

BRAZIL AND CHINA BILATERAL RELATIONSHIP: WHAT CAN THE SOY TRADE TEACH US?

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ABSTRACT: What are China's strategies towards Brazilian soybean production? What is the Brazilian response to them? This paper aims to analyze how the Brazil's government measure of restricting land acquisitions by foreigners influenced China's commercial approach regarding the soybean market in Brazil. We argue that the new interpretation given to an existing national law in 2010 imposed hurdles to the Asian country, but that other factors must also be considered as substantial motives to the readaptation of the Chinese strategy. After the introduction, in the first section, we present an overview of the soybean international market. Second, we focus on the Brazilian soybean sector structure and its relations with China. Third, we describe the legal framework on land acquisition by foreigners in Brazil and the political context that influenced a more restrictive approach towards it. Fourth, we add some variants to the debate that took place in Brazil. Fifth, we make a chronological reconstruction of Chinese investments in the agribusiness sector and realize that the intent of the Chinese government and private sector to acquire land in Brazil is only part of a bigger sino strategy. Finally, in the sixth section, we conclude by answering the question that entitles this paper.

KEY WORDS: Brazil — China — soybeans — international trade — foreign land acquisition — foreign direct investment — *going out* policy

I. Introduction

The sharp increase of the soybean trading between Brazil and China has drawn attention in recent times. The numbers are indeed expressive. Having experienced a 41% raise of trade from the year of 2016 to 2017 and a 28,8% increasement from the year of 2017 to 2018, soya represents 50% of the trade balance between the countries (CEBRI, 2019). However, investigating this relationship more deeply one concludes that the Chinese interest in the Brazilian market is not limited to soybeans exportation, but extends to controlling the whole soy value chain: from the development of seeds to its transportation abroad.

This paper is part of a research developed at Fundação Getúlio Vargas, which studies the Brazil and China bilateral relationship through the observation of trade and investment agreements celebrated between the States. Moreover, it is driven by the perception that China's and Brazil's relationship in the soy market and other commodities goes much beyond trade,

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encompassing not only changing patterns of Chinese investment in Brazil, but also relevant domestic legal aspects that may influence the recent outcomes. One of such legal aspects is the restrictions imposed by Brazilian laws in the purchase of land by foreigners, which has hardened during the period that China caught the public's attention due to purchases of lands in South-East Asia, Africa and Latin America – including Brazil, in what had been called the wave of *global land grabs* – right after the financial crisis in 2008.

At first glance - and especially in light of the discussions that took place in Brazil at the time – the scenario suggests that the restrictions imposed by the Brazilian government were an explanation for the shift of China's strategy from purchase of land to acquisition of assets and entrance in the internal commodity trading market, making direct transactions to its homeland. Further research, however, has shown that this Brazilian restrictive interpretation of national law is only a small part of a bigger picture that belongs to a Chinese policy implemented worldwide - called *going out*. In as much the national law is a variable that influences China's strategy, in order to understand the recent transformations in the soy market, one needs to go beyond, and contextualize Brazil-China trade and investments relationships in what is taking place worldwide. This paper is part of this effort. On one hand, we track how national regulation responded to China's moves towards Brazil, on the other hand, we inquire the meaning of Brazil's backlash considering the Chinese global strategy.

We develop this paper by, in the first section, presenting an overview of the soybean international market – its main producers and the direction of exports. Second, we focus on the global soybean industry and its effect in the Brazilian market structure. Third, we describe the legal framework on land acquisition by foreigners in Brazil, bringing also the controversy posed by the interpretation of the legislation in light of the Federal Constitution and the political context that influenced the new legal approach. Fourth, we add some other elements to the debate that took place in Brazil, such as the actions that currently characterize the Brazilian soybeans market and a Chinese policy that leads the country's activities worldwide. Fifth, we make a chronological reconstruction of Chinese investments in the agribusiness sector before and after the restrictive government interpretation of land-purchasing and realize that the intent of the Chinese government and private sector to acquire land in Brazil is only part of a bigger strategy, related to China's intent to control the global soybean production in order to meet domestic demand. Finally, in the sixth section, we conclude by answering the question that entitles this paper.

II. The soybean international market: main producers and direction of exports

First of all, we aim to pinpoint some essential characteristics from the soybean business. Thus, in section 1 we briefly present the world market, by showing its greatest global players and the way they produce, consume and trade this good. In the section that follows, we further analyse this structure, however focusing on the Chinese behaviour in the Brazilian market and its changes through time.

Soybeans originated in Southeast Asia and were first domesticated by Chinese farmers. Nowadays, soybeans occupy the first position in the oilseeds *ranking*, both in production volume and in international trade. Soybeans are the main source of protein for animal feed and its oil is the second most consumed in the world, after palm oil (HIRAKURI; LAZZAROTTO,

2014). Among the oilseeds, soybeans represent 40.3% of the total production and 42.2% of what is traded internationally (LEMOS, GUIMARÃES, MAIA e AMARAL, 2017).

In the beginning of the XX Century, China produced around 90% of the world total soybeans (COLWELL, 2017). Today, as seen in Chart 1, the three largest soybean producers are located in the Americas and account for 82.4% of the total global production. The United States of America - US accounts for 34.4% of the total, followed by Brazil with 31.7% and Argentina with 16.3%. China, which ranks fourth in production, is the world's largest consumer of soybeans (101.100 thousand t), using almost double the volume consumed in the US (56.28 thousand t), which occupies the second position.

Chart 1 - Soybean Production and Consumption in 2016-2017 (1000 t)

Countries	Production (1000 t)	Participation (%)	Annual Growth 2011-2016 (%)	Consumption (1000 t)	Participation (%)
US	117.208	34,4	7,8	56.287	17
Brazil	108.000	31,7	12,5	44.600	13,4
Argentina	55.500	16,3	7,7	49.750	15
China	12.900	3,8	2,2	101.100	30,5
India	11.500	3,4	0,7	10.304	3,1
Paraguay	9.170		25,4	3.844	1,2
Others	26.510	7,8	7,7	65.816	19,8
Total	340.788	100	8,3	331.701	100

Source: Tabela 2 - Produção e consumo de soja em grão 2016-2017, em LEMOS, Mario Luiz Freitas; GUIMARÃES, Diego Duque, MAIA, Guilherme Baptista da Silva; AMARAL, Gisele Ferreira. Agregação de Valor na Cadeia da Soja. BNDES Setorial, Agroindústria, n. 46, 2017, p. 177. The chart was based on data collected on the USDA (2017).

However, the importance of soy is not restricted to grain production. It also involves the development of a complex that encompasses the processing of grain and its main derivatives (crude oil and soybean meal) and its use for other products - such as animal feed, edible oil and

fuel oil. The soybean, when crushed, is broken down into bran (or soybean meal) and oil, in a ratio close to 80/20 (HIRAKURI; LAZZAROTTO, 2014).

As shown in Chart 2, China is the largest producer of soybean meal, followed by the US, Argentina and Brazil. China consumes virtually all of its soybean meal production (97.3%) and exports only 2,8%. Brazil, the second largest soybean producer, is the fourth largest producer of soybean meal, standing behind Argentina.

Chart 2 - Soybean Meal Production and Consumption in 2016-2017 (1000 t)

Countries	Production (1000 t)	Participation (%)	Annual Growth 2011-2016 (%)	Consumption (1000 t)	Participation (%)
China	68.508	30	8,4	66.638	29,2
US	41.378	18,1	2,2	31.117	13,6
Argentina	34.780	15,2	4,9	2.786	1,2
Brazil	31.720	13,9	1,5	16.750	7,3
EU	11.613	5,1	3,9	31.542	13,8
India	7.200	3,2	2,5	5.200	2,3
Others	33.250	14,5	12,5	71.038	31,6
Total	228.449	100	5,2	225.071	100

Source: Tabela 6 - Produção e consumo de farelo de soja em 2016-2017, em LEMOS, Mario Luiz Freitas; GUIMARÃES, Diego Duque, MAIA, Guilherme Baptista da Silva; AMARAL, Gisele Ferreira. Agregação de Valor na Cadeia da Soja. BNDES Setorial, Agroindústria, n. 46, 2017, p. 180-181. The chart was based on data collected on the USDA (2017).

In the last five years, soybean meal production in Brazil has grown at a slower pace than grain production, which suggests that the country has prioritized the export of soybeans in grain rather than the production of soybean meal. As for the destination of production, Brazil consumes internally about half (52.8%) of its soybean meal. Chart 3 shows that Argentina leads the world export of soybean meal, with 47.4% of the total sold internationally, even if the country occupies the third position in production.

Chart 3 – World Exports of Soybean Meal 2016-2017

Countries	Exportation (1000 t)	Exportation/ Production (%)	Export. Global Export. (%)	/ Annual Export. 2011-2016 (%)	Growth (%)
Argentina	32.400	93,2	47,4		4,9
Brazil	15.200	47,9	22,3		0,7
US	10.523	25,4	15,4		3,8
Paraguay	2.710	90,8	4		83,6
China	1.900	2,8	2,8		19,3
India	1.800	42,1	2,6		12,6
Others	3.753	9	5,5		7
Total	68.286	100	100		3,3

Source: Tabela 7 - Exportações mundiais de farelo de soja 2016-2017, em LEMOS, Mario Luiz Freitas; GUIMARÃES, Diego Duque, MAIA, Guilherme Baptista da Silva; AMARAL, Gisele Ferreira. Agregação de Valor na Cadeia da Soja. BNDES Setorial, Agroindústria, n. 46, 2017, p. 182. The chart was based on data collected on the USDA (2017).

Like in the case of soybean meal, China is the world's largest oil producer, holding 28.5% of world production. Next comes the US with 18.8%, Argentina with 16.0%, and Brazil with 14.4%. Brazil consumes almost all the oil it produces (Chart 4).

CHART 4 - Soybean Oil Production and Consumption in 2016-2017

Countries	Production (1000 t)	Participation (%)	Annual Growth 2011-2016 (%)	Consumption (1000 t)	Participation (%)
China	15.501	28,5	8,4	16.000	29,7
US	10.233	18,8	2,9	9.322	17,3
Argentina	8.725	16	5,5	2.965	5,5
Brazil	7.850	14,4	1,5	6.420	11,9
EU	2.793	5,1	3,9	2.170	0,7
India	1.620	3	2,5	5.500	10,2
Others	7.748	14,2	12,5	11.493	21,3
Total	54.470	100	5,4	53.870	100

SOURCE: Tabela 9 - Produção e consumo de óleo de soja em 2016-2017, em LEMOS, Mario Luiz Freitas; GUIMARÃES, Diego Duque, MAIA, Guilherme Baptista da Silva; AMARAL, Gisele Ferreira. Agregação de Valor na Cadeia da Soja. **BNDES** Setorial, Agroindústria, n. 46, 2017, p. 183. The chart was based on data collected on the USDA (2017).

In regard to the exports, Argentina leads one more time the list of exporters of soybean oil, with a share of 48.1% of world trade (see Chart 5). China imports soybeans to crush, and as can be observed for its relatively low exports of soybean meal and oil, to serve its domestic market. It should be noted that China encourages this crushing to occur internally by taxing the import of derivatives more heavily than soybeans (AGRONEWS, 2016). The US and Brazil, as well as large producers and exporters of soybeans, also export a significant part of their soybean meal production. As for soybean oil, the country's export only residual parts of its production, because of its biodiesel programs.

Chart 5 - Soybean Oil Production and Consumption in 2016-2017

Countries	Production (1000 t)	Participation (%)	Annual Growth 2011-2016 (%)	Consumption (1000 t)	Participation (%)
China	15.501	28,5	8,4	16.000	29,7
US	10.233	18,8	2,9	9.322	17,3
Argentina	8.725	16	5,5	2.965	5,5
Brazil	7.850	14,4	1,5	6.420	11,9
EU	2.793	5,1	3,9	2.170	0,7
India	1.620	3	2,5	5.500	10,2
Others	7.748	14,2	12,5	11.493	21,3
Total	54.470	100	5,4	53.870	100

SOURCE: Tabela 10 - Exportações mundiais de óleo de soja 2016-2017, em LEMOS, Mario Luiz Freitas; GUIMARÃES, Diego Duque, MAIA, Guilherme Baptista da Silva; AMARAL, Gisele Ferreira. Agregação de Valor na Cadeia da Soja. **BNDES** Setorial, Agroindústria, n. 46, 2017, p. 184-185. The chart was based on data collected on the USDA (2017).

In order to sum up the data above, one can draw the following conclusions:

- i. The three largest soybean producers, United States, Brazil, and Argentina, are located in the Americas and account for 82.4% of total world production.
- ii. In relation to soybean meal and oil, China is the world's largest producer for both, followed by the US, Argentina and Brazil. However, China consumes virtually all of its soybean meal and oil production, exporting a small amount of both;
- iii. Brazil, although is the second largest soybean (grain) producer in the world, occupies the fourth place in the derivatives (soybean meal and oil), being behind Argentina, who leads both the exports of soybean meal and oil. Brazil consumes internally about half (52.8%) of the soybean meal it produces and almost all the oil it produces, mainly because of its biodiesel program.

The data suggest that, besides the patterns of production and consumption in each country, there are political and legal factors that influence directly these outcomes. In relation to China, the literature has pointed out that it encourages the crushing of soybeans to occur internally by

taxing the import of derivatives more heavily than soybeans, in order to serve its huge domestic market.

Regarding Brazil, one reason to explain it being the largest main producer and exporter of grains and occupying only the fourth position in soybean meal and oil exports rank derives from a Brazilian law from the 90's called "*Lei Kandir*" (Law n. 87 of September 13, 1996). It exempted the Tax on the Circulation of Commodities (ICMS) in the export of raw materials and maintained the burden on processed products, increasing the competitiveness of the first and lowering it in the second. As a result, the profit margins of the crushing agroindustry in Brazil declined and global traders came in strongly, increasing their control over crushing operations to the detriment of Brazilian firms.

However, this structure of the Brazilian market has been changed in the last years, with the entrance of the Asian companies, especially the Chinese ones, by the acquisition of corporate assets in the agribusiness sector, with the primary objective of controlling stages and processes upstream and downstream of the value chains of the soy complex and other commodities.

This movement, besides the political and economic drivers, is also influenced by a legal component, as the obstacles imposed by Brazil in the purchasing of lands by Chinese businesses. This legal feature, if not the main driver, seems to have contributed to the shifting of the sino strategy, from the purchase of lands for direct cultivation to the acquisition of shares and control of important trading companies with large operations in Brazil. In the next section, we bring an overview of the soy industry in order to analyze how it affects the Brazilian market. After that, in the third section, we deeper the explanation of the legal aspect, describing the legal controversy timeline.

II. The structure of the industry and its effects in the Brazilian soy market

The soybean industry has been historically dominated by the four big companies known by the acronym ABCD - ADM,¹ Bunge,² Cargill,³ and Dreyfus⁴ - who buy and sell grains and other commodities and undertake various activities, from finance to production, processing, transportation and distribution.

Since the 1990s, the increase in world consumption of animal protein and, consequently, of soybean meal has led to the expansion of these large grain corporations to countries such as Brazil, Argentina and China. In this scenario, ADM, Bunge, Cargill and Louis Dreyfus took over the world domination of soybean crushing (HIRAKURI; LAZZAROTTO, 2014).

¹ Archer Daniels Midland Company - ADM (<http://www.adm.com/en-US/Pages/default.aspx>) was founded in 1902 and is headquartered in Chicago, Illinois, USA. ADM is one of the world's largest agricultural producers. Operating processing and manufacturing facilities throughout the US and in more than 75 countries, the group earned \$ 62.3 billion in 2016. Today, ADM is one of the largest suppliers of agricultural processors and food ingredients, with over 32,000 employees serving customers in more than 160 countries.

² Bunge Food (<http://www.bunge.com/>) was founded in 1818 in Amsterdam, the Netherlands. In 1905, the company expanded to Brazil and, in 1918, to North America, the then largest agricultural market in the world. Today, based in New York, the company is present in more than forty countries, integrating agribusiness, food and bioenergy. The group has more than 35 thousand employees and, in 2016, obtained a turnover of US \$ 42.7 billion.

³ Cargill Agricultural (<https://www.cargill.com/>) was founded in 1865 in Iowa, and today is based in Minneapolis, Minnesota, USA. Cargill is present in 67 countries on five continents. The largest food group in the world, Cargill has about 135,000 employees and achieved revenues of US \$ 107.2 billion in 2016.

⁴ Louis Dreyfus Company - LDC (<http://www.ldcom.com/global/en/>) was founded in 1851. LDC operates in the commodities market in more than 100 countries on all continents, with business units in sugar, cotton, rice, coffee, fertilizers and inputs, grains, dairy, metals and juices. The group is also present in the transportation and finance segments.

Despite of the dominance of the market by the “Big Four”, in Brazil and China certain local producers and groups could enter the dispute and obtain some share of the market. In the Brazilian case, the Amaggi Group, the Cooperativa Coamo Agroindustrial, Caramuru Alimentos and Granol have become non-majority participants in the segment. In the case of China and other eastern countries, however, the agribusiness economic groups, which until recently had a regional scope and basically operated the importation of grains and their derivatives, have taken a more aggressive stance in the commodities market, changing from the condition of consumers to relevant competitors in the sector.

This movement presented by Asian countries, specially China, follows the dynamics of the agricultural commodities trading market in recent years, with the competitive, vertical, horizontal and financial integration of value chains (CLAPP, 2015). As for the Brazilian market, those movements have been changing the structure of the market. By means of comparison, in 2003, ABCD companies bought roughly 57% of all grain cargos sold by Brazil, while direct purchases by Asian companies were only 9%. In 2013 an analysis of shipping data found that Asian trading houses, including China’s state-owned COFCO, bought 45% of the country’s soybean, corn and soybean meal exports, while the share purchased by the ABCD was 37%. In 2014, ABCD firms accounted for 46% of the grains exported by Brazil, compared to 36% of Asian companies. But in 2015 a sudden reversal occurred, when Asian trading, including China’s COFCO, shipped 45% of the grains exported by Brazil, while ABCD companies had 37% (BONATO, 2016).

This shift has been followed by efforts of Asian traders to buy infrastructure, such as port terminals, to make their shipment more efficient and give them an edge in a business where margins are typically tight. China’s footprint today is definitively growing through acquisition. The strategies used by China to enter in this powerful trading market and the relationship between Brazil and China in the soy trade relation demonstrate these recent changes in the industry of the soy complex.

Escher, Wilkinson and Pereira (2018) present - for didactic and analytical purposes and without intending to propose a rigid periodization or rupture in the historical process - this evolution of the internationalization of Chinese companies in FDI agribusiness through three phases:

- i. The first phase begins in the first half of the 2000s and runs through 2008. It is marked by the emergence of China as a global player in the commodities market. Although China is also a major producer of commodities (coal and oil, aluminum and steel, wheat, rice, corn and soybeans, etc.), its domestic production did not keep up with its demand. During this period, China's dependence on imports of food, energy, and agricultural and mineral raw materials became clear;
- ii. The second phase starts from the onset of the crisis of 2008, when the Chinese enterprises from the agribusiness sector have caught the public’s attention, particularly with the purchase of large portions of land in countries in South-East Asia, Africa and Latin America, including Brazil. At that time there was extensive media coverage from NGOs and academic scholars discussing whether China would be establishing itself as a neocolonial power, as one of the main players in the wave of *global land grabs* that fires after the crisis. However, what careful studies with the evidence have so far shown is that despite the fears that "*China is taking over*

the world", Chinese land investments are much smaller than those in other countries, such as those in the Gulf the Middle East or even Europe or the United States

- iii. The third phase goes from 2012 to the present day, when the orientation of Chinese FDI's moves from the purchase of land for direct cultivation to the acquisition of assets of companies in the agribusiness sector, with the primary objective of controlling stages and processes upstream and downstream of the value chains of specific commodities in certain key regions, and even for the construction of logistics, transportation and storage infrastructures.

Departing from the big picture of soybean international market we enter in the discussion of how Brazilian legislation affected China's strategies in the sector. Therefore, we bring law controversy description.

IV. The Brazilian Regime on the Purchase of Land by Foreign Capital

This section aims to describe the Brazilian legal framework on the purchase of land by foreign capital and how this may have contributed, among other drivers, to change China's first intention to acquire land in Brazil, a strategy that it abandoned when the Asian country realized that it was more strategic to work on the origination of all kinds of products for its food safety needs.

In order to do so, we start by presenting the main laws and regulation, setting the overall framework. Then, we present the controversy caused by the interpretation of these law in light of the Federal Constitution in 1988. Finally, we draw some inferences from the interpretation and opinions issued by the General Attorney's Office regarding land acquisition by foreigners.

A. Legal Framework

The regulation of land acquisition by foreign capital has been established in the Brazilian national framework for a long time. Complementary Act (*Ato Complementar*) n. 45 of January 10, 1969 - which was later regulated by Decree-Law (*Decreto-Lei*) n. 494 of March 10, 1969 conditioned the acquisition of rural property in Brazil by foreign legal entity to an authorization granted by decree in a process instituted by the Ministry of Agriculture through the Brazilian Institute of Agrarian Reform (IBRA). It also required that the acquisitions should be linked to the company's statutory objectives.

Later on, Decree-Law n. 924 of October 10, 1969, flexibilized the governing regime by excluding from the provisions of Decree-Law No. 494 of March 10, 1969, the acquisitions of rural areas necessary for "*the execution of industrial enterprises considered of interest to the national economy,*" whose projects have been approved by the competent bodies.⁵

However, it was Law n. 5.709 of October 7, 1971 (Law n. 5709/91) that was responsible for setting forth the ruling for foreign real estate purchase in national territory. This legislation is in force until this date and regulates the acquisition of rural property by foreign resident in the country or foreign legal entity authorized to operate in Brazil.

Article 1, Paragraph 1o. of the law established that, in addition to the foreigner permanent resident in the country and the foreign legal entity authorized to operate in Brazil, "*the Brazilian legal entity whose majority capital belongs to foreign individuals or legal entities residing or*

⁵ In original Brazilian Portuguese "*em caso de interesse para a economia nacional*".

having their headquarters offshore”, would also be subject to the exceptional regime of Law n. 5709/71. This provision, as will be seen, would be later impacted by the promulgation of the Federal Constitution in 1988.

Law n. 5.709/91 establishes the following restrictions on land acquisition by those entities (foreign residents, foreign legal entities and Brazilian legal entity as specified above):

- 1) The public record (*escritura pública*), must include a specific identity document, proof of residence in the national territory and, authorization from the competent body or prior consent of the Executive Secretary of the CRC (*Secretaria-Executiva do CDN*). In the case of a legal entity, the transcription of the act that granted authorization for the acquisition of the rural area and proof of its constitution and license to operate in Brazil (Articles 8 and 9).
- 2) The real estate registry offices (*cartórios de registro de imóveis*) shall keep a special registry of this kind of operation and, on a quarterly basis, forward such data to the Legal Department (*Corregedoria da Justiça*) of the respective state, to the Ministry Agriculture - *MAPA*) and, in the case of property located in areas indispensable to national security, also to the General Secretariat of the National Security Council (Articles 10 and 11).
- 3) The sum of the rural areas reserved for foreign persons cannot exceed 25% of the area of the municipalities where they are located, and in the case of foreigners of the same nationality, that limit is reduced to 10% (Article 12).
- 4) Prohibits the donation of land by the Union or states to foreign persons (Article 14)
- 5) The acquisition and leasing of land performed by foreign entities that present an infringement on national law shall be deemed null and void (Article 15).

In summary, Law n. 5.709/91 establishes that in the case of natural persons, land can only be acquired by Brazilians and foreigners permanently residing in the country and foreign companies are required to obtain an *operating permit in the country*. Moreover, the acquisition of rural property by foreign natural persons cannot exceed 50 modules of indefinite exploration and the area belonging to the foreigners – be they natural persons or legal entities - cannot exceed 25% of the area of the municipality where the property is located.

B. The controversy posed by the interpretation of the legislation in light of the Federal Constitution

In 1988, the Federal Constitution, in its article 171, established the definition of “Brazilian company” (item I) and “Brazilian company of national capital” (item II), as follows:

Article 171 The following shall be considered:

I - a Brazilian company incorporated under Brazilian law and having its headquarters and administration in Brazil;

II - Brazilian company with national capital whose effective control is in permanent character under the direct or indirect ownership of natural persons domiciled and resident in the Country or of entities of internal public law, being understood by effective control of the company the ownership of the majority of its voting capital and the exercise, in fact and in law, of the decision-making power to manage its activities.⁶

⁶ In original Brazilian Portuguese: *Artigo 171. São consideradas:*

I – empresa brasileira a constituída sob as leis brasileiras e que tenha sua sede e administração no País;

II – empresa brasileira de capital nacional aquela cujo controle efetivo esteja em caráter permanente sob a titularidade direta ou indireta de pessoas físicas domiciliadas e residentes no País ou de entidades de direito público interno, entendendo-se por controle efetivo da empresa a titularidade da maioria de seu capital votante e o exercício, de fato e de direito, do poder decisório para gerir suas atividades.

In its subsequent provisions, this same Article 171 added to the regulation that governed Brazilian companies of national capital. On the one hand, it provided the possibility of granting them special temporary protection and benefits to develop strategic activities (paragraph 1, item I) and preferential treatment in the public procurement of goods and services (paragraph 2). On the other hand, it imposed further requirements on these companies regarding sectors considered essential to national technological development (paragraph 1, item I).⁷

The promulgation of Paragraphs 1 and 2 from Article 171 of the Federal Constitution could lead to the interpretation that they were exhaustive limitations to the scope of restrictions authorized to be imposed towards legal entities that met the requirements of item II of the constitutional article. In other words, Brazilian companies whose control was held by non-nationals (HAGE, PEIXOTO, VIEIRA FILHO, 2012, p. 18).

In light of this possible contradiction, the Ministry of Agriculture, Supply and Agrarian Reform (*Ministério da Agricultura, do Abastecimento e da Reforma Agrária* - MAARA) has questioned the reception of Article 1, Paragraph 1o. of Law n. 5709/71 by the new Federal Constitution. The response came from the General Attorney's Office through the Legal Opinion GQ-22, in 1994, in which it was considered that the legislation indeed infringed the constitutional provision. And that, consequently, Brazilian companies controlled by foreign legal entities should not be subject to the provisions – and restrictions – of Law 5709/71.

The interpretative controversy resurfaced when *Constitutional Amendment* - EC 6 revoked Article 171 of the Federal Constitution and the General Attorney's Office (*Advocacia Geral da União* – AGU) was asked to reassess its position. As a result, in 1998, AGU maintained it, based on the argument that the constitutional alteration provoked by EC 6 did not have the intention of restoring the existence of a legal norm.⁸

Thus, the outcome from both Legal Opinions was very similar and, in the words of Castro and Sauer (2017, p. 44), "*in practice the Opinion provided a legal basis for Brazilian controlled or not by foreigners, could acquire or lease land in Brazil*".⁹

However, in 2007, the AGU has initiated a new reexamination of the matter, overturning its understating by stating that Article 1, Paragraph 1o of Law 5.709/71 was received by the Federal Constitution in 1988.¹⁰ It was approved by the President and published in the official means of communication (*Diário Oficial da União* - DOU), therefore, binding the Federal Administration, since August 23 of that year.

In practice, that means that "*the Brazilian legal entity in which any natural or legal foreign persons who have a majority of their capital stock and who reside or have their head office*

⁷ In original Brazilian Portuguese: § 1o A lei poderá, em relação à empresa brasileira de capital nacional:

I – conceder proteção e benefícios especiais temporários para desenvolver atividades consideradas estratégicas para a defesa nacional ou imprescindíveis ao desenvolvimento do País;

II – estabelecer, sempre que considerar um setor imprescindível ao desenvolvimento tecnológico nacional, entre outras condições e requisitos:

a) a exigência de que o controle referido no inciso II do caput se estenda às atividades tecnológicas da empresa, assim entendido o exercício, de fato e de direito, do poder decisório para desenvolver ou absorver tecnologia; b) percentuais de participação, no capital, de pessoas físicas domiciliadas e residentes no País ou entidades de direito público interno.

§ 2o Na aquisição de bens e serviços, o Poder Público dará tratamento preferencial, nos termos da lei, à empresa brasileira de capital nacional.

⁸ Legal Opinion GQ-181.

⁹ In the original Brazilian Portuguese: "*na prática o Parecer deu base jurídica para que pessoas jurídicas brasileiras controladas ou não por estrangeiros, pudessem adquirir ou arrendar terras no Brasil*".

¹⁰ Legal Opinion LA-01.

abroad participate in any capacity” (Paragraph 1, Article 1, Law 5709/71) is treated the same as a foreign company and, consequently, is subject to the regime set forth in Law n. 5709/71 and to the restriction of the purchase of land in national territory.

C. The context of the General Attorney’s Office in resolving the issue

It is worth to mention that Legal Opinions GQ-22 and GQ-181 from AGU, were articulated during the Fernando Henrique Cardoso Administration. His mandate, that took place between the years of 1994 and 2002 was characterized by the adoption of neoliberal measures, privatization processes and openness to private and non-national investment in Brazil. On the other hand, Legal Opinion LA-01, was construed during the presidency of Luis Inácio “Lula” da Silva, a more nationalist government that presented greater connections with social movements (OLIVEIRA, 2010, p. 18, 40).

Therefore, it can be inferred that the Legal Opinions institutionalized the objective pursued by the Administration in charge, be they of removing obstacles to the free movement of foreign capital in the country (PEREIRA, 2018, p. 169) or toughening its access to national land. However, they leave some doubts as to the effect of this measures.

It is also relevant that the 2007-2010 reexamination by the General Attorney’s Office of the Legal Opinions was motivated by a series of events promoted by public bodies – such as the Chief of Staff Office (*Casa Civil*), Office of Institutional Security of the Presidency of the Republic (*Gabinete de Segurança Institucional da Presidência da República* - GSIPR), MAPA, the Ministry of Agrarian Development (*Ministério do Desenvolvimento Agrário* - MDA), INCRA and AGU. These aimed to find legal alternatives that would restrict the subjection of foreign capital to national land access, in order to guarantee the defense of national sovereignty (HAGE, PEIXOTO, VIEIRA FILHO, 2012, p. 18).

This behavior presented by the Brazilian Public Administration was not unique and was a response to the phenomena that has been called “*agroinflation*” (HAGE, PEIXOTO, VIEIRA FILHO, 2012, p. 7) and hatched governments’ concerns over food security and their intentions of guaranteeing the nurture of its population offshore.

It is, as well, part of a moment when the world has experienced an increase of the global interest in land acquisition – which the academic literature has identified as *land grabbing* (REYDON, FERNANDES, 2012), (DEININGER, 2011), (SAUER, BORRAS JR, 2016) (ZOOMERS, 2010) (BARBANTI JR, 2017). This specific awareness has been fueled by different reasons, such as the strong economic growth experienced by emerging markets, the rise in international oil prices, the advance of biofuel production, the adverse climatic effects to production and low global food supplies, among others (PEREIRA, 2018, p. 163).

Therefore, it can be said that concerns mainly over food security and State sovereignty have instigated the public debate to question the ownership of lands by foreign companies – which has reflected in the government’s position over this particular issue - despite the fact that external capital represent approximately only 3,04% of the total of Brazilian domains (Instituto Nacional de Colonização e Reforma Agrária - INCRA, 2017).¹¹

¹¹ Percentage obtained by Congresso em Foco, that has enforced the Law on Information Access and required that INCRA presented the quantity of land owned by foreign entities registered by the public authority, since it is mandatory, according to Law n. 5.868, of December, 12, 1972. INCRA has, ultimately answered the demand by presenting a relation that showed that 2.4 million hectares were owned by foreigners, being 502 thousand hectares in control of non-national companies. However,

III. The current outlook of the Brazilian soybeans market and the Chinese going out policy

In order to the best understand how Brazil reacted to this apparent *land grabbing* fear and what consequences the Brazilian backlash – the restriction of foreign capital land acquisition – had in China strategies, we bring next (section 5) a historic description of the country's investments in Brazil before and after the new interpretation of the law in question.

However, before doing so, this section aims to contextualize this relationship built between the new interpretation of Law n. 5.709/71 and the change in sino activities in the Brazilian soybeans market. To do so, we cover the actions that currently characterize the sector and present a strategy that leads Chinese activities worldwide.

It is justified by the fact that the same kind of false alarm that seems to have rung in what concerns purchase of land by foreign companies within national territory, also echoes toward Chinese investments made in soybean production and commercialization. In this sense, national media and public opinion have shown some adamant treatment regarding these operations, which do not particularly illustrate the reality of China's success in conquering this complex commercial chain (OLIVEIRA, 2015, p. 22).

The largest Brazilian soybean trade partner today is China. In 2003, 54% of Brazil's soybean grain exports went to Europe and only 30% to China. However, by 2013 Europe's share fell to 12%, while China received astonishing 75% of Brazil's soybean shipped, with more than 95% in grains (OLIVEIRA, SCHNEIDER, 2016).

A vast literature has characterized the formation of the "*Brazil-China soybean-meat agroindustrial complex*" as a force to operate shifts in international agrifood relations, operated primarily from bilateral trade (WILKINSON, 2009; WILKINSON, WESZ, 2013, SCHNEIDER, 2014, OLIVEIRA, SCHNEIDER, 2016, ESCHER, SCHNEIDER, YE, 2015). However, in a paper published last year (2018) in a collection aimed at reflecting on the continuous understanding of Chinese global investments and their evolution in Brazil, Escher, Wilkinson and Pereira present a more recent perspective. Based on previous work (OLIVEIRA, 2015; WILKINSON, WESZ e LOPANE, 2015) and new data and statistics from Brazilian, Chinese and international sources and interviews, the authors argue that the relationship between Brazil and China regarding agribusiness and specially in relation to soybeans and its derivatives goes much beyond trade relations (ESCHER, WILKINSON, PEREIRA, 2018)

Indeed, as the very notion of "*Brazil-China soya-meat complex*" indicates, there is a mutual dependence between supply and demand of soybeans from both countries, however, with a better balance for China, which has more diversified supply sources than Brazil in demand. (WILKINSON and WESZ, 2013).

According to this perspective, the agribusiness systems in China and Brazil have been shaped and influenced by the overall restructuring of international agrifood relations. The first driver of such shifting would be the improvement of living standards in China, which intensified the demand for animal proteins (meat, milk and eggs), whose production systems are expressively dependent on soybean meal. For this reason, China has a great challenge to

Congresso em Foco claims that at least one million hectares currently owned by foreign persons are not counted in the official records. VAZ, Lucio. Governo ignora total de terras ocupadas por estrangeiros no país. Available at <<https://congressoemfoco.uol.com.br/especial/noticias/governo-nao-sabe-o-volume-de-terras-ocupadas-por-estrangeiros-no-pais/>>. Accessed in Feb. 27 2019.

guarantee access to the resources necessary for the food security of its population, no longer depending exclusively on the volatile spot markets controlled by large global traders to import grain.

Therefore, to cope with the growing dependency from the external supply of food and raw materials, China has made direct investment in the acquisition of assets and resources through the purchase of land, development of productive and technological capacities and construction of logistics, transportation and storage infrastructures. The strategy is to achieve greater control over the upstream and downstream stages and processes of value chains of certain commodities (including soybean) in certain key regions, like Brazil (ESCHER, WILKINSON, PEREIRA, 2018).

More than just import soybeans, China is *going out* with its companies and investing in agribusiness to ensure control over natural resources for the production and supply of food and agricultural raw materials. Even so, in the most recent period the trend is less the purchase of land and more and more the acquisition of companies with specific assets important to control different links of value chains. The choice for this *going out* policy can be linked to four causes: China's population growth, the migration of rural workers towards the cities, unfavorable natural conditions and increasing demand for raw materials (NAKATI et al., 2014).

Besides China's one-child policy, the growing population has been a continuous concern for the Chinese government, especially on how to guarantee food supply and achieve food security. In addition, since China's reform and open up there has been an increase in ratio of the urban population – 19.39% of the Chinese population had been living in urban areas in 1980, by 2018 it accounted for 57% (THE WORLD BANK, 2018), which resulted on a growing demand for food and other resources and a decrease in the rural labor force. Regarding the rural conditions, the country faces natural resources and climate challenges: it is not possible for it to increase its agricultural land due to geographical conditions and the already expanded agricultural frontier. Lastly, China continues to import large quantities of key commodities to maintain high growth rates.

Thus, it can be said that, the China *going out* policy is a response for the fact that the country needs more resources than it can produce. Lacking sufficient domestic reserves and facing extremely volatile commodity prices, Chinese have been investing in resource- rich countries like Brazil in order to secure stable, long-term supplies. Another driving factor is that China is expected to lose self-sufficiency in the provision of certain foodstuffs, including soybeans (CEBC, 2013, p. 40).

IV. The land acquisition legal issue: has indeed Brazil's restriction influenced the Chinese strategy?

We have inquired the reasons behind China's current strategy to encourage its enterprises to invest overseas in order to put the dispute over land grabbing in Brazil into context. Especially, because, according to Oliveira (2017, p. 9), "*Although the Chinese Government's policy of 'going out' was launched in 2001 and agricultural investments were an integral part of this government strategy from the get-go, the 'China as land grabber' discourse only gained prominence with the signing of a MoU in January 2007 for leasing at least 1.4 million acres in the Philippines right*".

In this section, we argue that the intent of the Chinese government and companies to purchase land in the agribusiness sector was part of a bigger strategy, which concerns China's intent to control the global soybean production in order to meet domestic demand. Since this control wasn't possible through land acquisition, China readapted its approach, therefore aiming at the control of different processes of the value chain (ESCHER, WILKINSON, PEREIRA, 2018, p. 195). To sustain our argument, we make an empirical reconstruction of Chinese investments in the agribusiness sector before and after the government interpretation of land-purchasing legislation limiting the amount of land foreigners can buy. We recognize causal inferences are hard to make, but our main goal is to bring up the discussion about the Chinese control of the Brazilian agribusiness production, and that this control can be achieved through other means than land acquisition.

Analyzing the *going out policy* towards Brazil it is possible to distinguish four phases of the Chinese investment, each with specific characteristics (CEBC, 2017, p. 7). During 2007-2009 there was already a significance trade flow between Brazil and China. In 2009, China became Brazil's number one trading partner, comprising 13.2% of Brazil total trade flows, surpassing the United States at 12.5%.¹² However, investments were still very limited in quantity and value – a total of only seven announced projects close to US\$ 600 million. In general, investments were sparse and carried by a small number of companies (CEBC, 2013, p. 36-39).

The first investment phase started in 2010, when 21 Chinese investment projects were announced (CEBC, 2013, p. 37). The early strong trade relationship between the two countries had taken a new dimension – bringing significant and sustained flows of Chinese investment into Brazil. The second investment phase took place between 2011-2013, when the industrial flow was mainly directed to the industrial sector, with an eye on the Brazilian domestic market. The third phase happened in 2013 with the establishment of banks. From 2015 on started the current phase, which is marked by a strong investment in infrastructure, production and transmission of electricity, and also relevant investments in the agribusiness sector (CEBC, 2017, p. 7 – 9).

In 2010, the agribusiness sector represented 20% of the total of reported Chinese investment. Initially, China prioritized investment in activities directly linked to commodities, which accounts for the largest share of Brazil's export to the Asian country. According to a Report by the China-Brazil Business Council, in 2010, data show that the agribusiness, energy and mining sectors were given absolute priority in terms of Chinese investments. It was clear that China was targeting Brazil as part of its international strategy to assure supply for natural resources.

There are two kinds of investment that contribute to this aim. First the Chinese takeover of control, be it total or partial, of Brazilian companies that exploit natural resources. Second, investments aiming the strengthening of the Brazilian exporting complex by improving infrastructure and making it more efficient (CEBC, 2011, P. 25). Also, both investment in agribusiness companies and in the infrastructure sector are part of a same strategy seen already in the first phase of the Chinese investments.

¹² In addition, Brazil gained ground among China's largest trading partners, moving from 15th in 2009 to 10th in 2011. A strong trading relationship between the two countries is an important leading indicator of future foreign direct investment. Given the intensification of Sino-Brazilian trade flows in the last decade, the subsequent increase in foreign direct investment was to be expected (CEBC, 2013, p. 39).

In turn, the land acquisition¹³ issue dates back to 2007, when the Pacific Century Group's, based in Hong Kong, purchased 27,397 ha as a minority shareholder with the Argentinian CalyxAgro. During 2007 and 2008, the private company Zhejiang Fudi Agriculture Co, in a partnership with the state Company Beidahuang/Heilongjiang State Farm, purchased around 600 ha in Rio Grande do Sul and 16,000 in Tocantins.¹⁴ There are also reports that claim that the Group Pallas International declared to the Bahia government to be interest in 250,000 ha to be used in the soybean export. The group Pallas International had even supposedly signed a memorandum of understanding (MoU) with the Bahia state administration regarding an investment for agricultural production in 250,000 ha of land, but government officials denied having any knowledge of such negotiations and there are no records of this MoU in government archives (OLIVEIRA, 2017, p. 7).

After 2010, the CEBC Report (2013)¹⁵ points to a reduction in natural resource seeking investments by the Chinese government, while the overall pace of investments kept its upward trend. Investigating the reasons by interviewing Chinese executive, the land acquisition prohibition comes to the forefront:

Through interviews with Chinese executive working in the mining, oil and gas, and agribusiness sectors, it became clear that this drop can be attributed to uncertainties regarding Brazil policies. Substantial concerns were raised regarding recent government regulation in these sectors, [...] such as a recent government interpretation of land-purchasing legislation limiting the amount of land foreigners can buy. These and other related policies are increasing Chinese investors' uncertainty and causing companies to hold off investment plans (CEBC, 2013, p. 45).

In 2010, the Chongqing Grain Group (CGG) attempted to buy 200,000 ha of land in west Bahia to produce soybean, but the Brazilian government enforced land restrictions for foreign land acquisition. As a consequence, they purchased a smaller area (52,000 ha), building a soybean crushing plant and announcing the construction of a fertilizer factory in Barreiras (BA) among with railway and storage infrastructure (ESCHER, WILKINSON, PEREIRA, 2018, p. 204).¹⁶

In the aftermath of the restriction on foreign acquisition of farmland, the Company Sahne Hopeful also shifted its attention from land-based investments in Goiás to infrastructure investments in Santa Catarina. The private Sanhe Hopeful Grain and Oil Co. and the central government-owned China National Agriculture Development Group (CNADG) had been exchanging visits with Goiás state government and agribusiness officials during 2009 and 2010. Back then, the intent to purchase 2.4 millions ha and to construct a railway and transport infrastructure in Goiás – a project that would cost US\$ 7,5 billion in ten years was reported. However, CNADG abandoned negotiations after the new interpretation of Brazilian law in land acquisition by foreigners. Instead of the Goiás original investment plans, Sanhe Hopeful acquired a 20% stake in the construction of a new grain terminal in Santa Catarina state (OLIVEIRA, 2017, p. 7).

In 2011, in interviews with local producers concerning the China approach, it was reported that China did not made proposals related to the purchase of land, based on the knowledge that

¹³ It is worth mentioning that land acquisition can be pursued in different ways.

¹⁴ But facing operational difficulties the companies sold most of the assets to the Universo Verde company, a subsidiary of the state Company Chongqing Grain Group (CGG) in 2011.

¹⁵ In the agribusiness sector, there was two projects in 2012-2013. One related to corn processing, in Mato Grosso do Sul, and other to wood handling, in Acre (CEBC, 2014, p. 10).

¹⁶ Until today these have not been implemented due to social and environmental problems.

this kind of transaction was no longer allowed.¹⁷ The AGU Legal Opinion that resulted on the establishment of greater restrictions to foreign capital for sure limited Chinese land-based investments that were being negotiated. As attested by the Chinese executive, the restrictions led to greater hesitation and distrust between China and Brazil (Oliveira, 2017, 9. 14). Some years later, local producers suggested that Chinese companies ought to again heave for land acquisition as soon as the interpretative legal issue was resolved (ESCHER, WILKINSON, PEREIRA, 2018, p. 204). But that does not seem to have happened so far, and China have not stand still waiting for it. The Asian country found it more convenient to work around this complication by pursuing investments in other links of agroindustrial production chains.

From 2014 on series of Chinese actions towards Brazil took place. In that year, the China National Cereals, Oils and Foodstuffs Corporation (COFCO) announced the purchase of the Dutch Nidera. The investment should raise COFCO as one of the main players in the global agribusiness industry. In Brazil, Nidera is one of the main soybean and corn producers, owning terminals for grains and storages in soy producing regions, as Mato Grosso and Paraná. Also in 2014, the COFCO announced an investment in the amount of US\$ 1,5 billion in partnership with Noble Agri – a trading company in the agribusiness sector hosted in Hong Kong, with a 51% control of the shares (CEBC, 2016, p. 22).

In 2016, COFCO announced the acquisition of the remaining portion of Noble Agri. Noble Agri assets in Brazil consist of processing and storing central units for seeds in Mato Grosso, sugar processing and ethanol producing plants and port terminals in Santos. In the same year, Hunan Dakang Pasture Farming - a branch of the Chinese holding group Shanghai Pengxin Group - acquired 57% of Fiagril's share - a trading company and grain processor (CEBC, 2017, p. 14).

The year of 2017 presented a sharp increase in the ongoing investment trend in agribusiness sector, having a total of four projects. The Chinese investment Fund Citi AgriFund – the agribusiness branch of the CITIC group – in a partnership with Long High-tech Agriculture acquired for US\$ 1,1 billion the maize seed unit of the Dow Chemical in Brazil.¹⁸ The Chinese Company Hunan Dakang International Food Agriculture invested US\$ 253 millions in the acquisition of a 53.99% share of the Belagrícola. At last, The Fumagalli announced a partnership with the HNA Modern Logistic and the Yangtse River Development for the construction of 30 storage terminals, the investment value accounts for R\$ 1,5 billion (CEBC, 2018, p. 24 – 25).

It is worth noticing that the last investment phase in Brazil was aligned with China's strategy worldwide. Throughout 2015, purchasing activities by Chinese companies around the world hit the highest level in history, surpassing a value of US\$ 60 billion (CEBC, 2017, p. 9). Not only investments in the agribusiness sector are a key feature of this phase, but also investments in the infrastructure sector play an important role. Related to the last one, the Chinese experience in implementing infrastructure projects and the capital availability was aligned with

¹⁷ <https://jornalggn.com.br/brasil/o-acordo-agricola-entre-china-e-o-estado-de-goias/>.

¹⁸ The sell was a requirement of the Administrative Council for Economic Defense in the approve of the merge between the American company with DuPont. The transaction involves maize seed production units, research centers, gene bank and intellectual property rights.

the Brazilian need to overcome its bottlenecks in the agribusiness sector.¹⁹ At the same time, this opened a window of opportunities for China to expand its interests in the region, such as the outflow of raw materials as soy and minerals.

From 2016 on, such trends within this new phase were confirmed and further developed. In 2017 the agribusiness, livestock and related services accounted for the second biggest share – 15% – of announced projects. The storage and transport segment came after with 10% (CEBC, 2018, p. 16).

As previously mentioned, companies' acquisition operations in the agribusiness sector and direct investment in infrastructure can be seen as part of a single strategy to assume control of the soybean production. Escher, Wilkinson and Pereira list different strategies to control the raw material supply: land acquisition, productive and technological capabilities, infrastructure in logistic, transport and storage areas (ESCHER; WILKINSON; PEREIRA, 2018, p. 191).

According to interviews from the CEBC Report in 2018 (p. 216), the COFCO strategy consists in acquiring control both upstream and downstream in the corn and soybean value chain through two operational branches. Seeds, technological development and agricultural inputs distribution on one hand, and origination, crushing and foreign trade on the other. In the seed branch, the Company operates in partnership with Dow²⁰ and Syngenta²¹ – apart from Nidera products; in the trading branch operates in an open market with China. Finally, the COFCO is also disputing the storage structures – normally controlled by global traders due to its verticalization strategy –, having already announced two storages acquisitions in Mato Grosso.

In addition to COFCO, Hunan Dakang Pasture and Farming, an agricultural subsidiary of the Shanghai Pengxin Group Corporation, is another Chinese company that entered the Brazilian grain market, albeit with smaller investments. Pengxin is a private conglomerate with more than 40 subsidiaries, full or partially held throughout the world, and a diversified business portfolio, including real estate, urban infrastructure construction, and high technology investments. In 2016, it announced interest in acquiring a US \$ 3 billion stake in Banco Indusval & Partners SA in Brazil (CEBC, 2016).

Hunan Dakang acquired two companies in the agribusiness sector in Brazil. First, Fiagril Ltda, headquartered in Mato Grosso, which is responsible for the resale of inputs (seeds, pesticides, fertilizers), technical assistance, grain origination and trading. In 2017, Hunan Dakang also acquired 54% of the company Belagrícola, headquartered in Paraná. The two companies have origins in family businesses, operate throughout the grain chain and have headquarters in the main producers states of soy and corn (Mato Grosso and Paraná), revealing the strategy to control the entire value chain, from origination to export (CEBC, 2017)

V. Conclusion

In conclusion, it can be said that the new interpretation on the law regarding foreign acquisition of farmland impacted Chinese strategies in Brazil, since the direction of China's agroindustrial

¹⁹ The sector presents shortcomings that limit its competitiveness: the bulk storage capacity is insufficient for the grain production, what makes it harder for the producers to maximize marketplace opportunities (ESCHER, WILKINSON, PEREIRA, 2018, p. 215).

²⁰ Dow's corn division was acquired by CITIC.

²¹ Acquired by ChemChina.

capital changed within the Brazilian market. Nonetheless, attention must be drawn to the fact that the Chinese strategy, that is, M&As and investments in other links of agroindustrial production chains, which is actually consistent with that of the hegemonic oligopolies from the Global North.

With all that said, regarding the Brazil China bilateral relationship, what can the soy trade teach us? The lesson argued in this paper is that it is necessary to look beyond particular local issues - in this case the change of interpretation of a law regarding land acquisition by foreign capital - and consider the big picture of Chinese strategies - in this case its control of the whole value chain proposed by the *going out* policy - in order to come to conclusions able to better understand the exchanges lived by those two countries.

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