FOREIGN STATES RESPONSES TO RMB INTERNATIONALIZATION: AN ANALYSIS OF THE BRAZILIAN CASE

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ABSTRACT: This article brings to the fore the role of interstate politics in the process of currency internationalization, investigating to what extent Brazilian policies have supported China to establish the RMB as an international currency. Brazil is a relevant case-study because it has helped to build the narrative about the need of reforming the international monetary and financial system (IMFS) away from dollar dominance, particularly since the 2007-2009 Global Financial Crisis (GFC). The analysis of the Brazilian experience suggests that Brazil's growing economic dependence on China created the context for the development of policies that favor the internationalization of the RMB. Among them, there can be highlighted: (i) the inclusion of the RMB in Brazil's international reserves from 2019 onwards; (ii) the accession of Bocom BBM to CIPS in 2023; and (iii) the establishment of the ICBC as the RMB clearing house in Brazil in 2023, putting Brazil on the track to create a RMB Offshore Center in the coming years. These policies do not appear to be part of a conscious strategy to support China or the internationalization of the RMB, but rather a result of the economic influence that China increasingly exercises over Brazil.

KEYWORDS: Currency internationalization; renminbi internationalization; Brazil; China

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Introduction

The outbreak of the 2007-2009 Global Financial Crisis (CFG) surfaced once again the debate about the dollar's future as the key global currency (Helleiner and Kirshner 2012). Since then, there have been growing calls to reform the international monetary and financial system (IMFS) away from dollar dominance, notably from emerging and developing countries (EDCs) (Stuenkel 2013), which are particularly constrained by this system (Bonizzi et al. 2021; Carneiro and De Conti 2022). The second decade of the twenty-first century witnessed the emergence of coalitions (such as the BRICS) and institutions (such as the New Development Bank, NDB, and the Asian Infrastructure Investment Bank, AIIB) that materialize the desire to create alternatives to the hegemony of the dollar (Armijo and Roberts 2014; Roberts et al. 2018; Batista Júnior 2019). This agenda has gained new impetus with the financial needs that arose to deal with the global economic crisis derived from the COVID-19 pandemic and, more radically, with the US financial sanctions imposed on Russia in the wake of the war in Ukraine (Grabel 2023). These developments have amassed to revive the geopolitical component of money in interstate relations (Norrlöf et al. 2020; Paulson 2020; Kumar and Rosenbach 2021; Dooley et al. 2022; Eichengreen, et al. 2022b; Norrlöf 2023).

The gradual return of a 'Cold War logic' in the international system, as put forward by Norrlöf (2023), in which privileged economic ties with friends are favored to the detriment of economic interest, gives new contours to the debate about the future of the IMFS and, more specifically, to the role reserved to China's currency, the renminbi (RMB). For some analysts, given the economic and political capabilities of China, the rise of the RMB as a relevant international currency would be only a matter of time (see, for example, Subramanian 2011). However, up until now, a great asymmetry prevails between China's economic and political weight and the international use of its currency (ECB 2023). While the RMB has experienced a rapid progress in its internationalization process, its international status is still insignificant to challenge the dominant role of the dollar (Benney and Cohen 2022).

Against this background, this article brings to the fore the role of interstate politics in the process of currency internationalization. This angle is particularly relevant to explain the case of the RMB because increasing the international use of its currency is part of China's global power strategy (Cohen 2019; USCC 2021). Contrasting with previous cases of currency internationalization, like the Japanese yen and the German mark, whose international use derived mostly from market forces (Eichengreen 2011), the international use of the RMB is being led and controlled by the government – through, for example, bilateral RMB-local currency swap agreements, bilateral agreements that facilitate trade and investment in RMB, and the RMB Qualified Foreign Institutional Investor (QFII) program, which grants access to foreign investors to Mainland China's bond and equity markets (Liao and McDowell 2015; Chey 2022). These policies possibly help to explain why, despite the general limit access of foreigners to Chinese capital markets, the RMB has gradually increased its international role, contradicting the conventional wisdom that predicts full capital account liberalization as a necessary condition to currency internationalization (Eichengreen et al. 2022a).

Building on previous efforts that look on how foreign states have reacted to the international rise of the RMB (Pacheco Pardo et al. 2019; Chey 2019, 2022; Chey and Hsu 2020; Chey et al. 2019), this article investigates to what extent Brazilian policies have supported China to establish the RMB as an international currency. Brazil is a relevant case-study because it has helped to build the narrative about the need of reforming the IMFS away from dollar dominance, particularly since the GFC (Batista Júnior 2019). It is the largest economy in Latin America, meaning that the adoption of policies for the use of the RMB in Brazil would possibly spill over to the rest of the region. Brazil also plays a relevant role in the balance of power within the BRICS grouping. Yet, while Brazil openly advocates for an IMFS less centered on the US dollar, it is not clear whether it would favor a system centered on the RMB. In Brazil-China bilateral relations, China is the strongest link, but it plays in the context of growing geopolitical tensions with the United States, who historically has a close relationship with Brazil. A more assertive position by Brazil in supporting the internationalization of the RMB could, potentially, be an important turning point to the Chinese project.

Following this introduction, the second section revisits the economic and political aspects of currency internationalization, with particular emphasis on the case of China. The third section analyses Brazil and China's shared desire to move away from a dollar-centric system and what concrete steps have been taken by Brazil towards the support of RMB internationalization. The fourth section looks at the asymmetrical economic and political relationship between the two countries, placing it in the broader context of China's geopolitical dispute with the United States. The fifth section concludes the article.

1.Economic and Political Aspects of Currency Internationalization

The international use of domestic currencies is never neutral, neither in economic nor in political terms. Unsurprisingly, what would have been a truly international currency, the *bancor*, issued by a Supranational Bank and disconnected from any domestic economy, was never implemented. Keynes' ingenuity for solving the problems of global imbalances emerged only when sterling was no longer the dominant currency, and the rise of the dollar was imminent. In fact, in the words of Steil (2013, 149), 'had sterling not been supplanted globally by the dollar, it is difficult to imagine that Keynes – an enlightened nationalist, but a nationalist all the same – would ever have propounded such an idea as bancor. And if he had, it would surely have been rejected peremptorily by his government'.

The concept of currency internationalization refers to the demand of a domestic currency beyond its monetary domain for *currency purposes*, i.e., to be used as a unit of account, a medium of exchange or a store of value, for public and private international transactions.[1] This framework was proposed by Cohen (1971, 2015) and is widely used in the literature (see Table 1). To that extent, currency internationalization should be understood as a spectrum – both in terms of which functions currencies perform internationally and of geographical reach. In other words, a currency may be used more for a certain purpose or in a certain region and it

[1] That means it is difficult to consider the cross-border demand of currencies issued by EDCs as 'currency internationalization', since their demand is mostly motivated by the higher financial return they provide as financial assets, and not because foreigners want to use them as currencies (Carneiro and De Conti 2022).

will still be an international currency, accruing the benefits and costs that come with this position. In addition, because currency internationalization is a consequence of the international demand of a domestic currency, and because international preferences change over time, currency internationalization should be understood as ‘a process, not a static condition’, in the words of Cohen (2019, p. 7). To be sure, a domestic currency is not, by definition, an international currency – that would have been the case of Keynes’ *bancor*; a desirable solution to deal with the intrinsic instability of the IMFS, but an improbable one, considering that a currency with an international status is never neutral: it is a source of credit (and, thus, of power) for the issuing state (Gourinchas et al. 2019).

Table 1. The roles of international money

	Functions		
Levels of analysis	Medium of exchange	Unit of account	Store of value
Private	Foreign exchange trading, trade settlement	Trade invoicing	Investment
Official	Intervention	Anchor	Reserve

Source: Cohen 2015, p. 9.

Despite the existence of costs associated with issuing a currency that is used internationally (see, for example, Cohen 2015 for an overview), it is assumed that the net result is positive for the issuing country (Norrlöf 2014). This assumption seems to be particularly reasonable considering the case of the ‘top’ currency, in Cohen’s terminology (2015, p. 16-17), which is a currency ‘whose use dominate for most if not all types of cross-border purposes and whose popularity is more or less universal, not limited to any particular geographic region’. This position is occupied by the dollar alone, with no other currency coming close (Benney and Cohen 2022, ECB 2023). The benefits associated with the position that the dollar occupies in the international currency hierarchy were summarized in the idea of an ‘exorbitant privilege’ by Charles de Gaulle’s finance minister, Valéry Giscard d’Estaing, in the 1960s (Eichengreen 2011, p. 4). After the Bretton Woods System collapsed, the advent of a fiat currency system of floating exchange rates, in a context of increased capital mobility, only served to increase the dollar dominance and the exorbitant privileged enjoyed by the United States (Carneiro and de Conti 2022).

The fact that the dollar remains as the dominant international currency while the United States experiences a relative decline in its economic size and in its leadership in areas such as trade and security has been a growing source of tension in the international system (Norrlöf et al. 2020). For the international status of the dollar is a source of power to the United States, those who challenge US leadership in global affairs are increasingly frustrated with the resilience of America’s hegemony in the monetary and financial realms. To illustrate with the case of China, China (i) is already the second largest economy in the world (and the largest when measuring in terms of purchasing power parity), contributing to about a third to global growth[2]; (ii) is the world's biggest trading nation, being the main trading partner for more than 100 countries (while the United States is the main partner for 57 countries) (Rachman 2020); (iii) is the biggest official creditor in the world, surpassing the loans granted by the World Bank, the IMF, or the set of the 22 governments members of the Paris Club (although the biggest general gross creditor, considering public and private credits, continues to be the United States) (Horn et al., 2021); (iv) its military capabilities, including missiles, satellite weaponry and a navy which has more ships than the US navy, are strong enough to threaten the United States (Rachman, 2020); (v) disputes the leadership in global telecommunications infrastructure and digital technologies, which includes being at the forefront in developing a Central Bank Digital Currency (CBDC) (Bansal and Singh, 2021; Murray, 2020, 2022).

Despite its economic, trade, creditor and military size, plus the government's efforts to internationalize the RMB since the GFC, hitherto China's currency plays a very small international role (see Table 2). To be sure, following the inclusion of the RMB in the elite currency basket of the IMF's Special Drawing Right (SDR) in late 2015 (effective from October 2016), foreign exchange reserves allocated in RMB amounted to US$298 billion in 2022, representing 2.7 per cent of the world's total, far behind allocations in dollars (58.4 per cent) (IMF 2023). Similarly, in a short period of time, the RMB has ascended to become the world's fifth most traded currency, but that represents only 7 per cent (US$526 billion) of the foreign exchange market turnover, against 88.5 per cent of the dollar share (BIS, 2022a).[3] Only 1.3 per cent of SWIFT payments are made in RMB, against 45.5 per cent in dollars (SWIFT, 2023).

Table 2. Economic weight vs. International Role of Currencies, %

	Economic weight		**International Role of Currencies**				
	Global GDP[1]	Global GDP PPP[2]	Loans [3]	Debt[4]	FOREX Turnover[5]	Official Reserves[6]	Cross-Border Payments SWIFT[7]
US/USD	24.1	15.9	52.0	65.5	88.5	59.8	45.4
Eurozone / EUR	15.5	7.4	27.6	22.0	30.5	19.6	33.3
Japan/JPY	5.7	4.0	4.7	1.8	16.7	5.2	4.3
China/CNY	17.7	18.8	n/a	0.8	7.0	2.7	1.3

Notes: [1]IMF, World Economic Outlook April 2023. [2] IMF, World Economic Outlook April 2023. [3] Data refer to Q4 2022, ECB (2023) Table A6. [4] Data from Q4 2022, ECB (2023), Table

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[2] Chey (2012, p. 12) argues, however, that China's economic size is too small to challenge the United States; to put in perspective, the US economy was twice the size of the UK when the dollar began to rise as an international currency.

[3] As two currencies are involved in each transaction, the sum of shares in individual currencies will total 200 per cent.

A4. [5] Since two currencies are involved in each transaction, the sum of the individual shares of each currency is 200%. Data from 2022, BIS (2022b). [6] Data from Q3 2022, IMF, Currency Composition of Official Foreign Exchange Reserves (COFER). [7] Excluding payments within the euro zone. January 2023 data, RMB Tracker, SWIFT (2023). Source: Prepared by the authors.

While existing data shows no end in sight for the dollar hegemony, a set of recent developments suggest that future transformations in the IMFS may happen faster than in the past. The ongoing digital revolution in money and payments systems is increasing the interoperability between platforms, decreasing transactions costs, and increasing information speed. That weakens the usual hypothesis about network externalities that underlie theories on currency internationalization, allowing fiercer competition among currencies (Brunnermeier et al. 2021). These technological transformations have been accompanied by a more active portfolio diversification by central bank reserve managers, who have increased the allocation of their international reserves on nontraditional currencies (Arslanalp et al. 2022). This technological aspect can enhance the consequences of current geopolitical ruptures, eventually contributing to accelerate transformations towards a multipolar or more fragmented monetary standard (Perez-Saiz et al. 2023).

In light of this theoretical discussion on currency internationalization, the next section analyses the interplays between Brazil and China in their shared desire to move away from a dollar dominated IMFS, which gained traction in the context of the 2007-2009 GFC. The section that comes next highlights how this opposition to the greenback's hegemony was gradually translated into policies that supported the renminbi internationalization and places it in the context of Brazil's broad economic bilateral relations and foreign policy goals associated with China.

2.Holding Hands: Brazil, China, and the Shared Desire to Move Away from Dollar Dominance

Historically, Brazil and China share convergent positions on some of the major issues of international politics (see, for example, Junior 2010). While the economic rapprochement between the two countries only materialized at the beginning of the 21st century, joint action on areas of common interest dates to the reestablishment of diplomatic relations on August 15, 1974. Besides the like-mindedness in some foreign policy principles, such as the emphasis on national autonomy, sovereignty and territorial integrity, Brazil and China traditionally line up in topics related to the development agenda and South-South cooperation at the multilateral level. These issues gained new impetus with the Asian crisis in 1997 – from which China emerged relatively unscathed – and the Brazilian crisis in early 1999, which served to increase the political understanding about the needs to reform the IMFS from a developing countries' perspective. In November 1993, Brazil and China formalized a "strategic partnership", which was initially focused on the scientific and technological cooperation. From the Chinese perspective, besides its regional economic and political weight, Brazil was seen as a potential partner to defend developing countries' interests. From the Brazilian perspective, this was a pioneering initiative with an important country outside the US-Europe axis and the Latin American neighbors, in a moment when Japan was the focus of attention of Brazil's foreign policy in Asia (Junior 2010, p. 17). This relationship in 2023 celebrates three decades and has expanded to include areas such as combating poverty and social development, besides new cooperation areas like environmental protection, combating climate change, low carbon economy and digital economy (Brasil 2023).

As economies which have traditionally occupied unprivileged positions in the power dynamics of the IMFS, Brazil, China, along with other large developing economies, found space in the context of the 2007-2009 GFC to advance some of their agendas (Gallagher 2015; Batista Junior 2019). These agendas included primarily a reduction in the dominance of the US dollar in international transactions (or, in other words, a greater share of other currencies, especially those from emerging countries) and a larger participation of emerging countries in global economic governance, which still largely reflected the post-World War distribution of power. At this time, China began to actively promote the internationalization of its currency, introducing several policy measures to facilitate foreign access to the RMB (see Prasad 2017 and Subbachi 2017, for example, for a review of the policies implemented). Although there was an expectation both from academia (Cohen 2009, Eichengreen 2011) and international organizations (World Bank 2011, IMF 2011) that currencies from other developing countries could also play a greater international role (including the Brazilian real), in practice, the Chinese currency was the only one that actually made progress in terms of increasing its international use.

In the circumstances of the GFC, the then recently created BRICS grouping drew Brazil and China closer in their shared desire to move away from a dollar-centric and US-led IMFS (Liu and Papa 2022). Already in their first joint statement, the BRIC's leaders committed to "advance the reform of international financial institutions, so as to reflect changes in the global economy" and stressed the "need for a stable, predictable and more diversified international monetary system" (BRIC, 2009). Therefore, the renewal of this ambition to reduce developing countries' dependence on the dollar took place together with the beginning of the internationalization process of the RMB, in which the RMB appeared as the only alternative to "diversify" the IMFS in favor of developing countries.

Under the umbrella of the BRICS, there have been some important, albeit insufficient, advances in terms of increasing their participance in global economic governance, including the issue of reducing the IMFS dependence on the dollar (Woods 2010, Vestergaard and Wade 2015). To begin with, the context of the GFC created the opportunity for the BRICS to increase their voice and voting share in major global economic forums. The upgrade of the G20 from a minister gathering to a Leaders Summit in November 2008 placed the BRICs at the center of the crisis management. In the wake of the elevation of the G20, other forums also expanded to include the BRICs and other big emerging economies, such as the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Forum (FSF), which then became Financial Stability Board (FSB). The reforms of the Bretton Woods Institutions – the World Bank (WB) and the International Monetary Fund (IMF) also favored Brazil, China and other BRICS countries. The WB's reform agreed to the first general capital increase (USD 86 billion) in more than 20 years and gave developing countries a modest increase in their voting power. The IMF's 2010 reform placed Brazil, Russia, India and China among the top 10 IMF shareholders and ended the category of appointed Executive Directors hitherto enjoyed by US, Japan, UK, Germany and France. Significantly, this reform included the RMB in the IMF's Special Drawing Rights basket, placing it together with the dollar, the euro, the yen and the pound sterling. The BRICS also had a relevant role in the final design of the IMF's new institutional view on capital flows (IMF, 2012). While the final document did not reflect exactly their preferred position (Gallagher, 2015, pp. 153-154), this shift in the IMF's official position was significant and converges with what the BRICS, and other emerging economies, had been advocating since the 1990s.

Ultimately, however, there was a limit of how much power overrepresented developed countries were willing to give up to underrepresented emerging economies in existing forums[4], and that served as fuel for the BRICS to create their own institutions. In mid-2014 during the 6th BRICS Summit in Fortaleza, two BRICS institutions were created: the New Development Bank (NDB), to address the group's concern about the growing gap in infrastructure financing in the developing world, and the Contingent Reserve Arrangement (CRA), to serve as an additional line of defense to provide liquidity in case of balance of payments difficulties. In these institutions, the idea of a "club culture" prevailed, with all members having equal voting power and decisions being taken by simple or qualify majority.

While the BRICS efforts were at the center of Brazil's efforts to move away from a dollar dominated IMFS, they were only a part of China's. To be sure, the NDB and the CRA add to a broader Chinese strategy of multilateral efforts, which includes the Belt and Road Initiative (BRI), announced in 2013, and the Asian Infrastructure Investment Bank (AIIB), created in 2014. In particular, the NDB, the CRA, the BRI and the AIIB are all initiatives which have contributed (or have the potential to) increase the international role of the yuan (Subacchi, 2016). Thus, although progress within the BRICS as a group is legitimate and possible, it seems that the BRICS have also worked as space for China advance in its individual strategy of promoting the international use of its currency. As noted by Cooper and Zhang (2018), China has used the BRICS as a parallel counter-vailing strategy of non-western leadership and, while playing along with the idea of building a club culture of equal partners, China has increasingly exhibited the material advantages it has over the other members.[5] Arguably, the expansion of the BRICS announced in its fifteenth Summit, to include Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates, serves to illustrate how China is succeeding to leverage on the BRICS to its own global strategic goals. The specific case of China bilateral relations with Brazil is discussed next.

[4] As Vestergaard and Wade (2015, p. 7) put it simply: "the net shift of voting power in the IMF and the WB since the G20 leaders in 2009 announced agreement on the principle of major shifts of voting power is negligible, at best, despite great declarations of 'historic' change".

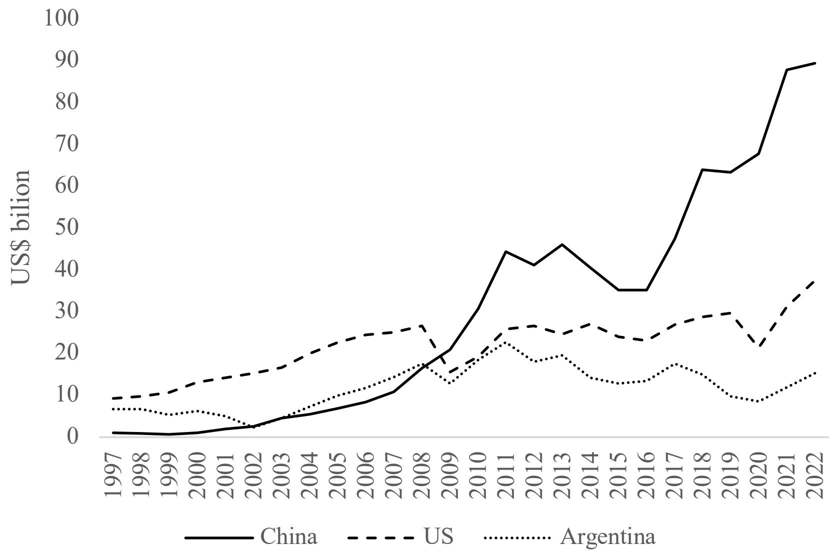
[5] An example in this regard was the fact that China was successful in becoming the headquarters of the New Development Bank. This win is unlikely to be reversed, differently from the issue of equal contributions from each of the members, which can more easily change over time and open space for greater Chinese leverage (Cooper and Zhang, 2018).

3.Friend or Foe? Brazil's Complex Relations with China

The period following the GFC unfolded to expose not only China's disproportionate economic and political might in relation to other "developing countries", but also China's growing geopolitical rivalry with the United States (Grabel 2023). The IMFS is one of the arenas that this dispute unfolds, in which the internationalization of the RMB plays a fundamental role (Cohen 2019, Eichengreen et al. 2022b, Norrlöf 2023). In practice, developing countries' advocacy for a less dollar-dominated IMFS increasingly translated into a support, implicit or explicit, for China's internationalization strategy of the RMB. Considering the specific case of Brazil, this support should be analyzed considering the Brazilian economy's rising dependency on China.

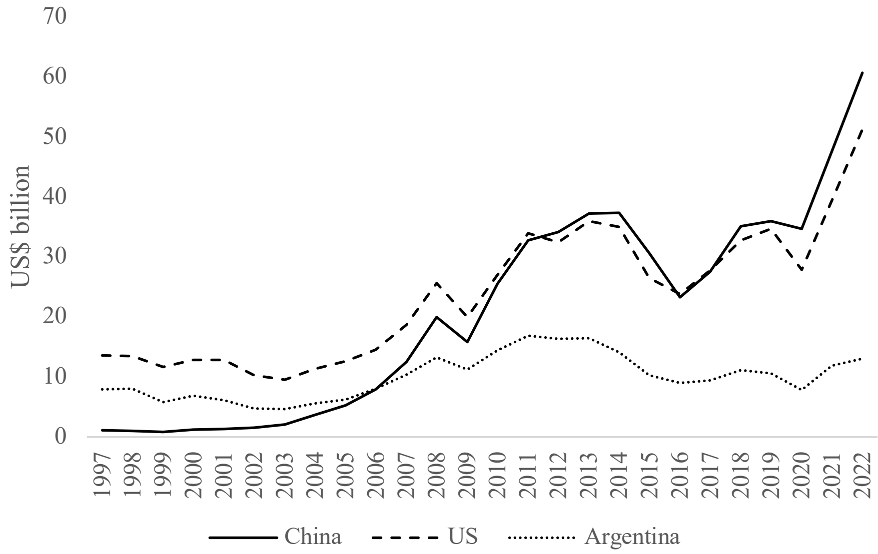
As Figure 1 and 2 show, China overtook the United States as Brazil's top trading partner in 2009. In current dollars, Brazilian exports to China rose from around US$1 billion in 1997 to more than US$89 billion in 2022, representing almost a third of all Brazilian exports. In the same period, exports to the United States went from US$9 billion to US$37 billion, and exports to Argentina, which was the second main destination of Brazilian exports in the 1990s, went from US$6.7 billion to US%15 billion. Brazilian imports from China rose from just over US$1 billion in 1997 to US$60 billion in 2022. In the same period, imports from the US increased from US$13.6 billion to US$51 billion, and imports from Argentina increased from US$7.9 billion to US$13 billion. The balance of this bilateral trade has been positive for Brazil since 2009, growing from US$5 billion in 2009 to over US$28 billion in 2022, reaching more than US$40 billion in 2021, as Figure 3 shows. In terms of the internationalization of the RMB, this structural characteristic of the bilateral trade with Brazil is an advantage for China since it creates the conditions for Brazil to accumulate Chinese currency.

Figure 1. Brazilian exports to China, United States and Argentina (1997-2022)



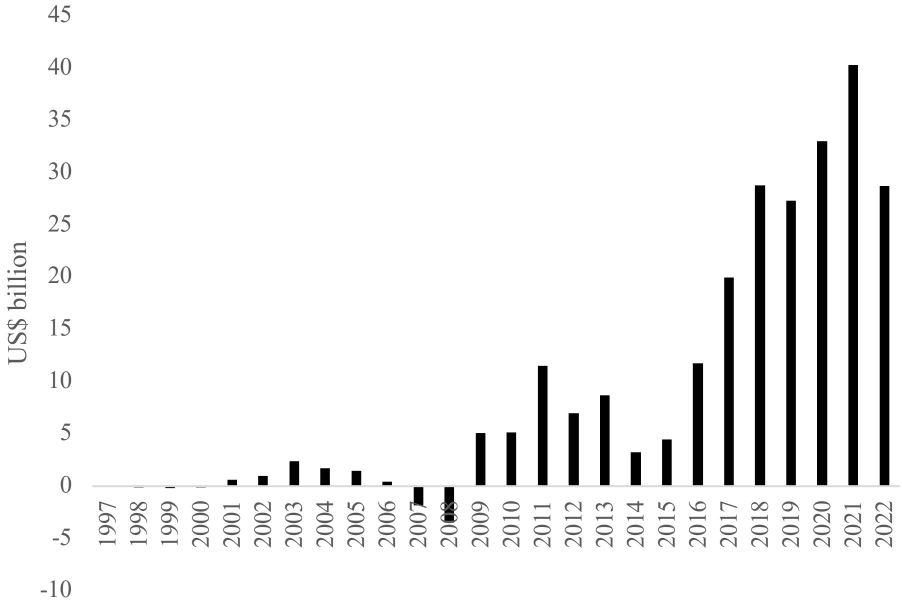
Source: Data from Comexstat, elaborated by the authors.

Figure 2. Brazilian imports from China, United States and Argentina (1997-2022)



Source: Data from Comexstat, elaborated by the authors.

Figure 3. Brazilian trade balance with China (1997-2022)



Source: Data from Comexstat, elaborated by the authors.

A similar pattern is observed in terms of investments, as Brazil is one of the largest recipients of Chinese investment in the world. Between 2005 and 2022, the China Global Investment Tracker (CGIT) estimates that Brazil attracted US$67.2 billion in Chinese investments, while the Brazil-China Business Council (CEBC, in the Portuguese acronym) estimates that investments in this period reached US$71.6 billion through 235 projects (Cariello 2023). In both estimates, Brazil occupies the fourth place, behind the United States, with a stock of US$192.7 billion of Chinese investments, followed by Australia (US$105 billion) and the United Kingdom (US$100 billion). In 2021, the CGIT estimates that Brazil was the top destination of Chinese investments in the world, with a share of 13.6% of the total (Cariello 2022). In 2022, Brazil ranked ninth in the world, with confirmed investments totaling US$1.3 billion, equivalent to the second main destination in Latin America, slightly behind Argentina, which received US$1.34 billion (Cariello 2023).

This intensification in trade and investment relations between Brazil and China has gradually translated into policies that favor the use of the RMB in Brazil. A decade after becoming Brazil's main trading partner, and less than five years after officially integrating the IMF's SDR basket, the Chinese currency was included in Brazil's international reserves, accounting for 1.10% of total reserves in 2019 (BCB 2023). Officially, one of the objectives in the management of international reserves is to reduce Brazil's exposure to exchange rate risk. Thus, the Central Bank of Brazil (BCB, in the Portuguese acronym) aims to build a diversified portfolio with a countercyclical profile. In 2021, the BCB increased the diversification in currency allocation, which translated in an increased contribution of the RMB to 5% of the portfolio, in addition to the inclusion of the Canadian dollar (CAD) and the Australian dollar (AUD), with shares of approximately 1% each. This diversification came at the expense of a reduction in the share of the dollar, which went from 86.77% in 2019 to 80.42% in 2022. Table 3 shows the evolution of the distribution by currency of Brazilian international reserves between 2013 and 2022. It should be noted that this change in the management of international reserves took place under the presidency of Roberto Campos Neto at the BCB, during the Jair Bolsonaro government (2019-2022), a government which was marked by unprecedented friction in diplomatic relations with China.

Table 3. Distribution by currency of Brazilian international reserves, 2013-2022

Period	US$	EUR	JPY	GBP	CAD	AUD	RMB	Gold	Other
2013	77.70	5.70	2.00	3.20	5.80	2.70	**0.00**	0.76	2.14
2014	79.70	4.50	1.25	3.08	5.98	2.73	**0.00**	0.74	2.02
2015	82.95	4.62	1.81	3.01	4.29	2.65	**0.00**	0.66	0.01
2016	83.46	4.42	2.13	2.60	4.35	2.59	**0.00**	0.70	-0.25
2017	82.25	4.97	1.83	2.82	4.49	2.88	**0.00**	0.76	0.00
2018	89.93	5.13	1.49	1.92	0.47	0.30	**0.00**	0.75	0.00
2019	86.77	7.35	1.73	2.11	-0.12	0.00	**1.10**	0.94	0.12
2020	86.03	7.85	1.72	2.02	0.00	0.00	**1.21**	1.19	0.00
2021	80.34	5.04	1.93	3.47	1.01	0.97	**4.99**	2.25	0.00
2022	80.42	4.74	1.86	3.15	1.01	0.92	**5.37**	2.52	0.00

Source: Central Bank of Brazil (2023, p. 33).

In 2023, under the Luiz Inácio Lula da Silva government (2003-2010 and 2023-present), Brazil took new steps towards supporting the internationalization of the RMB. In February, the PBoC and the BCB signed a Memorandum of Understanding (MOU) on establishing RMB clearing arrangements in Brazil. In April, during the President Lula's official visit to China, it was announced the accession of the BOCOM BBM to the China Interbank Payment System (CIPS) – making it the first bank to join CIPS in South America. The CIPS is the Chinese alternative to the SWIFT, both clearing systems that facilitate transactions in local currencies.

In addition, the Brazilian branch of the Industrial and Commercial Bank of China (ICBC) started to work as the renminbi clearing house in Brazil. Following the experience of other countries, after defining the clearing house (the ICBC in the case of Brazil), the next step would be the creation of a "Renminbi Offshore Center", a capital market structure that allows transactions of financial assets in RMB, and the execution of swap agreements between the PBoC and the BCB (Coelho 2023).

This overview about how the intensification of trade and investment relations between Brazil and China gradually translated into Brazilian policies that favor the internationalization of the RMB serves to reflect on the role of foreign states in increasing the international use of the RMB. The Brazilian experience suggest that these policies arise from the context in which the Brazilian economy becomes increasingly dependent on China. It is possible to argue that this support for the internationalization of the RMB is not the result of a conscious policy to support China, but rather the result of the economic influence hat China gradually exercises over Brazil, an influence that leads Brazilian policymakers to promote policies that allow and facilitate transactions in RMB. To be sure, China emergence as Brazil's main trade partner, particularly as the main destination for Brazilian exports, creates an interest among Brazilian private players in operating in RMB. According to the interview results of the research conducted by Quadros (2020), Brazilian companies see an advantage in conducting business in RMB mostly to reduce transaction costs, including reducing exchange rate risk and reducing hedging costs.

4.Final remarks

This article analyzed the Brazilian response to the RMB internationalization process. After reviewing the economic and political aspects of currency internationalization, it revisited the origins of the rapprochement between Brazil and China. Until the beginning of the 21st century, Brazil and China occupied unprivileged positions in the power dynamics of the IMFS. The GFC created the context for the articulation between Brazil, China and other emerging economies, particularly under the umbrella of the BRICS, to increase the representativeness of these countries in global economic governance, including in the monetary realm. At this moment, the Chinese government announced the beginning of the internationalization process of its currency. This process coincided with China's gradual rise as a global power. This rise has transformed China's relationship with several countries around the globe, including Brazil. From the Brazilian perspective, China became its main trading partner in 2009 and a major source of foreign investment. The Brazilian experience suggests that Brazil's growing economic dependence on China created the context for the development of policies that favor the internationalization of the RMB. Among them, there can be highlighted: (i) the inclusion of the RMB in Brazil's international reserves from 2019 onwards; (ii) the accession of Bocom BBM to CIPS in 2023; and (iii) the establishment of the ICBC as the RMB clearing house in Brazil in 2023, putting Brazil on the track to create a RMB Offshore Center in the coming years. These policies do not appear to be part of a conscious strategy to support China or the internationalization of the RMB, but rather a result of the economic influence that China increasingly exercises over Brazil.

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