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State capitalism in a changing global order: Brazil and China's strategies for greater global influence

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ABSTRACT

This article analyzes the shifts in the global order that occurred in relation to governments' actions and their search for an increased global status within the capitalist global system. Examining the deliberate application of governmental economic interventions, the article examines how Brazil and China leverage state capitalism to enhance their global standing. The comparative analysis of the state capitalist strategy's implementation in Brazil and China illuminates the various forms of global status seeking and state activism in an evolving global order. By interlinking domestic and international dimensions, the article identifies the elements —preferences, geopolitics, temporality, and state capacity— that have enabled Brazil and China to pursue their global ambitions and augment their global status. The article concludes that Brazil and China adopted the state capitalist strategy; however, the Brazilian strategy was extemporaneous and centralized, whereas the Chinese strategy was planned and multilevel. The primary contribution of the article is to present a framework of analysis that delineates the relevant causes, mechanisms, and contexts for countries in the Global South to influence global politics and economics. Furthermore, the article demonstrates the challenges governments confront in implementing developmental strategies and the importance of rethinking how state activism and international dynamics might benefit Global South countries.

Introduction

Focusing on the interventionist role of the state in the process of capitalism development in the 21st century, the article compares the strategies of Brazil and China to redraw the emerging global maps.

Global maps depict territorial distribution of data (e.g., economic growth, human development levels, ICT development) and serve as an instrument for comprehending global geopolitics and development (Solís & Zeballos, 2023). Also, global maps are "images of politics" (Dodds, 2007: 115) and, as such, they are used as symbolic instruments to understand power relations, particularly the current transformations of global power relations.[1] As the usage of these maps reflect global relations, they can influence geographical perceptions to cultivate a sense of community, shared experiences, and belonging. In this context, state capitalism as a strategy influences these maps.

In recent decades, numerous events have altered the global liberal order leading to greater state intervention in economies. Among these events, the 2008 Global Financial Crisis revealed the vulnerability of the international financial and economic systems and the limited availability of policy responses to the crisis (Wilson & Grant, 2012).[2] This crisis triggered several reactions, among them a greater state activism in the economy, which has been progressively employed as states attempted to promote and regulate economic activities as well as technological development (Nallari, 2011; Gonthier, 2015).

Throughout history, countries have used interventionism in capitalist economies for various purposes, e.g., macroeconomic stability, stimulate growth of economic sectors. However, this has been realized using various methods (Bresser-Pereira, 1993) and has resulted in varying socioeconomic consequences (Pierson, 2004). Currently, new forms of government interventions in the economy are carried out through the enhancement of state authority and through the redefinition of state activities for specific objectives (Berry, 2022). This article argues

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[1] Global maps have been utilized, for example, to assess the progress of countries and continents in relation to the UN sustainable development agenda.
[2] These global events include the 2001 attack of the World Trade Center in the USA, and more recently the COVID19 pandemic.

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that such government interventions have been used to shape the global order.

In the 21st century, the global social and political maps have experienced significant changes, leading to various views regarding the nature of these changes. One of these views has called for a new approach to development, the "global development approach".[3] Horner and Hulme (2016) analyzed the phenomenon of the "rise of the South" using a concept called "converging divergence." However, they acknowledged in their later work (Horner & Hulme, 2019) that they could not provide a causal explanation for this worldwide pattern of change. Critiques to this approach have precisely called for a deeper understanding of the transformations of global capitalism (Fischer, 2019; Ghosh, 2019). China has been in the forefront of these changes with interventionist and heterodox economic policies (Ghosh, 2019). Not only China, but Southeast Asia has profited from the neoliberal policies unlike other developing regions of the world (Fischer, 2019).

Inspired by the discussions on the underlying causes of redrawing of the global maps in the 21st century, this article focuses on the theme of global changes of capitalist accumulation through processes of state interventionism. In this article, state interventionism is analyzed under the concept of *state capitalism*. Since the 2000s, this concept has been increasingly employed to define a form of state activism that is typically defined by the strategic action of states in critical national economic sectors. By providing financial support to relevant national enterprises, the state employs them to penetrate international markets.

This interventionism is interpreted as an international status seeking strategy of certain countries (Alami & Dixon, 2020a; Zadorian et al., 2020). Status seeking is a process of socialization in the international arena that allows a country to gain relative power vis-à-vis other countries. This happens through a strategic interaction between countries using tactics of competition and innovation to gain international recognition (Wohlforth et al., 2017). As such, status seeking is an essential component of the internationalization of national enterprises, resulting in enhanced global influence for a country.

State capitalism as part of a country's economic strategy and foreign policy makes it a framework of state-led economic development and of an assertive foreign policy. In other words, a set of countries —Brazil, China, India, and Russia— use state capitalism as a strategy with the attempt to become more relevant actors in the global order.[4] Their economic and political interests have been furthered through the global implementation of this strategy.

This article explores state capitalism in two countries, Brazil and China. Both countries since the mid-2000s have been pursuing state capitalist strategies through selective investments in already mature and developed sectors of the national economy, as well as using markets for political purposes (Musacchio & Lazzarini, 2014).

Conceptualized as a strategy, state capitalism in this article is the outcome of the preferences, contexts, and interactions among actors that is based on selective behavior of the state in promoting companies and sectors that allow the country to gain an enhances international status. This interpretation departs from the notion that state capitalism does not necessarily entail a model or an ideal type. Instead, it reflects practices of some states under some characteristics, making it a malleable term often applied to cases that contrasts with established models of capitalist development.[5]

The four factors that are observed in the adoption of the state capitalism strategy in order to comprehend these cases of state activism and of international status seeking are as follows: the purposefulness of the state to augment international power via state activism in the economy (preferences), global geopolitical context (geopolitics), the temporal modes of the development of the strategy through duration and timing) (temporality), and the relationship between the state and different actors (state capacity).

These factors have different effects on the outcomes. While preferences and geopolitics are common factors to Brazil and China, state capacity and temporality are different across the cases and are consequential to the outcome. The latter factors are responsible for the different responses of the mechanisms of state activism and status seeking. This means that both mechanisms operate differently in Brazil and China, leading each country to adopt different strategies of state capitalism. In the first mechanism —state activism— the state behaves as the main actor in the implementation of the state capitalist policies by mobilizing actors and resources behind internationalization of successful businesses, and in the second mechanism —international status seeking— the state promotes the country's image by facilitating the expansion of its enterprises abroad.

The article attempts to contribute conceptually, theoretically, and empirically to the literature of comparative state capitalism and international relations that are concerned to understand the patterns of global economic and political changes. Conceptually, the article clarifies the main attributes of state capitalism as a strategy. Theoretically, the article identifies the principles and the tactics in the adoption of state capitalism considering domestic and international dimensions. Empirically, the article shows the different manifestations of the implementation of state capitalism in Brazil and China.

While comparing Brazil and China, the article first identifies the commonalities between the two countries, and then distinguishes between the trajectories of state capitalism across both countries.[6] Considering that Brazil and China embraced different types of state capitalism strategies, the article analyzes Brazil under the classification of *centralized shortsited state capitalism*, and China as a *multilevel proactive state capitalism*.

Regarding state activism, while Brazil relies on the active role of the central government alone, China counts on the active involvement of the provincial and central governments in the implementation of state capitalism. As far as the international status-seeking strategy is concerned, whereas Brazil's status seeking initiatives have been highly contextual, China has been systematically and carefully pursuing its strategy through active economic and foreign policies. In sum, the Brazilian state capitalism strategies had a short duration with medium term goals, while the Chinese state capitalism strategies set long-term goals.

The article develops its argument through the following tasks. First, the article engages in a conceptual analysis to identify the attributes of state capitalism, which is critical to differentiate Brazil and China's state engagement in the global economy. Second, it proposes a comparative framework of analysis to interpret the different trajectories of implementation of state capitalism in Brazil and China. Third, based on these theoretical and conceptual frameworks, the article analyses the trajectories of Brazil and China in pursuit of state capitalism as part of the

[3] One of these interpretations identifies a "converging divergence" pattern of change worldwide (Horner and Hulme 2016, 2019). This thesis proposes that the shifting geographies is the result of mainly an economic convergence of countries from the Global South with the Global North, which was responsible for reducing from 1990 to 2015 economic inequalities between countries worldwide. However, this converging pattern coexists with a divergence as economic inequalities within countries are growing.

[4] The literature has applied the term "state capitalism" to a large set of countries. The most used cases to which the term is applied are Brazil, China, India and Russia. However, depending on the analysis other countries are included in addition to these four countries: Singapore, Thailand, Malaysia, Indonesia, and South Africa (Kurlantzick 2016); Saudi Arabia and Gulf states (Ulrichsen 2016: 61-82); and Turkey (Kutlay 2019).

[5] Some scholars consider state capitalism as a "problematique" which are instances, e.g., modalities and characteristics of state intervention, relationship between economic and political power, in which the role of the state is questioned (Alami et al. 2022).

[6] Trajectory is a strategic process that is embedded in a historical process and reflects actors' actions (Vaara and Lamberg 2016: 250).

global economic and political ambitions of these countries. These tasks will be accomplished in the next five sections.

Conceptualizing state capitalism

State capitalism relies on government utilization of public and private enterprises (e.g., corporations, companies, businesses) to gain capital and direct investments in different sectors of the economy. The control of capital resources by the state through sovereign-wealth funds or banks (including development banks) is intended to dominate certain economic sectors, both domestically and internationally (Bremmer, 2010). In both instances, political motivations might influence the investment choice of the state.

State capitalism has appeared in the developmental literature under different names, for example, "new state capitalism" (Alami & Dixon, 2020a), "refurbished state capitalism" (McNally, 2013), and "state-permeated capitalism" (Nölke et al., 2015; Schedelik et al., 2021). In reference to China, which has epitomized the main characteristics of the concept, state capitalism has been called "socialist market economy,"[7] "sino-capitalism" (McNally, 2012), and "local state corporatism" (Oi, 1992). "Socialist market economy" is a term incorporated in 1993 into the Chinese Constitution that has been associated with the set of transformations in China mainly in two areas, namely, market reforms and socialist rule of law (Wang, 2011). Socialist rule of law entails the existence of an overarching system of principles based on equality and justice that guide actions of public institutions. This system is juxtaposed by progressive market reforms that intended to transform the Chinese centrally planned economy through the authorization of ownership of small rural factories, the creation of incentives for migration from rural to urban areas, the establishment of special economic zones, the privatization of SOEs, and the entry of China in the WTO.

Despite the existence of different conceptualizations of state capitalism, these are some of the main characteristics countries present in the implementation of this strategy: multidimensional phenomena encompassing the political and economic dimensions (Wright et al., 2021), economies integrated in the global economic system (McNally, 2013), policies for a global exercise of geopolitical power through discursive and symbolic means (Alami & Dixon, 2020a), and as part of the emergence of a new developmental paradigm (Alami et al., 2021).

The attributes of state capitalism are sometimes conflated with those of the developmental state,[8] which is the primary paradigm used for comparison with state capitalism. To differentiate between the two and provide a more precise definition of state capitalism, we have identified three key conceptual traits. First, state capitalism aims to achieve investment-led growth, while developmental state pursues export-led growth (Kang, 2002). Indeed, developmental states' industrial policies such as protection of infant industries are part of the attempt to increase export competitiveness in the long term. Under state capitalism the priority is to attract foreign investment or to accumulate capital for international merger and acquisitions between firms as drivers of economic growth.

Second, while coordinated planning has been the pillar of developmental states, in state capitalism the focus on successful sectors of the economy is not reliant on economic planning. State capitalism targets already competitive sectors of the economy, which serve as a springboard for economic growth and international expansion of the sector. In contrast, the developmental state model is based on a clear route of industrial development leading to a phased investment in a particular sector. Investment is phased out when there is enough technological and investment capacity of the country to emulate the production more advanced products.[9]

Third, under state capitalism, governments use their authority to promote their own economic interests, thereby increasing their influence over both economic and political actors within the market (Bremmer, 2010: 83). Differently from developmental state, in state capitalism there is a lack of a broad coalition between the state and private sector to steer economic growth. In state capitalism, the state forms selective coalitions with political elites to steer economic growth. Often members of these political elites are the head of state-owned enterprises (SOEs) which further shows the embeddedness between the state and political elites. This means that leaders within the SOEs can push the state to implement policies that favor the SOEs over other businesses.

State capitalism in light of the literature

This article engages with various literatures, specifically focusing on research related to models of capitalist development, the dynamics of changes in domestic and international institutions, and the interaction of international dynamics with the contexts of the Global South. This explanation enhances our research by clarifying the process of selecting bibliographical sources from a diverse array of academic domains.

Given that the article aims to elucidate state capitalism under a strategic approach, it was essential to start our research with sources that illuminate the specific characteristics of the developmental state model (e.g., Johnson, 1982; Amsden, 1989; Amsden, 1991; Evans, 1995; Kohli, 2004; Stubbs, 2009). These sources have proven instrumental in revealing the intricacies of state capitalism (e.g., Bremmer, 2010; Musacchio & Lazzarini, 2014; Zadorian et al., 2020; Wright et al., 2021).

This article emphasizes that state capitalism serves as a tool for state interventionism in markets, revealing its inherently political characteristics. This required an examination of the literature concerning the historical role of state intervention and the political dimensions of liberalism-capitalism (e.g., Schneider, 1998; McNally, 2012; Nölke et al., 2015; Kutlay, 2019).

Upon analyzing the nuances of state capitalism, we sought out bibliographical sources that framed state capitalism through a different lens, one that considers its evolution within international dynamics. This includes various dimensions such as power relations within the international system (e.g., Murray, 2019, Alami & Dixon, 2020a, Alami et al., 2021) and changes in the global liberal framework (e.g., Horner & Hulme, 2016 and Horner & Hulme, 2019; Ikenberry, 2018).

Sources related to challenges and changing dynamics in the global order (Käkönen, 2014; Chakraborty, 2018; Amadi, 2020; Eilstrup-Sangiovanni & Hofmann, 2020; Duggan et al., 2022) and in the Global South (Acharya, 2011; Adler-Nissen & Zarakol, 2021) were important to situate the implementation of state capitalism in Brazil and China. Our article exemplifies a cross-country comparative study, and as such country-specific literature on Brazil and China has been of great interest. This literature consists of case studies that examine either the nuances of foreign policy changes specific to these countries or the overarching strategies related to the internationalization of business within their contexts.

In the Brazilian case, the sources referred to Brazil's foreign policy (e.

[7] Some scholars (e.g., Huang 2012) interpret "state capitalism" and "socialist market economy" as rival concepts.

[8] In essence, developmental state can be conceptualized as a set of industrial policies to create more competitive economy in the international markets (Johnson 1982). In addition to the economic realm, the developmental goal of the state involves creating class coalitions and prompting social transformations (Evans 1995, Kohli 2004).

[9] In the Asian regional context, the "flying geese" pattern reveals an integrated hierarchy of industrial stages followed by different Asian countries in their exports, and in Latin America the "waddling duck" pattern inclined countries in the region to focus on their internal market and stimulating their exports of primary goods (Palma, 2010). These different patterns explain the capability of Asian economies to develope a comparative advantage, while Latin American economies experienced a process of deindustrialization.

g., Alsina Júnior, 2022; Casarões & Farias, 2021; Cason & Power, 2009; Christensen, 2013; de Carvalho & Bascaule, 2023; de Lima, Soares, & Hirst, 2006; Lopes, 2020), the country's investment abroad (e.g., Ambrozio, 2008; Silva-Rego et al., 2017), the engagement of the state as the main creditor behind internationalization (e.g., Scherer et al., 2009; Bugiato, 2017; Cavalcante, 2021) and the successful sectors in the state capitalist strategy (e.g., Barros, 2018; Calil & Ribera, 2019; Cezne & Saggioro, 2024; Clemente, 2024; Dalla Costa, 2009; do Vale, 2018; Goldstein, 2010; Massi & Singh, 2018; Santana & Nascimento, 2012).

A similar country specific literature was used in the case of China. The emphasis was placed in sources that talked about China's influence in shaping the world order, e.g., foreign policy priorities (Corkin, 2011; Larson & Shevchenko, 2019; Yang, 2016; Zhimin & Junbo, 2009), domestic economic reforms (Oi, 1992; Shirk, 1993; Zhang, 2008), internationalization of the country's financial sector (Cheung et al., 2011; Cui et al., 2009; Dollar, 2020; Eichengreen & Xia, 2019; Prasad, 2020) and businesses (Gu et al., 2016; Huang, 2012; Milhaupt & Zheng, 2015[5]).

Theoretical framework of analysis

To explain the divergent trajectories of Brazil and China, it is important to analyze the logic of causality that leads to different strategies, the context against which they unfold, the interaction among causal mechanisms, the chain of events in the adoption of strategies, and the reasons behind the continuity and discontinuity of the strategies. These building blocks of our comparison adheres to the fundamental principles of Comparative Historical Analysis research, driven to elucidate divergence in historical processes (Thelen, 2003: 208).

Methodology

As the main purpose behind the Comparative Historical Analysis approach is to identify causality that explain historical trajectories, the application of this approach here indicates that the article places importance on causal processes that lead to different types of state capitalist strategies.

Considering these precepts, to understand state as a strategy (as opposed to a model) requires a deeper analysis on how four critical factors, namely, preferences, global geopolitics, state capacity, and temporality, interact with causal mechanisms and contexts.

The preferences are critical to comprehend the goals of the main actors, particularly the preferences of the state involved in the implementation of state capitalism. Global geopolitical is relevant for the analysis because it reveals how existing institutions and events encouraged or discouraged the pursuit of the adopted strategy. The temporal modes in the implementation of strategy, such as its duration and timing, allow to interpret certain conditions for the implementation of state capitalism such as reasons for the short or long durability of the strategy. Finally, the state's ability to implement state capitalism, which depended on the state's relationship with certain actors within a country, dictates how the strategy is carried out.

Fig. 1 provides an overview of the different strategies of state capitalism in Brazil and China. The focus of the analysis is on the different factors and how they relate to the causal mechanisms that have been critical to the diverging strategies between Brazil and China. Fig. 1 depicts the comparative method of difference, highlighting the similarities between Brazil and China in their adoption of state capitalism, the first steppingstones of our analysis.[10] However, to elucidate the divergent outcomes, it is essential to concentrate on distinct factors, specifically state capacity, and temporality.

Comparative method of difference

Brazil and China share similar preferences and geopolitical contexts based on which they want to be rule-makers, instead of rule-takers in international relations. They have systematically shown that their preferences on how to act internationally are linked to domestic structures, and their economic ambitions are tied to large and protected domestic markets (Nölke et al., 2015). In the attempt to benefit from the international markets, Brazil and China use their domestic economies to conquer new markets abroad. In addition to their aspirations for enhanced international status through state capitalism, they also share an orientation towards greater alignment with Global South geopolitics.

The convergence of preferences between Brazil and China lies on the idea of universalization of local norms that has theorized by Acharya (2011).[11] Under this process, it is possible to interpret a congruence of interests as Brazil and China have been willing to be more influential actors in global politics. For example, this has been manifested in the efforts of both countries, together with other allies, to develop BRICS (Brazil, Russia, India, China and South Africa) as an alliance that is attempting to create parallel global structures (Duggan et al., 2022) and challenge the global power distribution (Chakraborty, 2018). In terms of global geopolitics, the changing global liberal order has facilitated Brazil's and China's state capitalist strategies, provided that it has opened a window of opportunity for emerging powers to play a greater role in global politics, although under certain limitations (Käkönen, 2014; Duggan et al., 2022).

Despite these commonalities, Brazil and China possess different temporal incentives and state capacity to implement their state capitalist strategies. As for temporality, time is used strategically by actors in the pursuit of their interests, and as such policy processes are not merely the result of inertia, linear sequence, and contextual problems (Howlett & Goetz, 2014).[12] Actors use the different modalities of time (e.g., duration, sequence, and speed of events) so that they can achieve specific outcomes of their interest (Grzymala-Busse, 2011). State capitalism can be analyzed considering timing and duration, allowing us to make inferences about the implementation of the strategies. The timing of the strategy helps to reveal the historical juncture of the adoption of state capitalism (Alami & Dixon, 2020b: 86-88). Additionally, through duration of the strategy elements favoring reinforcement and discontinuation of the strategy can be identified. As such, the duration of the strategy varied across the cases: the Brazilian strategy was discontinued, while the Chinese was reinforced over time.

In China the timing and duration of its state capitalist strategy has been the result of controlled reforms of the Chinese political regime and economy launched by Deng Xiaoping in the late 1970s (Chang, 1988). In

[10] This comparative method posits that variations in results are ascribed to distinct variables. This renders it an effective method to eliminate alternative potential causes. Employing this method alongside a Comparative Historical Analysis approach suggests that the disparate outcomes result not from a singular factor, but from various elements, including contexts, the behavior of causal mechanisms, and the reinforcement (or absence thereof) of prior events across different trajectories.

[11] Acharya (2011) ascertains that under the notion of "norm subsidiarity" certain non-Western countries can challenge the dominance of great powers in global norm-making through a "bottom-up" process of norm creation to maintain their autonomy.

[12] Howlett and Goetz (2014) analyze the influence of the different modalities of time on public policy through the concept of "political time," which suggests that temporality in public policy processes is institutionalized and can be used as a resource.

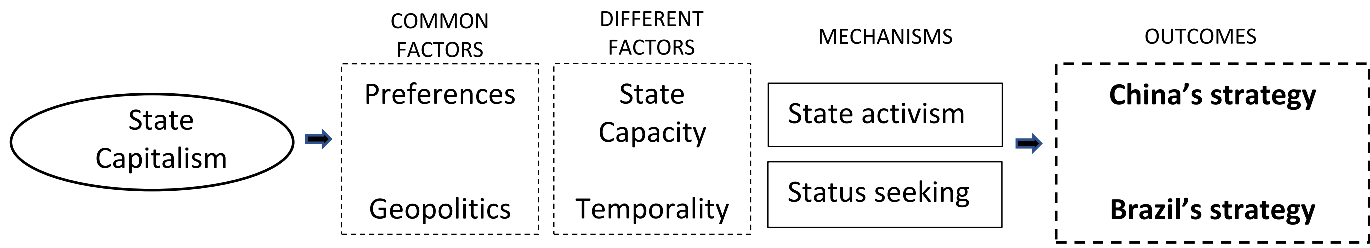

Fig. 1. Different Strategies of State Capitalism in Brazil and China. Source: Own elaboration.

Brazil these temporal modalities were influenced by a different context, which was that of commodity boom of the 2000s and political changes associated with the rise of the Worker's Party (*Partido dos Trabalhadores* – PT) to the presidency in the 2000s (Loureiro & Saad-Filho, 2019).

Another difference between Brazil and China concerns state capacity, especially the coordination behind the implementation of the strategy. State capacity shows the ability of the state to implement the state capitalism strategy. It has interpreted state capacity in different forms such as the ability of the state to enact a strategy for economic growth (Johnson, 1982), the creation of a coherent and meritocratic bureaucracy that efficiently coordinate different public agencies and institutions (Castells, 1992: 56-7), the potential to penetrate a territory through a decentralized public administration (Soifer, 2008), and the possibility to promote social development (Evans, 1995). To analyze the implementation of state capitalism here, as the literature of state-led development has shown, it is relevant the state's ability to lead a coalition of actors behind a transformative process (Schneider, 1998; Amsden, 1991; Kohli, 2004; Stubbs, 2009).[13] The networks built in China for the consolidation of the strategy reveal a more robust and articulated state engagement than in Brazil, where the network for coordination between the state and the private sector was more limited to a few institutions and enterprises. Moreover, the robustness of Chinese networks can be attributed to their decentralized structure, which encompasses various groups of actors. In contrast, the state-business relations in Brazil exhibited a more hierarchical structure.

Causal mechanisms and trajectories of state capitalism

Causal mechanisms are characterized as links between macro and micro dynamics of processes that contribute to an outcome. They are "relational concepts" (Falleti & Lynch, 2009: 1147) interacting with contexts and dynamics to generate observable consequences.

The identification of the two causal mechanisms as being responsible for the observed outcome came from two questions regarding the trajectories of Brazil and China. First, why did the Brazilian state capitalism have the involvement of fewer public institutions under a centralized control than the Chinese version, which relied on a wider range of institutions and a decentralized hierarchy? State activism is the mechanism by which the state interferes in economic sectors employing its financing and coordinating capacities to build an alliance between state and businesses (public or private) and determines on how the state leads this coalition. The strength of the state capacity, determined here by the amount of capital and institutional resources to lead the state capitalist coalition, results in different types of state activism.

The second question pertains to temporality: why did the Chinese approach to the implementation of state strategy lasted longer than the Brazilian approach? Status seeking is a mechanism that propels concrete actions in the international arena that help countries to augment their relative power vis-à-vis other countries. Temporality is a contributing cause to the variance between strategies because timing and duration of the adoption and implementation of the strategy are determined by domestic and international contexts. While Brazil's temporal modalities of implementation of its strategy was conditioned by its political changes starting in the 2000s, in China the temporal modalities reinforced earlier decisions and it was less subject to changes of the political context.

The temporal configurations of trajectories help us to explain causality (Falleti & Mahoney, 2015: 217). A trajectory can reveal a causal paced-sequential process, which means that the process present temporal modalities that are causally consequential to the observed outcome (Falleti & Mahoney, 2015: 219). As already emphasized above, temporality is instrumentalized in decision making processes considering political objectives of the main actors involved in policy making. That said, inevitably temporality and state intervention in markets are tied to political dynamics.

The policy decisions regarding Brazil's trajectory are inherently linked to the country's political and electoral events. The ascension of the PT to the Brazilian presidency in 2003, with the election of former president Luiz Inácio Lula da Silva, represents the inception of the Brazilian state capitalist strategy, while the 2016 impeachment of former president Dilma Rousseff, Lula's successor, denotes the end of this strategy. Brazilian state activism and status seeking, which culminates in the involvement of the National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social* – BNDES) in the economy through credit concession, is interconnected to these political events. Fig. 2 illustrates that in Brazil, political events influenced state capacity and temporality resulting a specific temporal configuration. This configuration shows that the duration of the state capitalist strategy from 2005 to 2016, and the decision on when to use the BNDES as a creditor was contingent upon the political context. It is important to note that a significant corruption scandal emerged in 2014, linked to the PT's government, which subsequently undermined the state capitalist strategy. As Fig. 2 shows the corruption probe called Operation Car Wash created negative feedbacks for the Brazilian trajectory of state capitalism, provided that in light of the corruption scandal a federal law was passed in 2017, imposing credit limitations to the BNDES.[14]

In contrast, in China, there is evidence that the trajectory of the country's state capitalism followed a self-amplifying logic because early decisions had a long-term cumulative effect in subsequent decisions. For example, despite changes in leadership from Jiang Zemin to Xi Jinping, the state capitalist strategy had a high degree of continuity and

[13] Beyond the interconnection between capital and bureaucratic power, the state has the important function to mobilize social actors, and the ability of the state to carry out a transformative industrialization is related to its ability to maintain social ties, to which he referred to as "embedded autonomy" (Evans 1995: 12).

[14] The anti-corruption probe, initiated in 2014, initially focused on money laundering related to a car wash business, therefore the operation's name, *Lava Jato* (Car Wash). However, over time it revealed a vast corruption network involving high ranking politicians, including President Lula, corporate elites, and state-run corporations like Petrobras as well as the construction giants Odebrecht, Camargo Corrêa, and Andrade Gutierrez. This probe led to President Rousseff's impeachment in 2016, President Lula's incarceration in 2017, and President Bolsonaro's election in 2018.

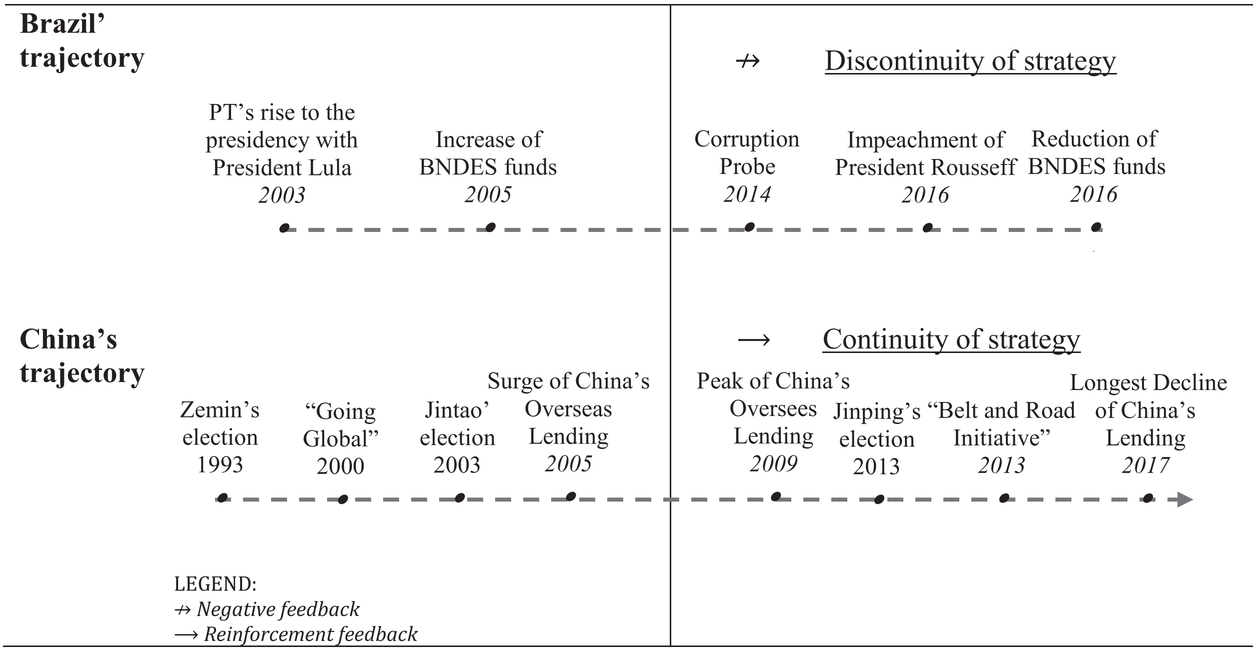

Fig. 2. Trajectories towards state capitalism. Source: Own elaboration.

reinforcement. In Fig. 2 is possible to observe that the shift in the leadership of the country has not substantially changed critical events for the state capitalist strategy such as the level of Chinese investment abroad. It is even conceivable to suggest that the early decisions were reinforced over time resulting in a long duration of the strategy. A case in point was the reinforcement of one of the first Chinese initiatives to implement its state capitalist strategy, the launching of the "Going Global" plan in 2000, which was reinforced in 2013 with the Belt and Road Initiative (BRI).

One may argue that China's experience with state capitalism shaped Brazil's policies of internationalization of firms, thereby displaying some degree of policy diffusion in the Brazilian approach. This diffusion can be interpreted under three perspectives. First, in a globalized international context, interconnectedness among countries favors policy diffusion (Braun et al,. 2007), particularly among countries that share similar global ambitions and perspectives about international hierarchy of the Global South. Second, the diffusion happened through consultations and policy networks between Brazil and China involving a multiplicity of policymakers (Cardoso, 2016). Third, for policy diffusion to happen it is important ideological affinity of policymakers with the policy that wants to be mimicked (Gilardi & Wasserfallen, 2019). It is no coincidence that Brazil's attraction for China seem to have intensified during the left-wing PT's governments.

Contexts of strategies and divergent outcomes

This article assumes that state capitalism has two main dimensions, a domestic one and international one, as recognized in the literature on state capitalism (Aligica & Tarko, 2012; McNally, 2012; Ricz, 2021; Kutlay, 2019; Nölke et al., 2015). The interconnectedness between domestic and international politics as well as between economic and political interests is reflected in Brazil's and China's implementation of state capitalist strategies. The purposeful interventionism of the state is part of the preference of governments and business elites to strengthen their positions in the international markets. In such context, it is possible to comprehend government interventions in the economy as part of capitalist accumulation and the increase of country's transnational statecraft (Berry, 2022).

Another assumption adopted in the article is that the global geopolitics is undergoing changes (e.g., widening number of relevant international actors, emergence of new dynamics). Such changes have been favoring the accommodation of new interests and actions, and the pursuit of new strategies. Thus, the changing global order is interpreted as a window of opportunity for the implementation of strategies of state capitalism. Although there are dominant interpretations that the liberal order is under threat (Ikenberry, 2018; Amadi, 2020; Adler-Nissen & Zarakol, 2021), this article considers that the liberal global order is not necessarily eroding (Eilstrup-Sangiovanni & Hofmann, 2020), and that the emergence of new global actors does not necessarily represent a demise of the liberal global order (de Graaff et al., 2020). As such, the pursuit of state capitalism reflects a decentering of the global liberal order, in which new actors will try to reconfigure this order instead of breaking away from it.

The domestic context also influenced the state capitalist trajectories of countries. Political contexts, seen here as a wide spectrum of dynamics involving state society relations to deliver governability, offer conditions for the exercise of power, and enactment of policies. Specifically, political contexts reflect modes of representation, either plural or non-plural, which are pivotal to policy making.

Policy making is carried out under different institutional contexts in Brazil and China, therefore, affecting how policies are elaborated and implemented. In more plural societies, such as in Brazil, there is a higher degree of representation than in less plural societies such as in China, which means that in the former case policies reflect and represent the diverse interests in a society, even showing different forms of public policy making (Grin & Abrucio, 2021). Conversely, in China policies are often narrower in representing the interest of civil society, with an overwhelming state control over society (Liu et al., 2022).

The representation of interests of various groups is often a reflection of the type of party systems: multiparty systems are a sign of a plural political context while a single-party system echoes a non-plural context. That said, China's one-party state is not likely to serve a wide range of interests, and it is also less open to inputs coming from societal actors during policy formulation (Li, 2015).[15] On the other hand, because

[15] Although the Chinese Communist Party (CCP) has historically held a dominant position in decision making processes, there is a growing acknowledgment of growing input from a variety of Chinese societal actors.

Brazil functions in a multiparty system, decision making is more likely to be inclusive and accountable, although it is porous to interest-group dominance (Mello & Spektor, 2018).

As far as policy implementation is concerned, the execution of policies is often dependent on the autonomy of public bureaucrats (Bersch & Lotta, 2024), horizontal and vertical accountability of institutions (Laebens & Lührmann, 2021), number of decision points (Tsebelis, 1995), as well as party competition and electoral cycles (Stokes, 1999). When considering these component of decision making processes, it is feasible to argue that, given its democratic political dynamics, Brazil has a more plural policy making process than China.

The domestic and international contexts in which Brazil and China adopted state capitalism made Brazil's strategy of state capitalism more vulnerable to its political context, whilst China's more controlled allowed the country to pursue a more systematic strategy.

As Table 1 indicates, Brazil embraced state capitalism with a strong central government intervention in the economy together with a status seeking behavior mainly designed against the background of the 2008 Global Financial Crisis and vulnerable to the political crises of the 2010s. The highly centralized state activism and an extemporaneous status seeking behavior led Brazil to pursue a *centralized shortsighted state capitalism*. As Table 1 also shows, China, differently from Brazil, presented a state activism that is a hybrid of central and subnational government involvement in the economy and an international status seeking behavior that has been systematically pursued. This type of state capitalist strategy that China embraced is called here *multilevel proactive state capitalist*.

Brazil's *centralized shortsighted state capitalism* has been based on the active role of the central government in a particular economic context, a period of high economic growth based on a commodity boom and the 2008 Global Financial crisis, which allowed capital accumulation and international expansion of certain Brazilian companies through mergers and acquisitions. A central institution in Brazil for the implementation of state capitalism has been the BNDES, which selectively distributed credit for strategic sectors and companies. Through the BNDES' credit some Brazilian companies were able to expand their investment abroad. Furthermore, companies such as Petrobras accomplished aims of state capitalism in the strategic oil industry by attracting foreign investment, which had an important impact on the local economy. This strategy that deeply embedded SOEs in politics came to an end with the uncovering a corruption scheme in 2014 involving Petrobras and high-profile politicians (Massi & Singh, 2018). Related with the uncovering of this corruption scheme there were political changes in Brazil, and public credit concession became limited (Cavalcante, 2021).

China's *multilevel proactive state capitalism* reveals the hybrid participation of central and subnational state actors as well as a clean strategy of international status seeking which has been branded as "Going Global." Beginning in the 1990s, China's foreign policy started to envision a more active Chinese role in the international arena, and "Going Global" is a result of this ambition. This status seeking strategy has been interpreted as being part of a continuation of Chinese industrial (Gu et al., 2016: 26) and financial policies (Wang, 2016). The financial dimension of "Going Global" has as an important component, the outgoing FDIs (Wang, 2016), which are carried out by SOEs.[16] The leading institution behind this strategy is the Chinese Ministry of Commerce (MOFCOM), which is responsible for coordinating the different policies under "Going Global" and overseeing its implementation (Lai & Kang, 2013). Despite having the MOFCOM as a coordinating institution of "Going Global," the provincial governments also have been responsible for driving this initiative (Gu et al., 2016).

Since its creation, the strategy witnessed important changes in the domestic environment under which the Chinese firms operate. Initially under a tight political control of the central government, firms started to be more autonomous and motivated by strategic economic concerns. Indeed, over the years as outward liberalization of FDI increased, the level of government control of firms reduced, and strategies of firms became more diversified as private firms became more market-seeking while public firms became more asset-seeking (Jenkins, 2022: 89).

The BRI, which was launched 13 years after the idealization of "Going Global," can be interpreted as an infrastructure interconnectivity project that aids China to materialize the strategic objectives of internationalization of Chinese firms. By improving connectivity between China and countries in Asia, Europe, and Africa, the BRI facilitates the access of Chinese firms to new markets while improving economic cooperation with China's trading partners (Lisinge, 2020). In other words, the BRI works as a platform for the realization of "Going Global" strategy.

Table 1
Types of state capitalist strategies.

	Brazil	China
State activism	Central state activism	Central-subnational state activism
International status seeking	Extemporaneous status seeking	Planned status seeking
State capitalist strategy	*Centralized shortsighted state capitalism*	*Multilevel proactive state capitalism*

Source: Own elaboration.

State activism

A central feature of state-led development is the state's capacity to elaborate and implement policies for socio-economic transformations. In the case of state capitalism strategy, its implementation depends on the state's ability to build selected coalitions of actors behind economic and political interests abroad. In developing a foreign policy, the state is engaged in a particular leadership that gives meanings to norms and institutions in the international arena.

However, this international leadership has domestic components such as disagreement between elites and conflict over the distribution of roles in the foreign policy (Cantir & Kaarbo, 2012). In this setting, the national executive steers the decision making process attempting to align the different interests with the state capitalist strategy. This leadership role can be understood as a role conception, as it is socially built presenting relational characteristics (Aggestam, 2006). Coordinating a foreign policy to implement state capitalism strategy requires the central executive to embrace a role in leading various public and private institutions. In this task, given the prominent function of economic interests, this leadership role of the state triggers a competition among domestic institutions to take a lead in the implementation of state capitalism as an international strategy. This phenomenon occurs when foreign policy, traditionally under the control of foreign ministries, shifts towards economic institutions that employ credit to pursue the strategy of state capitalism. And the shared characteristic between Brazil and China is their utilization of the state capitalism strategy.

Despite the commonalities between both countries, in state capitalism there are different forms of exercising coordination. Under a centralized state capitalism, coordination is exercised through selected state institutions that follow central government objectives. This is precisely the case of Brazil.

In its decentralized form, the role of coordination is realized in under the decentralized capabilities of the central state (Nölke et al., 2020: 36) together with initiatives of subnational governments and SOEs. This

[16] The differences between SOEs and private owned enterprises in China are blurred, being difficult to distinguish between market dominance, subsidized support from the state, relation with the state, andimplementation of state policies (Milhaupt and Zheng 2015).

being the case of China, the country exemplifies a robust form of decentralized implementation of the state capitalism strategy, in which the SOEs themselves have certain degree of autonomy in such strategy. Given the preeminent role of Chinese SOEs, there is the possibility of creation of hierarchical mechanisms at the firm level in which one person simultaneously occupies different managerial positions in two firms within the same business group (Arnoldi et al., 2019).[17]

Brazil

The Brazilian Ministry of Foreign Affairs has been losing importance over time. More actors are becoming relevant in Brazil's foreign policy (Cason & Power, 2009). Consequently, starting in the 1990s there has been a wider gap between foreign policy formulation between the Ministry of Foreign Affairs and the president's office (Lopes, 2020).

The waning activism of the Ministry of Foreign Affairs is evident in various areas. The Brazilian Ministry of Social Development started to become an important player in the country's foreign development cooperation (Costa Leite et al., 2013). Furthermore, there were other transformations in the foreign policy formulation: the National Congress gained relevance vis-à-vis the Executive, and there was a higher connection in the elaboration of Brazilian foreign policy with domestic politics (Bugiato, 2017).

In this context, certain lobbying groups managed to exercise pressures to shape Brazil's foreign policy. The agriculture-food industry lobby together with the construction sector organizations have been notorious for their influence on public institutions. Associations such as SINICON, the National Industry Confederation (*Confederação Nacional da Indústria* – CNI), the Brazilian Association of Infrastructure Industries (*Associação Brasileira da Infraestrutura e Indústrias de Base* – ABDIB), and the Brazilian Chamber of the Construction Industry (*Câmara Brasileira da Industria da Construção* – CBIC) exercised pressure over legislators. As a sign of the high level of political involvement of the construction companies in Brazil, these companies were the biggest doners in several election campaigns in the country (Silva-Rego & Figueira, 2017). These groups exerted such an important impact on government policies that they were invited to participate in decision-making meetings held by the Ministry of Foreign Affairs (Bugiato, 2017; Silva-Rego & Figueira, 2017).

The role of the BNDES in Brazil's growing participation in the international economy was realized through the increase of financial resources to nine national champions between 2006 and 2020 (Ricz & Schedelik, 2023).[18] In just five years between 2005 and 2011, the BNDES augmented in 391% the concession of credit (Pinheiro & Gaio, 2014).[19] To understand the dimension of the BNDES in these areas, it is worth mentioning that from 2007 to 2010 the BNDES credit to exporters and importers increase 180% (Bugiato, 2017).

China

China's foreign policy can be considered multilayered (Zhimin & Junbo, 2009) provided that several actors are competing for influence (Corkin, 2011). In this multilayered foreign policy system, the MOFCOM, the provincial governments, the Ministry of Foreign Affairs, and the Ministry of Finance have a crucial role in the expansion of China's foreign ambitions.

In the increasing use of foreign loans as a Chinese foreign policy tool, the MOFCOM aligned with the Export-Import Bank, which is under the control of the Ministry of Finance, have gained the upper hand of the Chinese foreign decision making, particularly in developing regions of the world. Africa is a case in point (Corkin, 2011).

The provincial governments have the autonomy, particularly in the economic dimension, to engage with different actors abroad. The implementation of China's state capitalism strategy to a great extent relied on the entrepreneurial initiatives of provincial government (Gu et al., 2016). A case in point is the Chinese provinces and local governments active involvement in the expansion of outward FDI. The relevance of provinces as international investors is particularly seen with China's growing investment in Africa. Approximately 25% of Chinese investment in the early phase of its expansion in Africa came from provincial governments (Zhimin & Junbo, 2009).

In this multilayered system, the central government has an important coordination role through its banking network. The Chinese State Council allowed commercial state-owned banks to sell public offerings, but the state remained the majority shareholder (Yeung, 2009). The People's Bank of China is the state bank and regulatory body for the banking sector. All banks whether they be a state-owned or foreign fall under the heading of the People's Bank of China. Starting in 2009, five commercial banks, under the People's Bank of China, established 86 branches outside of China (Haasbroek & Gottwald, 2017).

The China Development Bank, the Export-Import Bank of China, and the Agriculture Development Bank of China are part of this network that contributed to the development of state capitalism strategies (Szamosszegi & Kyle, 2011: 43). The China Development Bank and the Export-Import Bank of China are the two main lending institutions operating in developing countries.

International status seeking

The objective of countries seeking a higher status is to obtain recognition from other countries (Murray, 2019), therefore requiring socialization of the country in the international arena. This is achieved in different areas of international politics (e.g., military, economic) and the way countries strive for higher status depends on the permeability of the international hierarchy (e.g., clubs, elites) (Larson & Shevchenko, 2019). Given these conditions, it is expected that countries seeking higher international status differ in their assertiveness.

Although Brazil and China have been seeking higher international status (Stolte, 2015; Yang, 2016), the scope of their strategies in the implementation of the international dimension of state capitalism is different. In Brazil the international status seeking strategy was more limited, and in addition to the expansion of national champions abroad it focused on cooperation with Africa (Stolte, 2015). Alternatively, China has tried to internationalize its national currency (Wang, 2016) and has taken steps to alter the global financial architecture (Yang, 2016), in addition to its involvement with Africa and the spread of its national champions abroad. China's "Going Global" initiative reflects these status seeking goals.

Brazil

Brazilian foreign policy since the post-war period has relied on a consistent pursuit of multilateralism and maintenance of an autonomous voice in international affairs. This foreign policy orientation has been greatly determined by Brazil's lack of hard power resources to play an active regional and global leadership role (de Lima et al., 2006). As Brazil embraced multilateralism and represented the socio-economic concerns shared with most developing countries, the country became

[17] Arnaldi et al. (2018) refer to this situation as "vertical interlock," which can be interpreted as a hierarchical vertical network of managers that allows the central government in China to exercise corporate control.

[18] These companies are: JBS, Eletrobras, Petrobras, KLABIN, LIGHT, IOCHPE, Vale (CVRD), Marfrig, and Braskem (Ricz and Schedelik, 2023: 16).

[19] During this period, based on the information provided by the BNDES transparency portal (https://www.bndes.gov.br/wps/portal/site/home/transparencia/), the fifteen biggest recipients of credits were fifteen companies representing eight industries (i.e., aviation, banking, cellulose, construction, energy, food processing, mining, telecommunication): EMBRAER, Norte Energia, Vale (CVRD), TAG, Caixa Economica Federal, Construtura Norberto Odebrecht, Telefonica Brasil, Banco do Brasil, Oi Movel, Energia Sustentavel do Brasil, Eletronuclear, Santo Antonio Energia, JBS, Suzano Papel e Celulose.

a good example of a country exercising soft power.

Brazil's foreign policy has been aligned with the country's developmental goals, being an important instrument to achieve its economic objectives.[20] This trend continued in the 1990s when Brazil faced important economic crises and used its foreign policy to acquire credibility and confidence (de Lima et al., 2006, 24). In the 2000s efforts in multilateral arrangements such as greater engagement with BRICS and the G20 were pursued (Stuenkel, 2022). Also, Brazil participated in peace keeping operations such as the United Nations Stabilization Mission in Haiti (MINUSTAH),[21] and has developed new priorities such as searching for greater cooperation with developing countries beyond the BRICS (Christensen, 2013).[22]

International status seeking in Brazil has been pursued mainly in three sectors: agriculture/food processing, energy/mining, and construction. Considering the thirty biggest Brazilian multinationals, all except eight of them, received credit from the BNDES to expand their operations abroad (Bugiato, 2017: 63).

The agricultural and food processing sectors have been one of the most productive sectors of the Brazilian economy, and mainly due to high investment on capital inputs such as machinery, fertilizers and pesticides, the sector increased in terms of weight in the Brazilian economy since the 1990s (Calil & Ribera, 2019). In global comparative terms, Brazilian agricultural productivity is high (Arias et al., 2019) and has guaranteed the country's dominance in the international market share of important crops. In terms of value of yields, Brazil has become in 2022 the main global exporter of soybean, corn, cattle meat, chicken meat, and sugar cane/beet (FAOSTAT, 2022). Considering export quantity, Brazil lead global exports of coffee, chicken and cattle meat, orange juice, sugar, and soybean (FAOSTAT, 2022). Investment in large and medium producers and technical assistance to small farmers is part of the reason behind the leading role Brazil has taken in the global food production (Stabile et al., 2020).[23] However, a limited number of powerful companies, dubbed the "conservative agribusiness" (Viola & Mendes, 2022), have benefited from the agricultural credit market due to their dominance of the sector's production (Barros, 2018). These firms have benefited from BNDES' credit for global merger and acquisitions (do Vale, 2018). As a result, the credit system has been extremely fragmented (Souza et al., 2020). JBS (*José Batista Sobrinho*) is a multinational notorious case of global expansion of a food processing company with BNDES credit, acquiring between 2007 and 2009 established global food companies including Swift North America, Smithfield (US), Pilgrim's Pride and Fiver Rivers (US) (Clemente, 2024).

The mining and energy sectors have played a crucial role in Brazil's efforts to expand its economic dominance internationally, given the country's historical significance as a major player in the global commodities market. Two companies deserve special attention, Petrobras and Company Vale of Rio Doce (*Companhia Vale do Rio Doce* – CVRD), which were already established multinationals before Brazil's state capitalism phase. They were responsible for the bulk of Brazil's foreign direct investment in the 2000 s (Ambrozio, 2008). Despite their own accumulated resources, both companies from 2007 to 2015 were the main recipients of BNDES' financing (BNDES, 2022).

Petrobras was created in 1953 but the company began its international expansion only in 1972. Through its investment in research and technology during the 1980s and 1990s, it has emerged as one of the world's leading companies in the production of oil from deep marine waters. A turning point in the company's history came in 1997, when Petrobras lost its monopoly on oil exploration in Brazil, as other businesses were permitted to enter the Brazilian oil market. This compelled the company to increase its investments in worldwide expansion. The 2000s marked a new phase of Petrobras international expansion based on a combination of factors that includes pre-existing technological capabilities and networking capabilities (Dantas & Bell, 2011). Additional factors such as political support and availability of financial resources also contributed to Petrobras internationalization (Goldstein, 2010), elements that proved to be necessary for the company to fulfill Brazil's state capitalist strategy.

Once one of the biggest Brazilian SOEs, CVRD, founded in 1942, initially was responsible for extracting iron ore, and became one of the main Brazilian multinationals.[24] It is possible to consider the 1960s as the period of the beginning of the internationalization of CVRD with the formation of consortiums with Japan for acquisitions of companies abroad.[25] In 1995 CVRD made a major international acquisition acquiring 65% of the French company *Société Européenne d'Alliages pour la Sidérurgie* (SEAS), one of Europe's leading companies in the production of ferroalloys. The subsequent significant acquisitions occurred during the 2000s, with a focus on countries including Australia, Canada and China. In 2006, CVRD made acquisitions of the Canadian companies Canico Resources and INCO. In 2007, when the company was privatized and changed its name for Vale S.A., it further expanded its portfolio by acquiring the Australian AMCI Holdings Company. Its last phase of expansion was in the 2010s, when the company started to focus on Africa, but by 2022 Vale had completely withdrawn from the continent (Cezne & Saggioro, 2024).

The construction sector was a critical building block in Brazil's search for international recognition because the internationalization of the sector was seen as part of South-South cooperation in so far as Brazilian construction companies would be involved with infrastructure building mainly in developing countries. Put differently, through the concession of credit to the biggest construction companies, Brazil's image would be associated with the provision of engineering services in countries with which Brazil was already establishing strong diplomatic ties.[26] Among these countries were Angola, Argentina, Chile, Cuba, Dominican Republic, Ecuador, Uruguay, Peru and Venezuela. Despite the high risk of investment in some of these countries, the Brazilian government would work as an intermediator in eventual contractual conflicts, therefore reducing the possible risks the construction companies could face (Silva-Rego & Figueira, 2017). Favored by institutional factors such as the existence of public financial backing and the diplomatic support (Scherer 2009), the main construction companies,

[20] This was mainly an instrument used in the Import Substitution Industrialization model.

[21] The participation of Brazil in peacekeeping strategy reviews a lack of a consistent doctrine in the peace operation and it is not necessarily coherent with a broader foreign policy orientation towards search for greater status (Alsina Júnior, 2022). Furthermore, the Brazilian leadership with the MINUSTAH has been questionable in terms of coordination of daily operations in the promotion of security and development in Haiti (de Carvalho and Bascaule 2023).

[22] Christensen (2013) argues that Brazil has a "BRICS" strategy" which consists of attempting to alter the global economic governance through the group, particularly the reform of the IMF.

[23] In historical terms, since the 1980s public investment in the agricultural sector has been decreasing, yet public credit support to the sectors increased in 2002, reaching 28% of the total credit market in 2003 (Santana & Nascimento, 2012).

[24] The company in its beginnings exported exclusively to the UK, and in 1948 it started diversifying its exports to four additional countries that include the USA, Canada, The Netherlands, and Belgium. By 1960 the company exported to a total of fifteen countries (Dalla Costa 2009).

[25] In the 1970s, the CVRD began focusing on research and technology by establishing Docegeo, which was engaged in creating joint ventures with foreign corporations.

[26] These companies include Norberto Odebrecht S/A, OAS Ltda., Andrade Gutierrez S/A, Confab Industrial S/ATPRO Engenharia S/A, Pharmaster do Brasil Consultoria Ltda, Schahin Engenharia S/A, Alstom Hydro Energia Brasil Ltda, Furnas Centrais Elétricas, Companhia de Obras e Infraestrutura.

namely, Andrade Gutierrez, Mendes Júnior, Norberto Odebrecht and Queiroz Galvão, followed a similar internationalization path.[27]

China

China's "Going Global" envisioned, among other goals, to increase the financial weight of the country in the international financial system. This would be realized through the internationalization of the RMB, the surge of China's FDI abroad, and the spread of China's credit concession abroad. The economic reforms that the country underwent in previous decades and the more favorable external conditions for the financial expansion of China abroad, contributed to the realization of this strategy.

Starting in the 1970 s and advancing through the 1980s and 1990s, China domestically created favorable background conditions for its financial expansion abroad through the enactment of market-oriented reform measures. These reforms include the opening of Special Economic Zones (SEZ) to encourage decentralization, privatization and foreign investment earnings (Crane et al., 2018), the enactment of new regulation in 2008 recognizing private ownership (Zhang, 2008), the concession of economic autonomy for local authorities (Shirk, 1993), and the eradication of underperforming SOEs that increased the financial burden on the state (Du, 2014). In the aftermath of the 2008 Global Financial Crisis, China reacted to this external shock with some market reforms particularly the gradual liberalization of its current account with the removal of some restrictions on capital flows (Prasad, 2020).[28]

In response to the 2008 Global Financial Crisis, which negatively impacted Chinese economic growth (Liang, 2010), China showed the ability to put together a stimulus package expending credit backed by a large international exchange reserve (Li et al., 2012). Despite the strengthening of the US dollar in the aftermath of the crisis (McCauley & McGuire, 2009), China interpreted the crisis as an important juncture to pursue the internationalization of the RMB (Wang, 2016).[29]

The goal in the internationalization of the RMB was to convert the Chinese into a reserve currency (Prasad, 2020), and to increase the use of the currency in trade settlements (Haasbroek & Gottwald, 2017). However, for the achievement of both goals, important transformations of Chinese markets were necessary, such as the full liberalization of the capital account, exchange rate flexibility, financial market development, transparent macroeconomic policies, and further development of the financial market (Prasad, 2020: 614).

Despite the much needed domestic financial and economic reforms, China's internationalization of the RMB went ahead. As of 2008, People's Bank of China setup currency swaps with eight other central banks amounting to RMB800 billion (Cheung et al., 2011). In the following year, provinces (e.g., Shanghai, Guangdong) and Hong Kong settled trade in RMB (Cheung et al., 2011). By 2009, approximately 30% of China's US$2.5 trillion in trade was settled in RMB (Cui et al., 2009). Another initiative for the RMB internationalization was the inclusion of the Chinese currency in the IMF currency basket of the Special Drawing Rights (SDR). In 2015 the RMB was included in this basket, indicating that China's currency was more freely convertible with the liberalization of its exchange rate regime (Eichengreen & Xia, 2019).

The "Going Global" initiative also aimed to strengthen China's position as an international net creditor. In effect, since the mid-2000s, China has solidified its position as a major international lender. The 2008 Global Financial Crisis was a watershed moment for Chinese lending to underdeveloped nations, peaking in 2009 with around US$51 billion in credit (Dollar, 2020: 651). The People's Bank of China provides loans and incentives for public and private businesses to internationalize. China's use of the banking sector in its Going Global strategy has been key in promoting domestic growth for China with outgoing FDIs. Despite several constraints and structural limitations (e.g., lack of public and corporate professionals, scarce revenue to pay bureaucracy and finance essential infrastructure, limited knowledge about economic production and management) (Ang, 2016: 145), China has been capable of achieving its financial goals through the internationalization of its banking sector.

China's goals with "Going Global" are being realized on multiple fronts. It is increasing its presence in international organizations, and even creating new ones. China led the BRICS' initiative to create the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), which has been interpreted as initiatives to emulate other institutions of the global financial system (Wang, 2019). Each of these institutions were developed to fulfill specific needs.

Trade and investments with the rest of the world is also being pursued under "regionalism" (Kavalski, 2013: 36), which focuses on strategic engagement with different regions of the world. The great majority of Chinese official development assistance from 2012 to 2014 went to Asia (39%), Africa (37%) and Latin America (14%) (Dollar, 2020: 652). Chinese investment is particularly expanding in Central Asia through the Belt and Road Initiative (BRI).

Conclusion

Considering the state capitalism strategies which Brazil and China embraced, it was possible to highlight differences and similarities between both countries. The article explains Brazil's *centralized shortsighted state capitalism* and China's *multilevel proactive state capitalism*. Based on two mechanism, state activism and status seeking, the analysis shows the distinctions between both cases. The Brazilian strategy which combined central state activism with a contextual international status seeking behavior proved to be less resilient than the Chinese strategy, which is a hybrid of central-subnational state activism and a well-thought international status seeking behavior.

The political and economic changes that took place in Brazil in the mid-2010 s indicate that the state capitalist strategy is susceptible to reversals. Brazil, which some observers believe could have a substantial influence on the changing global order (Nölke et al., 2015), has been adopting a more cautious stance in comparison to its previous attempts and ambitions to exercise bigger regional and global leadership roles. A series of political crises that were associated with the corruption controversies involving the major political parties, which were responsible for the development of the state capitalist strategy in the 2000 s, and the national champion companies that benefited from public credit, compromised Brazil's strategy. This influenced the election in 2018 of Jair Bolsonaro's ultraright government, which despite embracing a liberal discourse has rejected the liberal order and has radically shifted Brazilian foreign policy and diplomacy (Casarões & Farias, 2021).

The Chinese strategy was not without its limitations, despite its continued endurance. The RMB has made significant strides in its internationalization. As a result of the increasing number of central banks holding reserves in the RMB, which accounts for approximately 2 % of total foreign reserves, the Chinese currency has become a *de facto* reserve currency and approximately one-third of China's commerce has been conducted in the RMB (Prasad, 2020). Despite these advancements, it is possible to suggest that the internationalization of the RMB has halted in 2014, and today only 2 % of total cross-border payments worldwide is realized in RMB (Prasad, 2020). The role of China as an international creditor presents challenges. Although there are

[27] Although the government's encouragement and involvement in the internationalization of the Brazilian construction sector dates to the 1970s, it is unprecedented the level of financial engagement and the diplomatic support of Lula's government offered to Brazil's multinational construction companies.

[28] Market reforms in China have created formal and informal patronage networks (Osburg 2013).

[29] The internationalization of the Chinese currency owns a great deal to domestic financial concerns, namely China's international assets and liabilities denominated in foreign currencies, which increased the country's foreign currency exposure (Cheung et al. 2011).

indications that China's loans peaked in 2009, there has been a reduction of loans in subsequent years and there are indications of loans being granted to countries with high investment risk (Dollar, 2020). However, an important obstacle in examining Chinese loans to developing countries is the dearth of clear available data regarding these loans (Dollar, 2020).

This comparative analysis facilitates reflections on the circumstances surrounding the adoption of the state capitalist strategy, which is one of the article's contributions. The willingness of a country to implement a strategy in a changing global order has appeared as a critical condition for the adoption of the strategy. Yet, for a long-lasting strategy, it is important the ability of the state to craft an international plan of action that rests on a robust economic growth, which was the case of Brazil and China in the 2000 s. In terms of temporality, the article also shows that the duration and timing of the implementation of state capitalisms matters to the trajectory each country followed. Moreover, a weakened state capacity to maintain a coalition behind a strategy has resulted in the existence of a short-lived strategy, and, therefore, higher vulnerability to corruption, economic crises, and ideological political orientation.

Apart from outlining some conditions for using state capitalism as a strategy, the article sheds light on two important issues that have been recently discussed in the literature on state capitalism: the issue of uneven development of capitalist accumulation among developing countries and the historical conjecture of the adoption of state capitalism. In terms of the asymmetrical development of capitalism, the comparison showed that the state capitalist strategy is contingent upon state capacity, which varies significantly across countries. Consequently, this suggests the existence of an imbalanced pattern of socio-economic development within the Global South, which weakens the "converging divergence" theory of Horner and Hulme (2019).

In reference to the historical conjuncture of a transforming global order, the opportunity for countries to strategize their ambitions to be relevant in redrawing the emerging global maps, as the adoption of state capitalism intends to deliver, relies on a political dimension that is often overlooked in the literatures concerning coalitions among different agents (e.g., elite groups, representatives of economic sectors) behind contemporary forms of capitalist accumulations. As such, despite the predictions of certain developing economies catching up with developed economies, it is not entirely clear if institutions in these countries can provide stable conditions for grand policies that require robust and stable coalition of actors for policy implementation.

The future of state capitalism relies on the dynamics of uneven global development and the politics behind capitalist accumulation worldwide (Alami & Dixon, 2020b: 89). Under this perspective, the transnational political cooperation among countries that embrace state capitalism cannot be ignored. As such, the state capitalist strategy overlaps with other initiatives such as that of creating new political arrangements such as the Brazil, Russia, India, China and South Africa (BRICS) alliance that has a potential to shape the future global order (Iqbal, 2022). More specifically, it could happen through two means, the creation of a network of cooperation that over time will function as an effective "diplomatic bloc" (Gallarotti, 2017), and the establishment of a "multi-alignment foreign policy" that exercise a meaningful international leadership in reshaping the world order (Brosig, 2024). Given the potential for uneven development of state capitalism, this strategy may be supported by an alliance that could offer international political backing to countries pursuing it and may facilitate the coordination of policies favoring state capitalist approaches.

CRediT authorship contribution statement

Helder Ferreira do Vale: Writing – original draft. **Lilian Costa:** Writing – original draft.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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