their internationalization, and my findings reinforce theoretical advancements suggesting Chinese investments in emerging economies cannot be characterized simply as resource-seeking, and that commercial banks providing currency-exchange services play a central role in the internationalization strategies of Chinese finance, a geographical

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expansion process that appears to be a distinct from Hong Kong, Singapore, London and other hubs of global finance.

Literature Review

Literature on the internationalization of Chinese finance builds on a far better established literature on the internationalization of Chinese firms in general, which examined and overcame a view that the drivers of internationalization are bifurcated between market-seeking behavior in developed countries and resource-seeking behavior in developing countries (Kolstad and Wiig 2012; Wang et al. 2012). By "market-seeking" it is meant that firms internationalize primarily to access capital markets and new customers for its products (outputs), and by "resource-seeking" it is meant that firms internationalize primarily to secure natural resources (inputs) used in its own productive activities at home. The prominence of resource-seeking investments by various Chinese firms in Latin America has a parallel in Chinese policy bank loans to these countries, which focus on natural resource extraction and associated infrastructures, locking in views that Chinese finance in Latin American countries is resource-seeking (Gallagher, Irwin, and Koleski 2012; Kaplan 2016; Ray et al. 2021; Gallagher and Myers 2022; Myers and Ray 2022), despite advancements in critical geography that demonstrate far more complex and nuanced dynamics in China–Latin America relations (Klinger and Narins 2018).

This idea that Chinese finance in Latin America is resource-seeking is a step back in research on the internationalization of Chinese firms, which theorizes multiple and overlapping drivers for financial firms to invest and operate abroad, such as seizing on comparative advantages of capital availability and institutional or social access, market-seeking by following domestic clients after they venture abroad, and responding to transformations in global finance that make certain markets particularly attractive for foreign investments and operations (Williams 2002; Buch and DeLong 2004; Yeung and Liu 2008; Cull and Peria 2010). In fact, there is a fast growing literature on the manner in which China is restructuring the global geography of finance (Pan et al. 2018; Töpfer 2018; Lai, Lin, and Sidaway 2020), and existing studies of financial firms from emerging economies have called attention to variations from the U.S. and European experiences, while raising questions about the continuities and transformations of the remarkably uneven global geography of finance (Kaltenbrunner and Painceira 2018; K. Lai et al. 2020). Although financial geography in Brazil considers connections with transnational firms (Fachada 2008; Bonomo, Brito, and Martin 2015), none have examined the arrival of the world's largest commercial banks from China, Brazil's largest commercial partner. Because scholarship on the financial geography of China and Brazil has not yet grappled with their growing interconnection, its theoretical repercussions remain underexplored as well. In particular, the empirical analysis that follows reinforces theoretical advancements beyond the "resource-seeking consensus" on Chinese economic interests in Latin America, and expands as well the scope of recent theories in financial geography that emphasize the role of currency exchange for the internationalization of Chinese finance (Töpfer 2018; Töpfer and Hall 2018).

An important aspect of the global geography of finance is the transnational scope of currency exchange and the processes by which a particular country's financial firms and currency globalize. Financial geography has made great strides in empirical investigations and theorization of global financial networks (GFNs) with advanced business services located in IFCs of world cities and offshore jurisdictions (Coe, Lai, and Wójcik 2014; Wójcik et al. 2018), and attention to Chinese finance has been an important part of this process (K. Lai et al. 2020). Financial geography studies of the transnationalization of the RMB are still very few, and they focus more on state–finance relations located in particular IFCs than the general process of transnationalization of the Chinese currency (e.g., Hall 2017, 2018; Töpfer and Hall 2018; but see Wójcik, MacDonald-Korth, and Zhao 2017 for a broader discussion of the political economic geography of foreign exchange trading). Notably, Töpfer and Hall (2018) focused primarily on examination of RQFII schemes as key institutional mechanisms mediating Chinese and global financial markets, which enable firms to invest RMB raised offshore from China into Chinese securities particularly, and trigger competition among IFCs for leadership in RMB-denominated markets and services. They emphasized the policy and political dimensions of RMB transnationalization, and argued the selective adoption of Chinese RMB internationalization policy schemes in London sought to promote but ultimately eroded its position as an offshore RMB center in competition with Singapore, and so on. As some Chinese legal scholars have pointed out, however, "these [financial geography] accounts of renminbi internationalisation seem to portray private foreign investors' passive, limited and indirect role, whether collective or individual, in China's renminbi internationalisation, and to highlight their adaptations and reactions to, and occasional withdrawal from, the renminbi offshore market infrastructure" (Chen and Pan 2021, 72) Moreover, existing literature in financial geography "is also limited in its empirical coverage and its omission of new underlying changes in global capital markets" (Chen and

Pan 2021, 72), including the internationalization of Chinese commercial banks in the peripheries of GFNs.

Meanwhile, research on the drivers, dynamics, and scope of transnationalization of the RMB in general is far more extensive among nongeographers working in political economy (e.g., Pacheco Pardo, Knoerich, and Li 2019; Green and Gruin 2021). They demonstrate that RQFII schemes provide an important but incomplete view of the transnational landscape of RMB exchange, and its shifting global geography, underemphasizing the role of currency swap agreements (Liao and McDowell 2015; Lin, Zhan, and Cheung 2016), state-owned settlement banks (Tobin 2022), invoicing for international trade finance (E. Lai and Yu 2015), and "connect schemes" for index inclusion of stock and bond portfolios (Chen and Pan 2021). In line with this broader interdisciplinary literature, my analysis demonstrates this internationalization process of the RMB and Chinese finance extends far beyond the RQFII schemes and major IFCs that dominate attention in the literature in financial geography so far, as currency-exchange services for trade finance also play a central role in the internationalization of Chinese finance into the peripheries of GFNs in places like Brazil.

Data and Methods

I present an unprecedented examination of annual reports, financial disclosure statements, and other documents on Chinese financial firms in Brazil, supplemented by media reports and personal interviews with bank managers undertaken in Beijing in 2018, and remotely in 2020.[1] This follows Coe, Lai, and Wójcik (2014) in their call to research financial geography by combining quantitative data from government and company documents with interviews and other qualitative materials on firm behavior. Unlike studies of Chinese policy banks, which only report projected disbursements but provide no public data on actual operations, my empirical examination of documents submitted to the Brazilian government describes concluded operations (rather than projected disbursements), and are audited by independent accountants, who are in turn certified by regulatory agencies. I also triangulate this information with the Brazilian Central Bank (BCB) IF Data online data set,[2] which aggregates quarterly data on all financial institutions in Brazil.

This includes information on assets, liabilities, capital accounts, and the operational results filed quarterly by all financial firms with the BCB, including loan operations traced by the BCB Credit Information System, which tracked all credit transactions above 1,000 Brazilian reais (BRL) (~US$250) until March 2017, and all transactions above 200 BRL (~US$50) since June 2017, and the BCB Currency Exchange System, which tracks all currency exchange operations in Brazilian-based financial institutions. Because the exchange rate between Brazilian reais and U.S. dollars varied over the years covered in my examination, I present most data in BRL, providing U.S. dollar values when this facilitates identification of transnational transactions.

Commercial Banks

The leading Chinese commercial banks concentrate the vast majority of financial assets and operations in China (alongside the policy banks). As stated earlier, they 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 Agricultural Bank of China (ABC), all have established operations in Brazil since 2009.[3]

Brazil's banking sector is also highly concentrated. The fifteen largest banks are responsible for about 86.7 percent and 79.3 percent of all assets and loans, respectively.[4] The sector is still relatively broad, however, with about 150 small- to medium-scale banks (with about 1 billion BRL or more in total assets) conducting regional or specialized operations, and several hundred more small credit unions. Moreover, several U.S. and European banks that entered Brazil during the period of neoliberal reforms (1994–2002) reversed gear thereafter, and the 2003 to 2008 period was marked by the "de-internationalization" of the sector (Fachada 2008). The arrival of Chinese commercial banks since 2009, therefore, signifies an important turning point in the Brazilian geography of finance.

Bank of China

The Bank of China (BoC) is China's pioneer in Brazil, where it opened a representative office in 2000. Its commercial subsidiary was founded in 2009, and began operations in 2010 with currency exchanges. It began issuing short-term working capital loans and trade finance by 2011, and remains focused exclusively on corporate accounts. This was a very modest start, and the BoC still ranks well below most domestic and international commercial banks in Brazil. It expanded most rapidly from 2013 to 2016, when its assets and credit disbursements increased threefold (Table 1). Expenditures increased faster than revenues, however, causing the company to suffer over 100 million BRL in losses, almost 70 million in 2015 alone (Table 2).

According to the BoC Brazil's CEO, 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-

Table 1 *Assets and lending (in million BRL, quarterly average) of Chinese commercial banks in Brazil*

			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
BoC	Assets	BRL	141	219	244	385	423	587	1,024	1,225	819	1,307
		Rank	236	195	205	136	170	163	134	126	180	130
	Loans	BRL	0	0	29	110	222	343	460	688	384	401
		Rank	—	—	459	250	166	146	135	108	159	175
ICBC	Assets	BRL	—	—	—	206	232	663	783	676	838	1,027
		Rank	—	—	—	252	245	156	150	176	173	162
	Loans	BRL	—	—	—	0	9	219	280	269	301	373
		Rank	—	—	—	—	477	233	175	196	193	184
CCB	Assets	BRL	—	—	—	—	—	15,285[a]	15,546	16,605	21,012	22,148
		Rank	—	—	—	—	—	25	28	28	22	23
	Loans	BRL	—	—	—	—	—	10,190[a]	7,892	6,429	7,143	8,128
		Rank	—	—	—	—	—	27	34	36	37	36
BoCom	Assets	BRL	—	—	—	—	—	3,161[a]	3,360[a]	3,895[a]	5,060	5,775
		Rank	—	—	—	—	—	68	70	68	59	58
	Loans	BRL	—	—	—	—	—	1,134[a]	1,323[a]	1,535[a]	2,668	3,268
		Rank	—	—	—	—	—	77	83	77	62	55

Note: BRL = Brazilian reais; BoC = Bank of China; ICBC = Industrial and Commercial Bank of China; CCB = China Construction Bank; BoCom = Bank of Communications. *Source*: Elaborated by the author from each bank's financial demonstration reports and Central Bank of Brazil, IF data.
[a]Operations of Brazilian firm prior to acquisition by the Chinese firm.

Table 2 *Bank of China (BoC) income by source, expenditure, and profit/loss, 2009 through 2018 (million BRL)*

	2009 Q3–Q4		2010		2011		2012		2013	
	BRL	%	BRL	%	BRL	%	BRL	%	BRL	%
Currency exchange	0	0	0.5	6.4	0.1	1.1	0.6	5.9	1.9	14.3
Credit and trade finance	0	0	0	0	1.1	11.6	2.4	23.5	5.4	40.6
Nonfinancial services	0	0	0.1	1.3	0.1	1.1	0.2	2.0	1.6	12.1
Other income	4.4	100	7.2	92.3	8.2	86.2	7.0	68.6	4.4	33.0
Total income	4.4		7.8		9.5		10.2		13.3	
Total expenditures	(8.2)		(6.7)		(9.0)		(12.3)		(19.6)	
Net profit (loss)	(3.8)		1.1		0.5		(2.1)		(6.3)	

	2014		2015		2016		2017		2018 Q1–Q3	
	BRL	%	BRL	%	BRL	%	BRL	%	BRL	%
Currency exchange	6.9	10.8	3.9	2.9	10.7	7.1	15.0	16.6	67.2	60.1
Credit and trade finance	25.3	39.5	39.5	29.4	67.5	44.9	30.3	33.4	13.5	12.1
Nonfinancial services	4.3	6.7	0.7	0.5	0.5	0.3	0.6	0.7	0.3	0.1
Other income	27.5	43.0	90.2	67.2	71.7	47.7	44.7	49.3	30.8	27.7
Total income	64.0		134.3		150.4		90.6		111.8	
Total expenditures	(84.9)		(203.9)		(159.3)		(88.3)		(106.9)	
Net profit (loss)	(20.9)		(69.6)		(8.9)		2.3		4.9	

Note: BRL = Brazilian reais. *Source*: Elaborated by the author from BoC financial demonstration reports and Central Bank of Brazil, IF data.

versa" (Zhang Jianhua, in Frischtak and Soares 2012, 7). The BoC "is basically involved with commodities, because they represent nearly 85% of China's total imports from Brazil" (7). Yet the bank's operations shifted sharply from petroleum, mining, and steel toward agribusiness above all (7). Near the peak of its credit lending, seven of its ten largest clients were agribusinesses. Some do not actually operate with the key commodities traded between Brazil and China, however, such as Moinhos Cruzeiro do Sul and Atlantica (Table 3), which complicates simple resource-seeking accounts. The importance of agribusiness for its operations is unquestionable, but the BoC remains a relatively small player all around. In 2018, its quarterly loans fell to 401 million BRL, which it disbursed in sixty-two transactions to merely twenty-two clients, remaining effectively stalled at this level for five years, and falling back down the rank of Brazil's lenders (Table 1, Table 4).

Credit lending does not fully account for the BoC's operations in Brazil. A central aspect of its strategy is promoting the internationalization of the RMB to enable the implementation of currency swap agreements (Leahy 2013; McDowell 2019), invoicing clearing and settlement of international trade in RMB, and even using RMB for international investments, aiming to reduce or even eliminate hedging costs on currency fluctuation for traders and investors conducting China-related activities. The BoC conducted the first cross-border RMB settlement with Brazil in 2009, and included quotations denominated in BRL among its services in 2010; it then added exchange rate hedging

Table 3 *Bank of China (BoC) largest clients, their nationality and sectors, 2015 (thousand BRL)*

Client	Nationality	Main sector	Loan	%
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 Web sites.

Table 4 *Number of clients (credit) and lending transactions of Chinese commercial banks in Brazil (quarterly average)*

		2014	2015	2016	2017	2018
BoC	Clients	33	36	40	26	22
	Transactions	61	62	61	44	62
ICBC	Clients	9	9	9	9	12
	Transactions	418	33	18	20	24
CCB	Clients	158,395[a]	164,020	226,030	311,292	288,948
	Transactions	323,010[a]	315,440	387,810	441,197	378,369
BoCom	Clients	1,211[a]	1,191[a]	1,181[a]	3,390	3,166
	Transactions	2,631[a]	2,373[a]	2,360[a]	4,553	4,612

Note: BoC = Bank of China; ICBC = Industrial and Commercial Bank of China; CCB = China Construction Bank; BoCom = Bank of Communications. *Source*: Elaborated by the author from Central Bank of Brazil, IF data. 2014 only includes the third and fourth quarter.
[a]Operations of Brazilian firm prior to acquisition by the Chinese firm.

between the RMB and BRL in 2012, and two-way currency exchanges for personal accounts in 2014 (BoC 2010, 2011, 2013, 2015a). Income from currency operations increased in recent years, helping to make the Brazilian subsidiary profitable since 2017, and providing a whopping 60 percent of its revenues in 2018 (Table 2). Thus, despite its low ranking in assets and loans, the BoC became the thirty-eighth largest commercial bank in Brazil by revenues from foreign exchange transactions in 2018 (BCB IF data). This is still a lower ranking than other Chinese banks, but impressive for a small firm like the BoC in Brazil.

Industrial and Commercial Bank of China

The Industrial and Commercial Bank of China (ICBC) already had a strong record with Brazil–China operations before establishing a subsidiary there (Lucchesi 2006), but due to concerns about the global recession (interview with ICBC official familiar with operations in Brazil, Beijing, December 2018), ICBC waited until 2012 to establish a subsidiary in Brazil with about 206 million BRL (Venkat 2012). They began currency-exchange operations in 2013, adding trade finance and working capital loans for corporate accounts in 2014. Although it grew steadily most years, it remains a very small bank (Table 1). In fact, it is even smaller than the BoC, especially in credit disbursements (Table 4). Unfortunately, the ICBC does not publish any details about the sectors and clients in its portfolio. Using broad categories for government-mandated financial disclosure reports, it reveals no apparent emphasis in natural resources, although agroindustry is not distinguished from industries in general (Figure 1).

The most significant aspect of the ICBC's operations in Brazil, however, is not its loan disbursements, but its currency-exchange operations, which have accounted for 66 percent or more of its total revenues since 2014 (Table 5). Despite ranking low as measured by assets and loans, the ICBC was the ninth largest commercial bank in Brazil in revenues from currency-exchange operations in 2018 (BCB IF data), outpacing even the other, much larger Chinese commercial banks that also established themselves and expanded currency-exchange operations in Brazil, as discussed later. In other words, the ICBC has quickly positioned itself as a leading institution for the internationalization of the RMB in Brazil, not only among Chinese competitors, but in the Brazilian financial sector as a whole.

China Construction Bank

In 2014, the China Construction Bank (CCB) acquired of 72 percent of Banco Industrial e

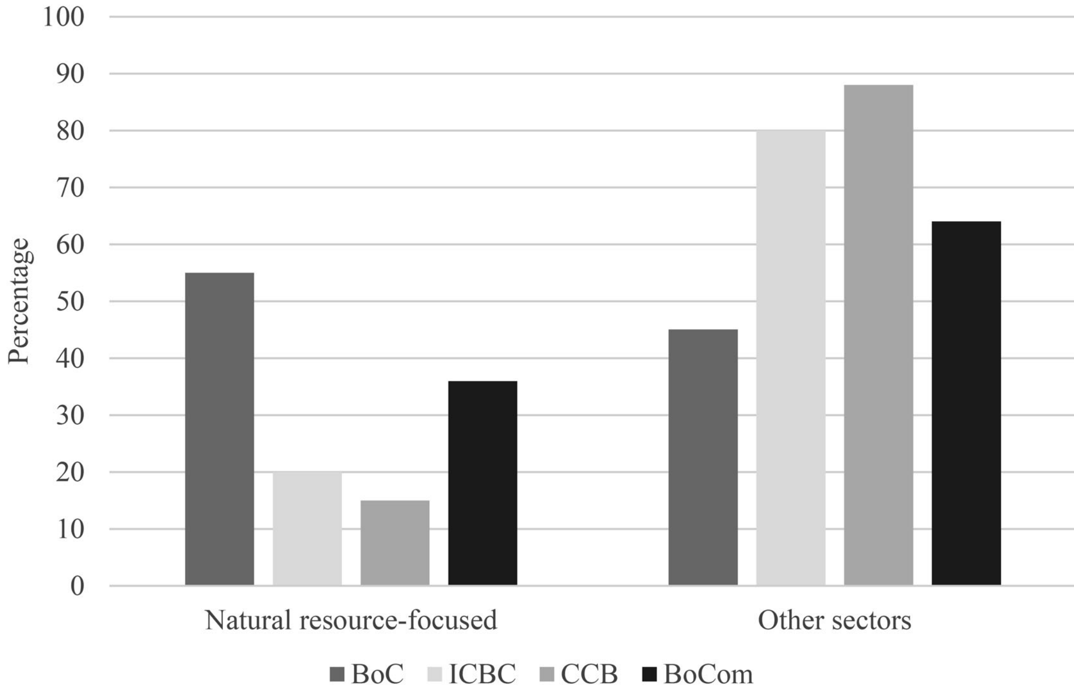

Figure 1 *Chinese commercial bank lending by aggregate sector in Brazil, 2015–2017. Note:* Elaborated by the author from each bank's financial demonstration reports and Central Bank of Brazil, IF Data. BoC = Bank of China; ICBC = Industrial and Commercial Bank of China; CCB = China Construction Bank; BoCom = Bank of Communications.

Table 5 *Industrial and Commercial Bank of China (ICBC) income by source, expenditure, and profit/loss, 2012 through 2018 (million BRL)*

Revenue sources income, (expenditure)	2012, Q4		2013		2014		2015		2016		2017		2018, Q1-Q3	
	BRL	%	BRL	%	BRL	%	BRL	%	BRL	%	BRL	%	BRL	%
Currency exchange	0	0	1.1	6.5	155.5	67.0	394.8	66.5	261.2	74.9	157.8	67.0	231.5	67.9
Credit and trade finance	0	0	0	0	40.1	17.3	137.4	23.1	54.0	15.5	35.9	15.2	70.7	20.7
Nonfinancial services	0	0	0.6	3.5	0.6	0.3	0.6	0.1	2.0	0.6	2.1	0.9	1.6	0.5
Other income	3.6	100	15.2	90.0	35.7	15.4	61.1	10.3	31.5	9.0	39.8	16.9	37.2	10.9
Total income	3.6		16.9		231.8		593.7		348.8		235.6		340.7	
Total expenditures	(1.2)		(22.2)		(227.5)		(576.4)		(337.1)		(233.1)		(339.6)	
Net profit (loss)	2.4		(5.3)		4.3		17.3		11.7		2.5		1.1	

Note: BRL = Brazilian reais. *Source*: Elaborated by the author from ICBC Financial Demonstration reports and Central Bank of Brazil, IF data.

Comercial (BIC) for 1.62 billion BRL (about US$680 million). At the time, BIC was the twenty-fifth largest bank in Brazil by assets, with about 15 billion BRL, and twenty-seventh by credit lending, with about 10 million BRL in its portfolio (Table 1). Thus, the CCB became the first Chinese commercial bank to enter Brazil through the acquisition of a midsized bank already operating across multiple financial markets, making it China's largest commercial bank in Brazil. In December 2015, CCB increased ownership of BIC to 99 percent, and boosted its operations in Brazil–China trade finance and RMB-denominated services (CCB Brasil 2016).

Personal accounts and medium-sized Brazilian companies represented 88 percent of its clients in 2014, and the CCB did not abandon the firm's previous commitments to this relatively diversified portfolio (Figure 1). It did, however, reduce short-term working capital loans from 4.6 to 2.3 billion BRL on incorporation (CCB Brasil 2016). This made for a rough transition. Total loan disbursements fell significantly for two years, and expenditures were also substantial and unforeseen (interview with CCB official familiar with operations in Brazil, Beijing, December 2018). Even though losses were reduced from the last year under Brazilian management, the CCB continued to sustain quarterly losses for three years (Table 6), as it struggled to rebuild a portfolio focused on Chinese clients and Brazil–China trade finance.

Its shift toward trade finance is evident in its immediate increase from 643 million to 985 million BRL in 2015 (CCB Brasil 2016), and even more

Table 6 *China Construction Bank (CCB)/Banco Industrial e Comercial (BIC) income by source, expenditure, and profit/loss, 2014 through 2018 (million BRL)*

Revenue sources income, (expenditures)	2014[a]		2015		2016		2017		2018 Jan–Sep	
	BRL	%	BRL	%	BRL	%	BRL	%	BRL	%
Currency exchange	265.3	11.9	551.1	14.5	25.3	2.1	95.2	5.6	204.1	7.9
Credit and trade finance	1,538.7	68.8	1,288.8	33.8	184.8	14.7	262.7	15.4	986.9	38.0
Nonfinancial services	72.3	3.2	62.9	1.6	63.5	5.1	60.5	3.5	34.8	1.3
Other income	359.0	16.1	1,906.0	50.1	980.4	78.1	1,286.6	75.5	1,373.2	52.8
Total income	2,235		3,809		1,254		1,705		2,599	
Total expenditures	(3,125)		(4,300)		(1,559)		(2,102)		(2,140)	
Net profit (loss)	(890)		(491)		(305)		(397)		459	

Note: BRL = Brazilian reais. *Source*: Elaborated by the author from CCB Financial Demonstration reports and Central Bank of Brazil, IF data.
[a]Indicates operations of the Brazilian firm BIC prior to acquisition by the CCB.

Table 7 *Chinese commercial bank loans to foreign clients (thousand BRL, quarterly average), percentage of total loans, and rank in Brazil*

		2014	2015	2016	2017	2018
CCB	Loans	434,787[a]	827,072	1,437,927	1,948,299	3,611,768
	Percentage	4.5	10.5	28.4	27.4	44.4
	Rank	14/21	13/21	11/21	8/21	7/21
BoCom	Loans	17,945[a]	23,116[a]	37,467[a]	261,428	442,220
	Percentage	1.2	1.7	3.1	9.8	13.5
	Rank	19/21	20/21	20/21	14/21	12/21

Note: BRL = Brazilian reais; CCB = China Construction Bank; BoCom = Bank of Communications. *Source*: Elaborated by the author from Central Bank of Brazil, IF data. 2014 only includes the third and fourth quarters.
[a]Operations of Brazilian firm prior to acquisition by the Chinese firm.

prominently in the fast-growing share of foreign clients in its loan portfolio. Prior to acquisition by the CCB, BIC disbursed about 435 million BRL to foreign clients each quarter, representing merely 4.5 percent of its total loans. The CCB doubled this number in its first year of management, and then increased that amount more than fourfold in the next three years, such that the 3.6 billion BRL lent quarterly to foreign clients in 2018 already accounted for 44.4 percent of its total portfolio (Table 7). Its total credit portfolio is still smaller and less profitable than under Brazilian management, causing it to fall in that ranking, but CCB headquarters injected further capital to help its subsidiary recover during transition, raising its position to twenty-third in terms of total assets (Table 1). Currency operations represent a smaller share of its operations and total revenues when compared to both BoC and ICBC, but its larger size has enabled it to become the twentieth largest commercial bank in Brazil by revenues from foreign exchange operations in the third quarter of 2018 (BCB IF data). These operations and the internationalization of its lending portfolio enabled the bank to regain profitability in 2018 (Table 6), and transformed it into Brazil's seventh largest lender to foreign clients, among merely twenty-one that operate in this market (Table 7).

Bank of Communications

The second Chinese commercial bank that entered Brazil by acquiring a local midsized firm was the Bank of Communications (BoCom). In its first overseas acquisition, BoCom announced the purchase of 80 percent of Banco BBM (BBM) for US$173 million in May 2015, and completed the operation in November 2016, when BoCom also received the Brazilian government's permission to expand ownership to 100 percent (BoCom 2016; Valor Econômico 2016). BBM specialized in agribusiness lending, but also served a small number of personal accounts and medium-sized Brazilian companies across multiple sectors (BBM 2016). With about 3.9 billion BRL in assets and 1.5 billion BRL in its credit portfolio at the time of acquisition, BBM was the sixty-eighth and seventy-seventh largest commercial bank in Brazil by assets and loans, respectively. To avoid transition problems, the investors injected about 2 billion BRL into the assets and quarterly lending portfolio of their newly acquired subsidiary by 2018, raising it to the fifty-eighth and fifty-fifth positions, respectively, in those rankings (Table 1). This enabled BoCom to keep most medium-size corporate clients in Brazil even as it internationalized its lending portfolio (Table 7), maintaining revenues from loans for working capital, export credit notes, and trade finance for medium-sized corporate accounts, and consequently, sustaining profits at the same level as before the acquisition (Table 8).

The new Chinese managers intend to emphasize services for investment and trading activities between China and Brazil, particularly by expanding credit instruments for large-scale corporate clients, categorized as firms with more than 3 billion BRL in revenue per year (BoCom and BBM 2015; BoCom 2016). Even though BoCom's lending portfolio is not as foreign-focused as

Table 8 *Bank of Communications (BoCom)/Banco BBM (BBM) income by source, expenditure, and profit/loss, 2014 through September 2018 (million BRL)*

Revenue sources income, (expenditures)	2014[a]		2015[a]		2016[a]		2017		2018 Jan–Sep	
	BRL	%	BRL	%	BRL	%	BRL	%	BRL	%
Credit and trade finance	172.1	33.7	217.7	32.0	223.2	40.4	255.2	38.8	204.4	32.0
Currency exchange	75.6	14.8	126.8	18.7	21.5	3.9	76.8	11.7	135.8	21.3
Nonfinancial services	20.6	4.0	9.3	1.4	15.6	2.8	31.1	4.7	31.4	4.9
Other income	242.7	47.5	325.9	47.9	290.0	52.9	295.0	44.8	266.8	41.8
Total income	511.0		679.7		554.3		658.1		638.4	
Total expenditures	(467.4)		(635.8)		(521.5)		(614.7)		(590.6)	
Net profit (loss)	43.6		43.9		32.8		43.4		47.8	

Note: BRL = Brazilian reais. *Source*: Elaborated by the author from Central Bank of Brazil, IF data.
[a]Indicates operations of BBM prior to acquisition by BoCom.

the CCB, and it has been internationalizing at a slightly slower pace, it still jumped from the twentieth to the twelfth position in the ranking of Brazilian banks with largest amount of loans to foreign clients (Table 7). Another aspect of its internationalization regards currency operations. BoCom is the thirty-fourth largest bank in Brazil by revenues from currency exchange (BCB IF data), and these services are likely to increase under new Chinese ownership (interview with BoCom official familiar with operations in Brazil, Beijing, December 2018). The president of BoCom in Brazil himself explained their strategic goal of developing RMB clearance in Brazil, which is a way of accessing "an immense and sophisticated financial and capital market," and leveraging their "competitive advantages" in lending for "all major Chinese firms in Brazil," and any Brazilian firm with "deeper ties" with China.[5] Thus, although agribusiness continues to feature prominently in its lending portfolio, BoCom's growth strategy in Brazil is clearly market-seeking and oriented toward currency exchange.

Discussion

These empirics demonstrate that although Chinese commercial banks are still new and relatively small actors in Brazil, (1) the CCB and BoCom are growing rapidly by providing trade finance for Chinese companies doing business across multiple sectors in Brazil, and together with the BoC and ICBC, (2) they are becoming significant players in currency exchange markets. This reveals that Chinese commercial bank operations in Brazil are not reducible to resource-seeking behavior, but clearly exhibit market-seeking and strategic information-seeking logics.[6] This is the case even when involving firms that historically emphasize agribusiness clients. BoCom, for example, continues to lend to many agribusiness firms in Brazil, yet its operations have begun to shift toward specialized financial services for Chinese clients, including RMB clearance and exchange. The BoC also lends mainly to agribusinesses, but its credit operations have remained very limited, and the BoC has continued to operate mainly as an instrument for the internationalization of the RMB.

This finding also generates a novel contribution to the literature in financial geography. Given that RMB-denominated markets and currency-exchange services have been theorized primarily in the scope of competition over RQFII scheme quotas in IFCs like London, Frankfurt, Singapore, and Hong Kong (Hall 2017, 2018; Töpfer 2018; Töpfer and Hall 2018; Pacheco Pardo, Knoerich, and Li 2019; Green and Gruin 2021), shifting focus to the internationalization of Chinese finance in peripheral areas of GFNs such as Brazil reveals the importance of commercial banks and trade finance in the process of internationalization of the RMB. After all, the RMB was not even among the top thirty currencies in the world in 2012, but became the fifth most used currency for global payments by 2018, and third most used for trade finance, positions it retains at present (SWIFT 2018, 2022). During this time, some of the earliest RQFII centers, such as London, have lost significance in RMB exchange (Töpfer and Hall 2018). Meanwhile, new mechanisms have gained ground in the internationalization of the RMB, including connect schemes (Chen and Pan 2021), state-owned settlement banks (Tobin 2022), and as I demonstrate here, Chinese commercial banks operating on the peripheries of GFNs where the relative power of financial firms from the Global North "rolled back" (Fachada 2008) and created opportunities for the advancement of Chinese finance. Identifying this role of Chinese commercial banks in the geographical expansion of RMB internationally, and how the combination of trade finance with currency-exchange services can in turn be instrumental for the internationalization of Chinese banks, is a novel contribution to the financial geography literature.

Conclusion

Existing literature on Chinese finance in Brazil has been hindered by an almost exclusive focus on policy bank loans, which have generated a "consensus" that these operations are primarily resource-seeking (Gallagher, Irwin, and Koleski 2012; Kaplan 2016; Ray et al. 2021) despite significant theoretical advancements in the literature on the internationalization of Chinese firms into emerging economies (Yeung and Liu 2008; Cull and Peria 2010). My empirical analysis demonstrates, however, that Chinese financial firms in Brazil do not conform to this theoretical expectation, providing a new basis for theorization of Chinese finance in Brazil, alongside shifts in the global geography of finance.

Accounting for Chinese finance in Brazil more holistically not only translates important advancements in the literature in economic geography into discussions of China–Brazil relations, but also yields a more nuanced narrative about how the RMB globalizes, especially on the peripheries of GFNs where the relative retreat of firms from the Global North enabled Chinese commercial banks to expand their operations with international trade finance and currency exchange. Although Chinese lending and currency-exchange activities in less central IFCs like São Paulo in Brazil do not rise to prominence in analyses of RMB-denominated markets at a global scale, these financial activities are nonetheless central to a more nuanced understanding of the drivers of the internationalization of Chinese finance. To be clear, this is not an argument that the currency-exchange operations by Chinese commercial banks in Brazil have the same significance for the internationalization of the RMB as the shifting dynamics of RQFII quotas and connect schemes for index inclusion of stock and bond portfolios in places like London, Singapore, or Hong Kong. Nor is this an argument that Chinese commercial bank operations in Brazil can significantly alter the political economic balance between IFCs like London, New York, Singapore, and Hong Kong in terms of RMB-denominated operations and services. After all, the literature in financial geography consistently recognizes the continued hegemony of the U.S. dollar and financial firms from London and Wall Street, even as emerging economies strengthen their own economic and financial ties (Wójcik, MacDonald-Korth, and Zhao 2017; Kaltenbrunner and Painceira 2018; Töpfer and Hall 2018; K. Lai et al. 2020). Yet this article has aimed to achieve a simpler and humbler goal of reinforcing challenges to the theory that Chinese finance in Brazil is primarily resource-seeking, and emphasizing that international trade finance and currency-exchange services play a central role in the internationalization strategies of Chinese finance on the peripheries of GFNs, such as in Brazil.

This novel contribution to the geographic literature calls for further attention to the transnationalization of the RMB on the peripheries of GFNs, and encourages novel research agendas in financial geography regarding the relative deconcentration of investment banking from the United States and Europe toward East Asia, as IFCs like São Paulo in Brazil might not appear very significant in the global aggregate (Wójcik et al. 2018). Yet investment banking in emerging economies can nonetheless be identified as another force driving the internationalization of Chinese financial firms, as witnessed by the recent entrance of Chinese investment bank and asset management firms in Brazil, such as Fosun and Haitong (Fosun 2018; Haitong 2018). It would be valuable to study such firms on the peripheries of GFNs as well, which might reveal distinct forces and factors at play in the internationalization of Chinese finance from what predominates in the current literature in financial geography. Unfortunately, a full discussion and analysis of these additional firms transcends the scope of this article. Still, these novel contributions to the literature call for more nuanced discussions about the "rise of China" in global finance. ■

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Notes

1 Four personal interviews were undertaken, under condition of anonymity, with management-level officials representing commercial banks during an event on China–Latin America relations in Beijing. Each interview lasted about thirty minutes, and covered five sets of questions on their firm's mode of entry, assets, financial results, lending portfolios, and operational strategies in Brazil.

2 Available at https://www3.bcb.gov.br/ifdata/, accessed from January through March 2019.

3 The ABC only held an event there in 2014 as part of its cross-border RMB business promotion campaign (ABC 2014).

4 Brazil's fifteen largest commercial and investment banks include the state-owned Bank of Brazil, Federal Savings Bank (Caixa Econômica), Rio Grande do Sul State Bank (Banrisul), and the public–private joint-venture Votorantim; the private Brazilian commercial banks Itaú, Bradesco, and Safra; the private Brazilian investment bank BTG Pactual; the Brazilian credit union conglomerates Bancoob and Sicredi; and five private international commercial and investment banks: the Spanish Santander, the French PNB Paribas, the Swiss Credit Suisse, and the U.S.-based Citibank and JP Morgan Chase. The state-owned National Bank for Economic and Social Development (BNDES) and Bank of the Northeast, and the private firms Cielo and Redecard, would be among the fifteen

largest financial firms in Brazil, but here I exclude policy banks and credit and debit card operators.

[5] This was a response to author's question during an online webinar organized by the Brazil–China Business Council and the Brazilian Center for International Relations, June 28, 2020.

[6] Elsewhere (Oliveira and He 2020), I develop more fully the theory that Chinese financial firms engage in such "collective information-seeking investments" abroad.

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