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'Export or die': the 'rise of Brazil' as an agribusiness powerhouse

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‘Export or die’:[1] the ‘rise of Brazil’ as an agribusiness powerhouse

Daniela Andrade

Abstract

During the first decade of the 2000s, the expansion of agro-commodities production and exports in Brazil provided evidence and explanation for the country’s economic upswing and emergence at the global context. The current crisis did not demise its condition as a global agribusiness powerhouse, but it called into question what the agribusiness denotes to and about the country’s economic development and relations in the world economy. This paper argues the links between agribusiness performance and economic growth was only circumstantial, while the continuous expansion of the sector’s exports is structural, as a counterpart of the country’s external dependency shaped since neoliberal reforms.

Keywords: *Brazil, agribusiness, primary export specialisation, external dependency, neoliberalism*

[1] ‘Export or die’ was pronounced by the former President Fernando Henrique Cardoso in 2001, at the swearing in ceremony of the Ministry of Development, Sérgio Amaral. The phrase hints at the context of the time, in which Brazil recovers from a Balance of Payment crisis. It was widely reported, though, for alluding to the Brazilian historical cry of independence proclaimed in 1822: ‘Independence or death’.

1 Introduction

Over the past decade, Brazil appeared on the global scene as an emergent economic power. The expansion of the country's agribusiness production and exports has been closely associated to the national upswing as a privileged *locus* for capital accumulation, global decision-making and global trade competitiveness. Brazil became a major supplier of a range of agro-commodities, a leader of a developing countries' coalition in agricultural negotiations at the World Trade Organisation (WTO), and a frontrunner of agribusiness expansion in Latin America, and more recently, in Sub-Saharan Africa. Important parameters justifying the country's membership with the BRICS (Brazil, Russia, India, China and South-Africa), such as the level of foreign reserves, inflow of foreign investments or GDP growth, have hinged upon the performance of its agribusiness sector, which benefitted from being at the centre of the global 'commodity boom'. In 2007, when commodity prices peaked, most the developing world suffered, but Brazil had its best economic performance in years, with a 6.1% of economic growth. In 2008, while advanced economies were in economic distress triggered by the outbreak of the financial crisis, Brazil had only a hiccup in 2009, but continued to flourish, reaching a 7.5% growth rate in 2010. That has emphasised the impression that the country's dynamics of accumulation and growth were finally detaching from those of advanced economies. However, even though the agricultural sector kept breaking harvest and revenue records until today, Brazil plunged into the most severe economic crisis of the last 25 years as early as 2011 with growth falling to 3.9% – 1.9% in 2012, 0.1% in 2014 and -3.8% in 2015.[2] With cuts in credit, social spending, investments, wages and employment, the economy reached a full-blown recession in 2016. How to make sense of that?

The current crisis and recession did not diminish the 'rise of Brazil' as an agribusiness powerhouse, but it certainly put into question what the agribusiness denotes to and about Brazil's economic development and insertion in the world economy. What kind of economic development was the remarkable agribusiness performance evidence of? If the agribusiness helped to explain, build on or display the country's rise, what does it tell about its fall? In brief, the rise of agribusiness needs to better contextualised, that is, adequately linked to the economy and the patterns of growth and development where it is embedded. Noting the agribusiness and its transformations are part and parcel of a broader context might be commonplace; yet, reflecting that in the method of analysis is not.

Generally, becoming an agricultural powerhouse means to live up to the country's natural vocation, once taking as a given that it is in the country's natural resources where lies its comparative advantage. Thus, developing a strong agriculture translate into leading Brazil towards its awaited future as an economic power. In times of crisis, like the present one, agriculture has often been the only sector that still stands, as literally '*a salvação da lavoura*' (a panacea). But Brazil's most recent trajectory, however, shows that this direct correspondence between the development of agriculture and the economy as a whole can be misleading.

Critical agrarian scholars normally pay little attention to the relations between the development of agriculture and the rest of the national economy. Their concerns remain essentially rural or agrarian in scope, even if on multiple levels. The agribusiness expansion in Brazil, for example, has been analysed within the context of the global food system and thus associated with a phenomenon of increasing power and 'influence over the construction of [an] emerging global food and agroindustrial order'.[3] Although it is undeniable the increasing presence and control of emerging economies like Brazil in global circuits of production, trade and consumption of agro-commodities, this approach leaves open for questioning how accruing 'agricultural power' is constituted, and perhaps conditioned by other circuits of capital accumulation in the economy (and consequently, other relations of power), at the national and international level. In fact, in the current phase of global capitalism, it is far more

[2] World Bank, GDP Growth (Annual %)
[3] Oliveira, "The Geopolitics of Brazilian Soybeans", 357

likely that agricultural (or agrarian) transformations are driven by economic forces beyond the farm, the sector or the ‘food system’.

The agribusiness known in Brazil today is a phenomenon of the past 15-20 years, which coincides with the period of mature neoliberalism as the country’s pattern of capitalist accumulation and development – yet conditioned by, and contributing to global capital relations. This paper traces the rise of agribusiness historically and systemically, through its links and embeddedness within broader structures of production, trade, finance and state politics that characterised neoliberalism in Brazil.

2 Agriculture and domestic capitalist development

Agriculture has always marked the economic development of Brazil, although not always the same way. Its economic and social roles – besides the very patterns of agricultural production – have transformed. In the past centuries, agriculture and resource extraction were at the centre of the country’s economic activities, while agro-extractive exports represented a significant part of the economic relations with the rest of the world. After the Great Depression in 1930, even if coffee remained the country’s main export item for at least two more decades, industrial production was the new driver of growth, to which agricultural dynamics became subordinated. Industrialisation imposed a structural change in the organisation of the economy and society.

The agrarian oligarchy lost economic and political centrality, albeit not the grip on land – and, to a certain extent, on power as well. That is because agricultural exports were an important source of foreign exchange, necessary to import industrial equipment and machinery (capital goods). Not surprisingly, the process of industrialisation was also concentrated in São Paulo, where the Brazilian industrial bourgeoisie was formed, having the agrarian oligarchy – whose wealth derived from the coffee plantations – as its social matrix.[4] The economic and political dominance of the latter was soon expressed through the politics of the state, which placed the policy of ‘Import Substitution Industrialisation’ (ISI) at the heart of a national development project.

In the mid-1960s and 1970s, agriculture itself began to industrialise, integrating with the upstream and downstream industry as a consumer of machinery and agro-inputs and supplier of raw material for processed consumer goods for the national and international market. That was the origin of the Brazilian Agro-Industrial Complex (CAI) – the forerunner of what is now defined as agribusiness[5] – linking the progress in farming to the industrial capital and dynamics of accumulation.[6] The export crops, like coffee, were perhaps the first to modernise and incorporate industrial technology through a significant credit package promoted by the state – showing, therefore, that import substitution industrialisation and export-oriented agriculture were complementary strategies.[7] Notably, Brazil became one of the most important ‘New Industrial and Agricultural Countries’ (NICs and NACs).[8]

If the relations of production and exchange of Brazil with the world economy were earlier characterised in the terms of the ‘classic dependence’[9] – that is, through the exchange of primary products for manufactured goods – with industrialisation, they became increasingly more complex, although not completely superseded. In the initial phase, foreign capital – which was previously only an external (purchasing) force – became integrated into the productive structure of Brazil, sharing with ‘local capital, both private and state-controlled, an interest in the further development of the local

[4] Albuquerque, “A formação da classe empresarial”
[5] Agribusiness refers to the agro-industrial production chains, involving the manufacturing of agro-inputs, farm production, processing, distribution and consumption. Support services, such as research and technical assistance, transport, credit can also be considered part of it. Gasques et al., “Desempenho e Crescimento”.
[6] Muller, “Agricultura e industrialização do campo”
[7] Spoor, “Policy Regimes and Performance”
[8] Friedmann, “The Political Economy of Food”, 45
[9] Evans, Dependent Development

industry'.[10] In a later stage, the industry expansion increasingly relied on foreign loans to acquire abroad the needed capital goods. By the 1970s, international creditors were essentially financing Brazil's 'economic miracle'.

That was not a problem until Brazil's main creditor, the United States, endured the stock market crash and a recession, after the two oil price shocks of 1973 and 1979. As a result, interest rate in global capital markets skyrocketed, provoking a dramatic increase in the cost of servicing the external debt. Not only that, the price of imported goods soared and access to international capital markets practically ceased. After these events, external borrowing and indebtedness were no longer leverage of industrialisation and domestic growth. Instead, indebtedness and debt payment became themselves an inhibitor of growth[11], turning the country into a victim of its external debt relations formed during ISI. In the 1980s, Brazil (and Latin America as a whole) faced the greatest recession of all times. Import Substitution Industrialisation was abandoned, but the agro-export sector was still promoted by the state[12] – this time, not to finance the industry, but to service external debt.

The debt crisis of the 1980s, more than exposing the structural flaws of ISI – which was unable to overcome the scarcity of foreign exchange, financial dependency and fiscal vulnerability – reflected a fast-advancing process of financialization of capitalism at the global scale: a 'worldwide shift towards neoliberalism'.[13] Neoliberalism encompassed a historic and systemic reorganisation of the material base for economic, social and political reproduction at the global level.[14] A defining character of this reorganisation was the control of financial capital over other spheres of economic and social reproduction. Neoliberalism became the new *mode of existence* of capitalism – the dominant system of accumulation in which 'interest-bearing capital' was the leading form of capital.[15] The next section will unpack the main features of this transformation in Brazil.

3 The early days of neoliberalism

Neoliberalism began to take shape in the early 1990s when the state embraced a set of macroeconomic policies and institutional reforms under the guise of 'technical' measures to control debt and inflation.[16] A major economic plan, named *Real*[17] Plan, was articulated and implemented in 1994 by a team of economists led by the Minister of Finance, and subsequent President of the country, Fernando Henrique Cardoso from the Social Democratic Party (PSDB). For five years (1994-98), Brazil experienced a 'virtuous circle of macroeconomic stability and consumption-led growth financed by foreign capital'.[18] By the end of the decade, however, the country was back into crisis, which lasted until 2003, when Luiz Inácio Lula da Silva from the Workers' Party (PT) assumed the leadership of the country. As we will see, premised upon the control of debt and inflation, the measures introduced by the *Real* Plan – and furthered by the adjustments adopted after the crisis – have in fact driven the process of financialization of the Brazilian economy.

3.1 Macroeconomic stability, consumption-led growth and foreign financing

Under the *Real* Plan, inflation control was a key objective of monetary policy. Combining a fixed regime of exchange-rate overvaluation to trade liberalisation, imported goods were made affordable

[10] Ibid., 9
[11] Mollo, "O Desequilíbrio do Balanço".
[12] Spoor, "Policy Regimes and Performance"
[13] Saad-Filho, "The Political Economy", 224
[14] Saad-Filho, "Neoliberalismo: uma análise Marxista"
[15] Ibid., 65-66
[16] Saad-Filho, "The Political Economy", 225
[17] 'Real' refers to the domestic currency's name introduced by the Plan. Real ('reais' in the plural form) remains the official currency of Brazil.
[18] Saad-Filho, "The Political Economy", 228

and available, also forcing local producers to lower prices.[19] That was not only efficient to tame inflation, but also highly appealing to consumers. From 1993 to 1997, the volume of imports in Brazil skyrocketed from US$25.3 to US$59.7 billion. Exports, in turn, were hindered by currency overvaluation, growing at a much-reduced pace. Hence, already after 1994, the country started to produce a trade deficit. In 1997, Brazil had a US$6.8 billion of trade deficit, while in 1992 it still had a US$15.2 billion surplus.[20]

At first, such a deficit did not prevent the country from continue importing and sustaining an appreciated exchange rate. Price and currency stability had brought foreign investments back to the country, which was able to finance the on-going consumption. While the average of net foreign investment flows in the 1980s was US$5 billion per annum on average – with a peak of US$14 billion in 1981 – between 1994-98 it jumped to US$35 billion – with a peak of US$45 billion in 1998.

Although monetary stability is a general requirement to attract investments, what is remarkable of this period is that it was the very fundaments of monetary policy – and not only their effect on prices and inflation – that were attracting foreign investors. That is because of appreciated exchange rate and high interest rates – the two main elements of monetary policy – have a direct effect on the rate of financial return on investment. That is why it is possible to say that, under the guise of inflation control, the state was favouring particular types of foreign investments, and financial forms of capital accumulation through policies, while hindering others.

In the same fashion, the measures recommended by the IMF to control the external debt only provided a half-solution, while creating the technical conditions for financial transactions, the free flow of capital and complex schemes of accumulation involving foreign and national investors, particularly banks. The measures were institutional reforms that resulted in opening up private and public bonds markets to foreign capital, gradually lifting control on international capital flows, and deregulating domestic financial markets.[21] With such institutional framework, the Central Government could increasingly finance itself in the national and international financial market, through the sales of public debt securities (or bonds). If in the 1970s, the necessary funds required for Brazil's economic development was obtained through abundant external loans – incurring an external debt – in the 1990s, these funds increasingly came from the regular sales of treasury bonds. This implied that, from a financial burden, debt was transformed into an asset for financing government expenses. Yet, there was no magic trick: a new indebtedness cycle was inaugurated, with profound social and political consequences.

While the *Real* Plan was in effect (1994-99), the average interest rate was almost 35.5% – and had oscillations beyond 45% and even 65% in years of international turbulences.[22] That made Brazil and Brazilian bonds indexed to the interest rate, as well as the exchange rate, very attractive. The increase in foreign portfolio investments reflected the interest of the international financial market in the bonds issued by the National Treasury. In 1994, year of implementation of the *Real* Plan, the net volume of foreign investments in fixed income securities reached US$47 billion, while net portfolio was US$54 billion. Even with an annual average of fixed income securities dropping to US$11 billion dollars – and the annual average of the net portfolio to US$15 billion – in the following years (1995-98), that investment volume was still unprecedented.

National investors, particularly public and private banks, however, were the main owner of Treasury bonds. Nonetheless, their investments were often coupled with external borrowing, thus linked to a

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[19] Ibid., 226
[20] All data referring to the Brazilian Balance of Trade, as well as Services, Income and Investments come from the Brazilian Balance of Payment Series (based on IMF Manual 5, BPM-5) available at the Brazilian Central Bank website (http://www.bcb.gov.br).
[21] Paulani, "Acumulação sistêmica", 242
[22] IPEAdata, Selic rate series (% p.y) (author's estimate).

foreign creditor. With interest rates higher in Brazil than in the rest of the world, national banks and firms were stimulated to borrow abroad – not to invest in production, but in public debt bonds. The external private debt skyrocketed from less than US$10 billion in 1990 to US$116 billion in 1998.[23] However, once lending to the National Central Bank through the acquisition of public bonds, national banks and firms perversely converted private external debt into public internal debt. Since 1994, the public external debt decreased, but the internal debt escalated. The division between the two, however, were increasingly blurred: Brazilian banks and institutions could be creditors' of the external debt, buying bonds of the national debt issued abroad or foreign investors could be creditors of the internal debt (sending profits abroad).[24]

Straightforwardly, the 'technical' measures to control debt and inflation gave rise to a system connecting state macroeconomic policies – particularly the instruments of monetary policy – to capital accumulation schemes of national and international lenders of interest-bearing capital, and both, to a mounting public debt and external liabilities. As we will see, this inevitably transformed the patterns of production, consumption, trade, finance and, as well as the state's capacity to govern.

To sanitise the state's finance, the National Privatization Program (PND) introduced in the early 1990s took on speed with the sale of state-own enterprises and public services, including the financial system, through acquisition and expansion of foreign shareholders in national banks.[25] Just in 1997 and 1998, the sum received from privatisations amounted to US$65.2 billion, which corresponded to 62% of the total received for the whole period 1990-2002.[26]

All the above significantly expanded the level of foreign ownership of the country's assets. This created a structural outflow of income in the form of profit and dividends from investments owned by foreigners in the country – as well as in the form of interest on external loans. Income repatriation became the largest burden of the Service account of the Balance of Payment (BoP)– a burden that, in the 1980s, mostly corresponded to the interest paid on the external debt. From 1980 until 1994, the annual average of net income remittance was US$10.6 billion per year, rising to US$12.5 billion between 1995 and 1997 and US$18.6 billion in 1998-99.

In the timespan of five years, the current account had accumulated a significant deficit, as a counterpart of the 'successes' of the *Real* Plan. The trade balance deficit and the income outflow represented a double burden to the current account, whose deficit multiplied from US$1.8 billion in 1994 to US$18.4 billion in 1995 and US$33.4 billion in 1998.

Evidently, this translated into vulnerability of the domestic economy, increasingly dependent on absorbing external savings to finance itself. In a context of a great instability of international financial markets – shaken by the Mexican currency crisis in 1994, the Asian financial crisis in 1997 and the Russian debt default in 1998 – the Brazilian external exposure was exacerbated. In 1999, Brazil became the centre of a currency crisis of its own: foreign investors, fearing the government would fail to finance the BoP deficit and provoke an external default, promoted a massive asset sale (or a 'capital flight'), which led to the collapse of the domestic currency and depletion of foreign reserves. National banks and firms, fearing currency devaluation itself, anticipated the payment of their external debt, consuming foreign reserves of the Central Bank – which, in turn, resorted to interest rate increase to stimulate the return of foreign capital, yet promoting further recession and unemployment. Erupting only five years after the start of the *Real* Plan, the crisis exposed the flaws of the Brazilian growth model engendered by the state.

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[23] Auditoria Cidadã da Dívida, *ABC da Dívida*, 18
[24] Ávila, "Dívida interna", 6
[25] Cintra, "Brazilian Structural Adjustment", 55
[26] Brazilian National Development Bank (BNDES), *Privatização no Brasil* (author's estimate)

The consolidation of neoliberalism in response to its first major crisis

Cardoso's policy response to the crisis entailed a combination of adjustments that consolidated the macroeconomic policy regime 'tripod' that last until today:[27] first, monetary policy continued determined by inflation targets and high interest rates – it was only tightened. Second, fiscal policy was attached to ambitious annual targets of primary fiscal surplus, aiming to compensate the public nominal deficit. In the year 2000, a law enforced these targets: the Fiscal Responsibility Law – the violation of which formally justified, in 2016, the impeachment of President Rousseff. Third, the fixed exchange rate was substituted by a floating one, intending to promote a gradual devaluation of the local currency and allow the economy to rebalance. That is because devaluation stimulates exports and restraints imports, helping to revert the trade balance deficit and equilibrate the current account. That is why, in 2001, still in the context of the crisis, the strategy spelt out by the President was either 'export or die'. Such strategy, however, required time to take effect, so that the *real* devaluated not as smoothly as expected – and as we will see, only temporarily. As an extra effort to appease market tensions against a possible BoP default, the government also approved in 1998 the financial support from the IMF[28] – a US$41.5 billion emergency loan. In summary, despite the flaws of the *Real* Plan, its core premises were maintained or deepened as 'solutions' to the crisis itself.

4 The rise of agribusiness for exports

4.1 Agribusiness for macroeconomic stabilisation

At the time Lula was elected, Brazil was still in crisis. The value of the *real* had reached its lowest, inflation was back to the levels of 1995 – and much higher than the target agreed with the IMF. The short-term nominal interest rate (*Selic* rate) was above 20% per annum[29], foreign reserves were down to US$38 billion and the 'Brazil Risk' reached its historical high of 2,436 points.[30] Managing these immediate problems imposed, from the start, an enormous pressure on Lula's government. The 'need' to bring back macroeconomic stability, control the fiscal and external risks, regain market credibility and restore the confidence of foreign investors in the economy ended up justifying his acceptance of the macroeconomic policy regime of his predecessor – which he inherited and ended up reinforcing. Lula, in fact, committed to that as a condition of power itself. Throughout the following Workers' Party administrations, which lasted until September 2016, the policy tripod has been upheld practically unchanged.

In the first year of his mandate, President Lula began to harvest the result of measures initiated by his predecessor: first, the local currency devaluation – which was also severely furthered as a result of the market reaction to Lula's imminent election –[31] second, the foreign trade and agricultural policy reforms. In 2003, the current account was in surplus, largely leveraged by the trade balance, and more specifically, by the contribution of exports, which increased 32.7% since the 2000, while imports decreased 13.4%. The growing agribusiness sector was the major responsible for the trade balance improvement. Figure 1 separates Brazil's net agribusiness exports from the net export of all the other products, showing the increasing relevance of the sector in relation to the total trade balance – and consequently in relation to the current account.

[27] Morais and Saad-Filho, "Da economia política", 508
[28] Fraga, "Monetary Policy"
[29] IPEAdata
[30] IPEAdata, EMBI+Risco-Brasil. The Emerging Markets Bond Index-Brazil (EMBI+Br) is calculated by JP Morgan and measures the capacity of a country to honour its external debt securities.
[31] Paulani, "Acumulação sistêmica", 243 and Boito Jr., "Estado e burguesia", 66

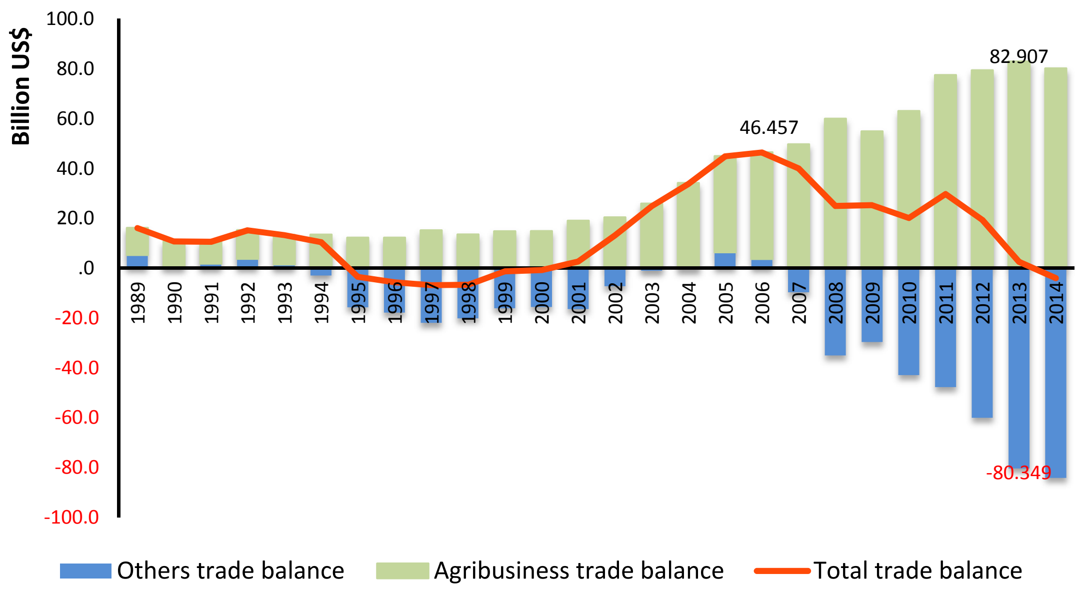

Figure 1: Agribusiness net export[32] and 'all others' net export (1989-2014)

Source: Ministry of Agriculture, Livestock and Supply (MAPA); Author's Elaboration.

Until the *Real* Plan, the sector had been badly hit by high inflation, but also by the sequence of failed inflation-curbing plans that sent false signals to investors. As a result, in the mid-1990s the sector, which had financial obligations pegged to inflation rates – while the prices of its products were not adjusted at the same pace – was highly indebted.[33] Therefore, the sector benefited when inflation finally stabilised, which also opened the possibility to access credits at fixed interest rates in nominal terms.[34] That was already implemented in the harvest season of 1995/96, when the rural debt began to be renegotiated, thus stimulating new investments. The state assumed part of the rural sector's debt, transforming it in public debt bonds.[35] The sector not only benefited from price stability but also contributed to maintaining low levels of inflation by allowing a 20% reduction in the price of food[36] – which possibly reflects, contrarily to the sector's interest, the effect of *Mercosul* (Southern Common Market) competition in times of exchange rate overvaluation.

It was only after 1999, with the depreciation of the *real*, that the export sector began to advance. The crisis itself had exposed the need to explicitly concentrate public efforts to promote exports, not to overcome, but to continue responding to the imperatives of financial accumulation.[37] Agricultural export was re-launched in the late 1990s as the country's best asset to re-equilibrate the current account, favoured by the increasing Asian demand.[38]

It was also in that context that a comprehensive export policy began to take shape. A large fiscal incentive had already been in effect since September 1996 with the approval of a law (*Lei Kandir*)

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[32] The agribusiness trade balance estimated by the MAPA represents the total exports/ imports of all products of animal origin (including fishery and aquaculture), vegetal origin (including forest products and flowers) and the products of low-technology agro-industry (food, beverages, tobacco, oils, vegetable waxes, as well as furs, leather, fibres, natural fabrics), rubber, wood and cellulose.
[33] Gasques et al., "Desempenho e Crescimento"
[34] Ibid., 18-19
[35] Kelliane and Oliveira, "Crescimento da Agricultura Brasileira", 30
[36] Menezes and Pinheiro, "O Potencial do Agronegócio", 57
[37] Boito Jr., "A Burguesia no Governo Lula", 254
[38] Delgado, "Especialização primária"

exonerating primary and semi-manufactured products from trade tax ('ICMS').[39] Already in the 2000s, the country adopted an aggressive position in the negotiations at the World Trade Organisation (WTO) to increase access of Brazilian agro-exporters to international markets. In 2002, Brazil launched (and won in 2005) two landmark disputes for agricultural trade liberalisation, one against US and EU subsidies.[40] Brazilian exports began to reach new commercial partners, particularly, China. From 1999 to 2002, agribusiness exports had increased 21%, while agribusiness imports decreased 22%.

Of course, trade performance was coupled with the progress in the agricultural production itself. Advancements in land and labour productivity, gains in scale of production and in total output resulted from state's support in several fronts, as well as private investments. The policies for modernization of the historical *latifundium* farms, which began in the 1960s-70s – but were dismantled in the early 1990s – gained a new impetus by the end of the 1990s. The National System of Rural Credit (NSRC) was reintroduced, in combination with a series of other support policies. Researchers from the Institute for Applied Economic Research (IPEA) concluded that the increase in production mostly reflected enormous productivity gains from the incorporation of science and technology, particularly through the efforts of the Brazilian Enterprise of Agricultural Research (Embrapa).[41] Embrapa's research agenda was also aligned with multinational agribusiness corporations, giving significant emphasis to the improvement of commodities, such as corn, cotton and soy.

All of the above factors have contributed to boosting the trade balance, allowing Lula to close his second year in office (2004) with more than US$33 billion dollars of trade surplus – the seventh largest in the world.[42] And with a large trade surplus-to-imports ratio the country began to generate 'a sizeable free cash flow for each dollar of additional exports, making it easier for Brazil to earn the foreign currency it need[ed] to keep servicing the debt'[43] – while also starting to build up its foreign reserves. The period of crisis was coming to an end, while the country was signalling to be on the right path to take off.

4.2 Agribusiness for growth

Foreign trade and agro-exports gained major relevance in Lula's administration. Lula himself made great efforts towards opening markets for Brazilian exports and was generally successful, as he encountered an international commodity market in expansion and prices on the rise – indeed, the beginning of the global 'commodities boom'. In such a global context, agro-commodity production and exports became more than a strategy for macroeconomic adjustment, but itself an important driver of economic growth.

The recovery of economic growth happened towards the second half of the decade (and Lula's second mandate). The annual GDP average between 2004 and 2008 was 5%, against 2% between 1999 and 2003. From 2004 to 2015, the average of agribusiness participation in the national GDP was 21%.[44] In several years, the agribusiness GDP annual increase was higher than the total GDP annual increase, clearly pushing up the national annual growth rate.

Brazilian agriculture continued hitting record yields year after year, in this period also reflecting the effect of increased mechanisation, promoted by the massive boost in use of the NSRC. From the 2002/2003 to the 2007/2008 harvest season, the volume of rural credit disbursed went from US$11

[39] Kelliane and Oliveira, "Crescimento da Agricultura Brasileira", 20 and Agência Senado, "Lei Kandir" available at http://www12.senado.leg.br/noticias/entenda-o-assunto/lei-kandir
[40] Hopewell, "New Protagonists in Global Economic", 10
[41] Ibid.
[42] Santos, "Brazil's Remarkable Journey"
[43] Ibid.
[44] Centre for Advanced Studies in Applied Economics (CEPEA-USP), Agribusiness GDP and Brazil total GDP (1995-2015) available at http://cepea.esalq.usp.br/pib/

billion to US$38.4 billion. In the 2013/2014 season, the total volume of credit reached US$82.8 billion.[45]

In just over a decade (1999-2012), total exports grew from approximately US$50 billion to US$250 billion – with agribusiness exports increasing nearly in the same proportion, from US$ 20.5 billion to US$95.8 billion.[46] In 2010, the country was the world's biggest exporter in a series of agricultural products – coffee, sugar, orange juice, tobacco, ethanol, beef and chicken – and the second-biggest source of soy.[47]

The expansion of Brazilian agribusiness exports also responded to the stimulus of high world market prices. The external terms of exchange increased in favour of Brazil after 2006 (and until 2015), even having its exports concentrated in primary and semi-processed products and its imports in manufactured products.[48] The figure below shows the price-increase trend during the 2000s, using a price index calculated by IPEA.

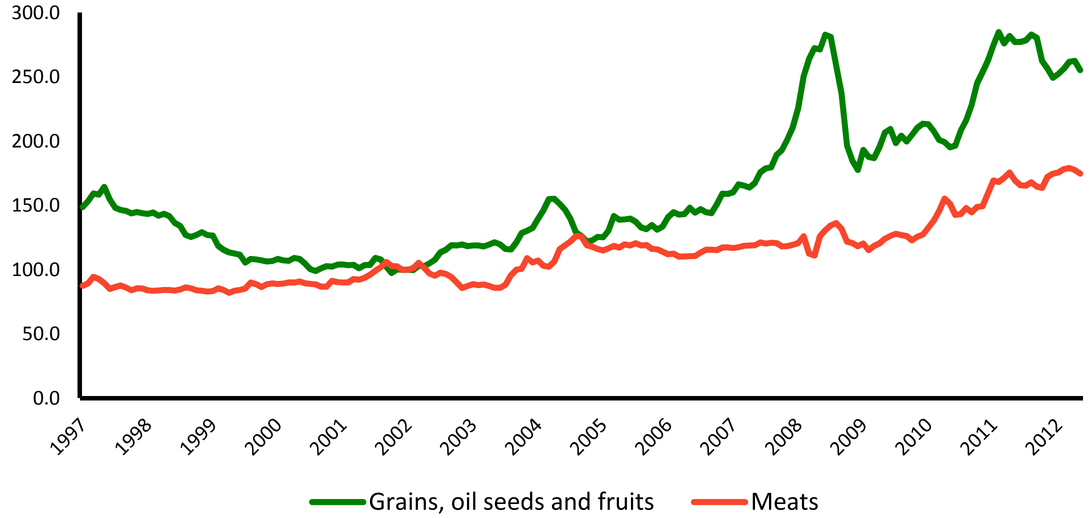

Figure 2: Price Index of meats, grains, oil seeds and fruits (1997-2012) -

(Jan 2002=100)

Source: IPEAdata

But the recovery of growth was not only related to the global commodity boom. In the second half of the decade, Brazil also saw the rapid return of foreign investments, showing that the abundance of international liquidity – another exceptional condition in the global economy – played a major part in the country's upswing. The average of annual net foreign investments in 2004-08 was approximate US$45 billion dollars, more than double the annual average of the 1999-2003 period, when it amounted to US$22 billion. In 2010, the country had accumulated 3.4% of the global stock of foreign investment, jumping from the 18th position in 2006 to the 7th as a destiny of foreign investments – and the 1st position among the BRICS (retaken by China in 2011).[49]

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[45] Annual Agricultural Harvest Plan (Plano Safra) available at the MAPA website (http://www.agricultura.gov.br), (author's estimate)..
[46] MAPA, Brazilian trade balance and Agribusiness trade balance series: 1989-2014.
[47] MAPA, *Agronegócio brasileiro em números*
[48] IPEAdata, Terms of exchange, index (2006 = 100)
[49] Ribeiro e Silva Filho, "Investimento Externo Direto", 33-34, based on UNCTADstat data.

The World Investment Report 2009 showed that Brazilian agriculture received the third largest amount of FDI in the world in the period 2005-07, being only behind China and Malaysia.[50] In 2008, Brazil received half of the FDI inflow of the entire Latin America and Caribbean region, 34% of which was directed to the primary sector (including mining).[51] That seems to confirm that the global financial meltdown of 2008 further underpinned the entry of financial (and speculative) capital into agricultural land and primary commodity production.[52]

Not only Brazil's land and agriculture were targets of large investors[53], but the country itself was ready to expand agribusiness investments abroad. In 2009, for example, ProSavana was launched: an ambitious, and most controversial Brazilian project to promote large-scale, export-oriented production of soybeans (but also corn and cotton) in Mozambique. ProSavana involved private agribusiness firms, complex global financing and diplomatic support from the Brazilian state in a trilateral cooperation agreement with Japan and Mozambique.

The Brazilian state, in fact, was actively engaged in promoting the internationalization of Brazilian enterprises as part of a strategic plan to further ascend as a future centre of economic and political power,[54] particularly in natural resource-intensive sectors. Public and private Brazilian enterprises received significant support from the National Development Bank (BNDES) to consolidate their market position and expand operations abroad. Most of Brazilian FDI included mergers and acquisitions of existing firms, involving a small number of operations, large investments and a handful of private and state-owned firms, particularly concentrated in sectors such as mining, energy and steel.[55] However, food and agribusiness enterprises also became some of the largest Brazilian transnational companies – in fact, the world's largest in several production segments.[56] These companies resulted from large-scale investments and acquisitions of productive and distributive facilities, particularly in Latin America, Europe and the United States – with the support from the BNDES. That has been the case, for example, of the internationalisation of the beef industry, such as Marfrig, JBS Friboi and Brazil Foods.

Growth and equity

Growth has allowed the accommodation and expansion of heterodox social policies of 'unquestionable – though provisional – success', delivering very substantial gains in terms of employment, distribution and citizenship.[57] Not surprisingly, the country was in the international spotlight, portrayed as an example to be followed by developing countries – in particular as an agricultural model, able to supply a growing and wealthier world population with food, feed as well as biofuels – and simultaneously meet the targets of domestic food security and poverty reduction. By the end of the decade – even after the outbreak of the financial crisis – Brazil was not only thriving but also suggesting that 'growth and equity'[58] could be compatible – including in agricultural and agrarian development. Yet, instead of showing to have its accumulation dynamics detached from advanced economies, its success (and, shortly, its fall) showed precisely the contrary.

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[50] UNCTAD, "Transnational Corporations, Agricultural Production", 117
[51] Ibid., 64-66. In the manufacturing sector, which received 35% of investments, 80% accounted for the industry of semi-processed material. Ibid.
[52] Arezki et al., "What Drives the Global", 1 and Ghosh, "The Unnatural Coupling", 78
[53] Sauer and Leite, "Agrarian Structure, Foreign Investment" and Wilkinson, Reydon, and Di Sabbato, "Concentration and Foreign Ownership"
[54] Garcia, "A Internacionalização de Empresas Brasileiras"
[55] Baumann, "Brazilian External Sector", 12-13
[56] Economist Intelligence Unit, "The Global Power of Brazilian"
[57] Morais and Saad-Filho, "Da economia política", 507
[58] Amann and Baer, "Brazil as an Emerging Economy", 413.

5 Agribusiness for finance

In 2014, GDP growth was zero, inflation was above Central Bank targets, the local currency was depreciating rapidly, unemployment was on the rise and the target of primary fiscal surplus, for the first time, could not be met. Why? A closer look at the country's BoP shows that the period of GDP recovery coincided with the progressive decline of the current account balance, started in 2006. From 2008 onwards, the balance was in a sinking deficit, as shows Figure 3, leading the country into a crisis. Examining the Current Account more in detail will show that: 1) the balance of trade was in decline since 2006 – despite the persistent increase of net agribusiness-exports, and 2) the (historical) deficit of the service account was deepening since 2005, particularly in the years of highest annual growth (2007-08, 2010-11). Not only this suggests the Current Account was under the double burden of the past, it suggests that such a burden was systemically related to the country's pattern of growth. Furthermore, it suggests that the relations previously analysed between the strong agribusiness trade performance, the current account adjustment and the recovery of economic growth were only circumstantial; the continuous expansion of the agribusiness sector, however, was perhaps structural.

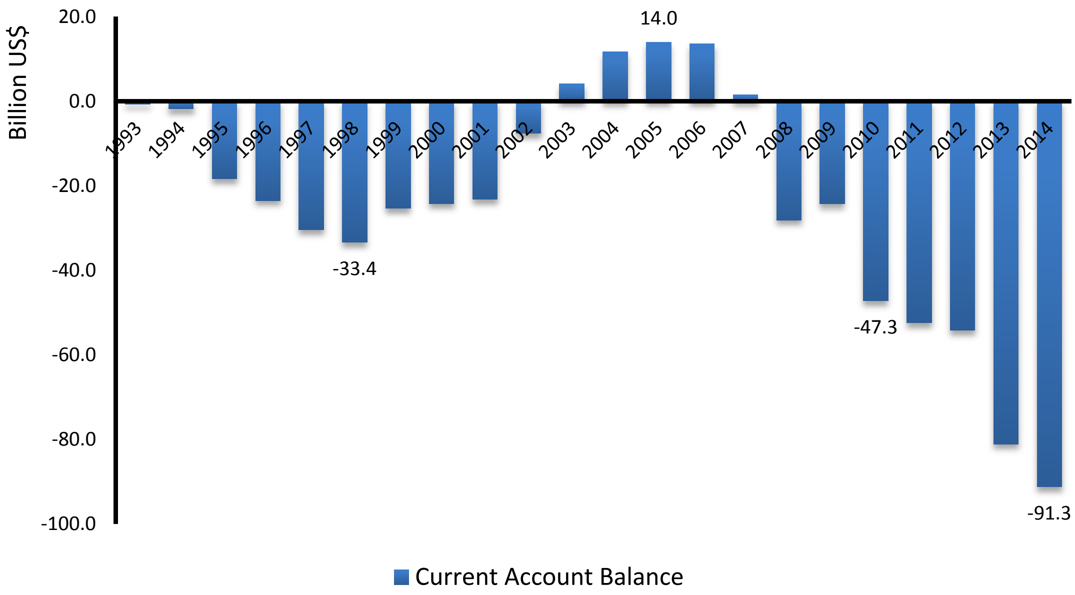

Figure 3: Current Account Balance: 1993 to 2014

Source: Brazilian Central Bank (Balance of Payment Series)

As previously discussed, the current account balance ascended from 1999 to 2006, mainly reflecting the increasing trade balance surplus, and particularly, the agribusiness surplus. From 2006 onwards, the trade balance was in descent, but not the agribusiness net exports (see Figure 4). Between 2006 and 2014, the total trade balance declined 108%, but the revenue of agribusiness net exports increased 87%.

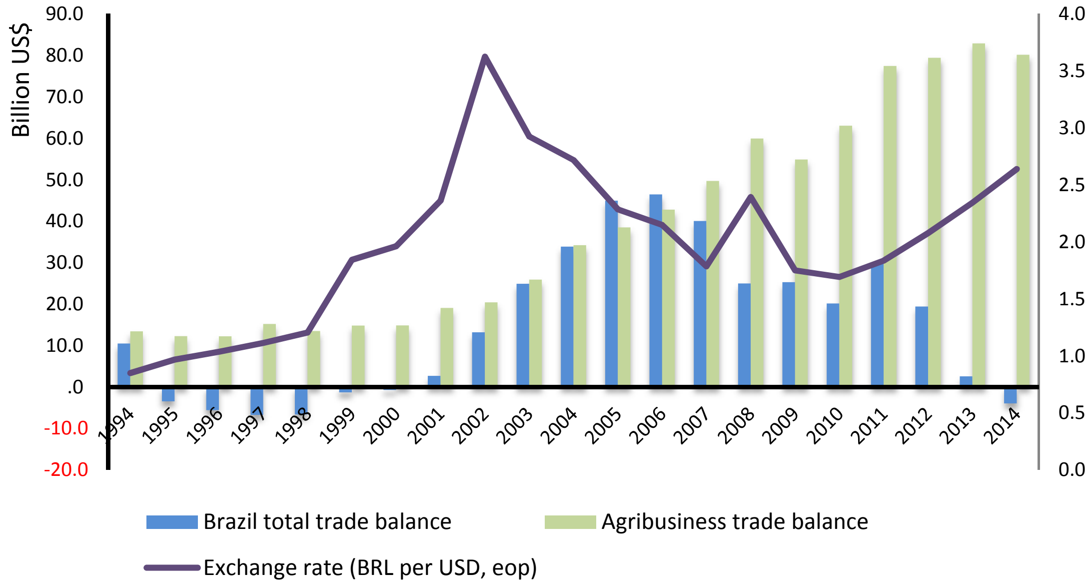

Figure 4: Brazil's overall and agribusiness trade balance (1994-2014)

Source: MAPA

The upward and downward trend of the balance of trade is partly explained by the effect of the exchange rate in each period. Until 2003, the exchange rate was deeply depreciated – a fact that has leveraged the overall recovery of the trade balance. That progressively changed until it was no longer valid after 2005 to the end of 2013. The diverging trends between the agribusiness and the total trade balance in the second period show that the exchange rate had a distinct effect on the agribusiness and other segments of the trade basket.

The exchange rate appreciates when the demand for the local currency in the exchange market increases. From 2002 to 2005, that demand was essentially created by the entry of hard currency obtained through the very export of agro-commodities. Later in the decade, it was the boom of foreign investments that was flooding the domestic exchange market with foreign currency, thus pushing up the value of the *real* against the dollar (see Figure 5). Also, the persistent gap between the domestic and international interest rates continued to stimulate Brazilian private banks and firms to borrow capital abroad – particularly from Japan and the United States – contributing, since 2006, to the massive inflow of foreign currency.[59]

[59] Gaulard, "The 'Hot Money' Phenomenon", 370

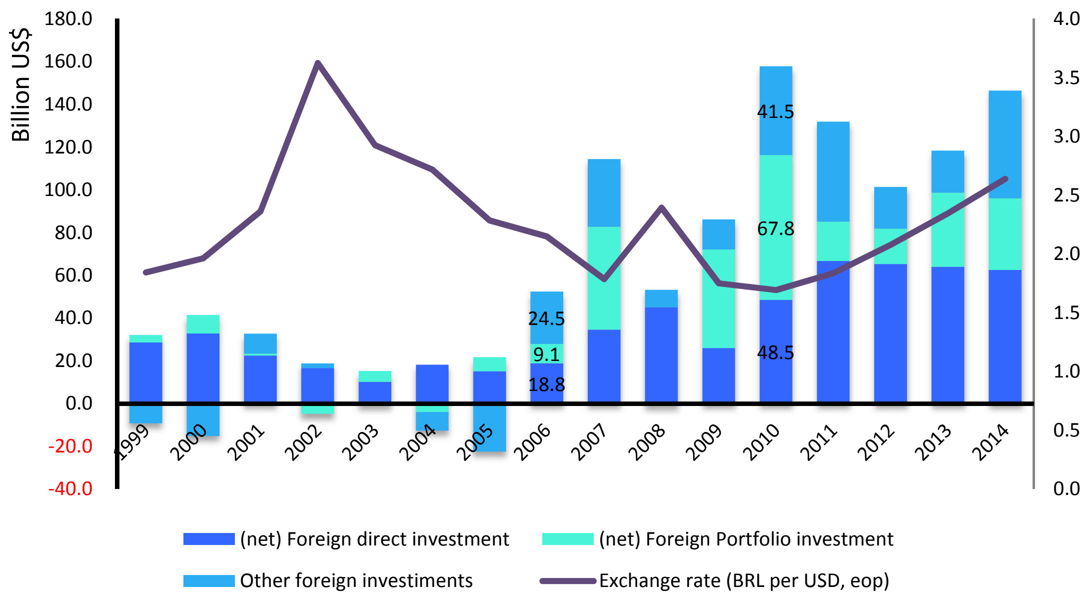

Figure 5: Net Foreign Investment and the exchange rate (1999-2014)

Source: Brazilian Central Bank (BoP series) and IPEAdata (Exchange rate Series)

Differently from the years of the *Real* Plan, when domestic currency overvaluation was explicit supported by the Central Bank, now it was a systemic outcome of growth dynamics nurtured by state policies. Furthermore, not only exports, foreign investments (and external loans) were directly (and indirectly) promoted by the state, overvaluation itself was an ultimate result of a political choice: allowing the exchange rate to fluctuate according to market forces. As a result, Brazil had 'one of the most appreciated currencies in the emerging world'.[60] With a systemic tendency for currency appreciation, the country has dwelled with an enduring pressure on its trade balance, particularly deriving from changes in the patterns of production and consumption of the industrial sector, as discussed ahead.

The appreciation of the exchange rate, as said earlier, increases the real return in hard currency of a foreign investment, when earnings are converted back to hard currency – thus stimulating both, remittances and more foreign investments. From December 2008 to December 2009, for example, the domestic currency appreciated more than 26% against the dollar. A foreign investor who bought bonds of the domestic public debt at the end of 2008 received, in one year, an average of 14% of interest (based on the Selic rate Dec 2008), plus the additional increase of 26% if converting earnings back in dollars – that is, over 40% of real gains in dollars. Currency appreciation equally favours domestic firms and banks in repaying loans taken abroad. That means the inflow of foreign capital that was driving the exchange rate up was, likewise, driving up the level of income claimed by foreigners – income that was further enlarged by overvaluation itself. That explains why the income account was also further harmed in the years of highest investments and growth. See Figure 6 below.

[60] Amann and Baer, "Brazil as an Emerging Economy", 416

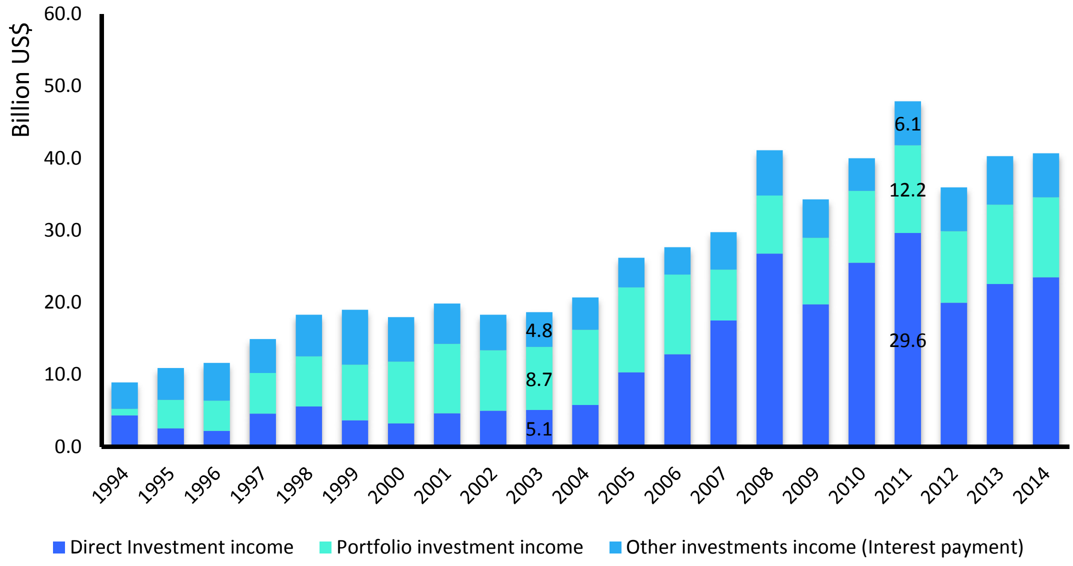

Figure 6: Net income outflow by type of foreign investment (1994-2014)
Source: Brazilian Central Bank (BoP Series)

It becomes therefore clear why the current account balance deteriorated after 2006. Paradoxically, depleting the current account directly increases the need for more foreign investments and loans, thus reproducing its double burden as part and parcel of the economic system shaped by the macroeconomic fundaments discussed earlier in this paper. In a nutshell, the combination of policies continued conditioning the opportunities for financial, and often speculative gains at the national and international level, while undermining the overall transactions of goods, services and income with the world economy – and why not, undermining the overall quality of growth. The following section further explores the effects of neoliberal policies, creating, on the one hand, economic entrenchments to generate sufficient income, savings or investments domestically, and on the other, opportunities and the need to take on external liabilities.

5.1 Policy-induced economic constraints and external dependency

Monetary policy of high interest rate increased the cost of credits, depressing public and private investments. Between 2005 and 2015, the total investment-to-GDP ratio (public and private) has varied between 16 to 21%, which is much below the average for emerging and developing economies.[61] Public and private banks, in turn, were financing abroad at favourable interest rates since the 1990s, and making fortunes by imposing, as wrote Anderson:

> ..the highest long-term interest regime in the world – crippling for investors, manna for rentiers – and staggering spreads between deposits and loans, with borrowers paying anything from five to twenty times the cost of the same money to lenders.[62]

In face of domestic credit constraints, large firms were stimulated and able to raise capital abroad. In the 2000s, FDI mainly corresponded to foreign equity stakes in national companies, followed by intercompany loans – both substituting domestic sources of financing, yet compromising part of the total profit and dividends generated by productive activities to remunerate shareholders abroad, instead of being reinvested or saved.[63]

[61] Brazilian Institute of Geography and Statistics (IBGE), Investment rate series: 1947-2014 (author's estimate)
[62] Anderson, "Crisis in Brazil"
[63] Guimarães, "Capital Nacional e Capital Estrangeiro", 147

Also, major Brazilian firms were able to benefit from long-term subsidised loans offered by the Brazilian Development Bank (BNDES), with interests below the market rate. The Central Government significantly increased the capitalization of the BNDES through the issuance of treasury bonds.[64] While the BNDES remunerated the Treasury paying 5% interest, the government was paying 11% to remunerate the owners of treasury bonds put into circulation to capitalise the Bank. In brief, the BNDES could expand its support, for example, to the internationalization of agribusiness firms at the cost of deepening the public debt. Part of that subsidy ended up remunerating shareholders of those companies, many of which foreigners.

By squeezing credits and depressing investments, high interest rates also limited the expansion of tax revenues – besides affecting the cost of the public debt. Since there was little margin for manoeuvring the level of interest rates (once attached to the need of financing the public budget and the BoP), fiscal policy could not scape imposing heavy taxation – with limited taxpayer counterpart. Also, since 2000, the priority to pay interest on outstanding public debt enhanced rigid budgetary policies, taxation and strict public expenditures and investments. Until 2014, the PT's administrations rigorously met, and often exceeded the targets of primary fiscal surplus originally agreed with the IMF. Between 2002 and 2013, the government spent 2.9% of the GDP in interest payments, while the average spent on investments was only 2.1%.[65] That means throughout the period fiscal policy prioritised 'responsibility' towards creditors, and not the taxpayer. Yet, the government has assured foreign creditors that the public sector had, in the long term, the capacity to honour its debt and has, by-extent, assured the conditions to continue financing its expenses, not only through tax revenues, but in the financial market through regular sales of treasury bonds in the domestic market.

After the 2000s, foreign portfolio investments largely corresponded to equity investments and debt securities negotiated domestically. According to the National Treasury Annual Report on the public debt, foreign investors (non-residents) owned 18.6% of the internal public debt security stock in 2014 – while national financial institutions, pension and investment funds hold 67.2.[66] Brazilian treasury bonds were very attractive because of a significant differential between the interest rate offered in the country and in the rest of the world. Securities issued in the domestic market incurred an internal public debt, paid in local currency, even if the bond owner was foreign. Yet, the fact foreigners could acquire public bonds implied that anytime, they could convert currencies back and send profits abroad.

The systematic sale of debt securities became a major source of public financing, representing, in 2010, 48% of the annual budget.[67] Simultaneously, servicing the public debt became the utmost expense of the Central Government budget. In the same year, public debt payment represented 48.5% of all Central Government expenditures, which meant that national savings were used to pay interest on the internal debt and, consequently, were no longer available for financing productive investments. That means the possibilities for investments and growth were limited, as well as the capacity of government tax collection to serve the increased expenditures of social security. As Batista Jr. said, 'fiscal constraints become, to a great extent, a by-product of the external vulnerability'.[68]

As a result of policy choices, Brazil was increasingly debilitating its capacity for domestic savings while anchoring its process of growth in the absorption of foreign savings.[69] However, substituting one by the other, state's strategic policy – clearly, monetary policy – became a hostage of financiers and its external dependency – which is the political and social essence of neoliberalism.

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[64] Amann and Baer, "Brazil as an Emerging Economy", 420 and Gentil and Araújo, "Dívida Pública e Passivo"
[65] Ministério da Fazenda, Secretaria de Política econômica
[66] Ministério da Fazenda, "Dívida Pública Federal", 37
[67] Camara Legislativa Brasileira, "LDO-2010" (author's estimate)
[68] Batista Jr., "Vulnerabilidade Externa", 178 (author's translation)
[69] Paulani, "Acumulação sistêmica", 252

The main instruments of monetary policy, interest and exchange rate, are today major bargaining assets of financial investors, which hold a major leverage power over the government to dictate economic policy: the more uncertainties and risks caused by inflation or current account deficit, the more the financial sector asks to lend the capital the government depends on. If their conditions are not met, investors can simply leave. Every month, investors in the internal debt market put the National Treasury 'on its knees to rollover tens of billions of *reais* in bonds'.[70]

President Dilma Rousseff adopted, in her first mandate (2011-2014), economic policies that attempted to open more room for growth, reducing the interest rate to the lowest level of the last two decades, introducing some capital controls, promoting selected sectors of the industry, among other interventions – which made her administration the most heterodox of all PT's mandates – yet, only for a very short period. In 2014, after winning her second election by a small margin, she adopted the policies of the opposition. As wrote the reporter of The Economist magazine, the first task of the President's new team of Ministers was, almost anecdotally:

> […] restore credibility to economic policy. That means restating Brazil's commitment to its pre-2010 "tripod" – of independent monetary policy, fiscal responsibility and a floating exchange rate. It also means tightening the budget.[71]

Managing, nurturing and participating in the forms of financial accumulation, the state has been a fundamental agent of a massive transfer of public income (and resources) to the private sphere (national and international), particularly to financial institutions. High interest rates have functioned as a mechanism of such transfer of income. Not surprising, "the combined capitalisation of [Brazil's] two largest private banks, Itaú and Bradesco, is now twice that of Petrobras and Vale, its two biggest extractive firms, and far sounder".[72]

Foreign Reserves strategy: reproducing financial accumulation

To sterilise the inflationary effect of the expansion of the monetary base caused by the inflow of foreign capital the Central Bank was buying the hard currency privately owned in the exchange market (mainly dollar), through a deliberate expansion of the public debt, that is, using bonds of the internal debt. That was how Brazil increased its foreign reserves, which leapt from US$85.8 billion in December 2006 to US$180 billion in December 2007, reaching US$363.5 billion in December 2014.[73] For each dollar acquired, a debt of equal value in local currency was created, which means that building this external asset with the use of bonds (instead of currency) has led to the escalation of the public debt. Since the interests paid by the National Treasury to bond security owners are higher than the interest received from the financial applications of the Reserve itself, it means that this external asset has a social fiscal cost.[74]

Since 2008, the international reserves have offered assurance to foreign investors, who continued coming in, in spite of the successive deficits of the current account. For the Central Government, in turn, current account deficits became less of a problem, as external savings continue available – yet, compromising the country's presented and future income, part of which was concentrating in the hands of national debt security owners (banks and firms). In brief, investing in foreign reserves meant investing in the reproduction of the dominant system of accumulation and power already in place – and not in overcoming it. Yet, on the occasion of the global financial crisis, which erupted that year, the country was able to avoid a currency shock and the government could react in the opposite direction from the 1999/2002 crisis, adopting expansive measures, such as decreasing the interest rate.

[70] Ávila, "Dívida interna", 2
[71] The Economist, "Dilma Changes Course"
[72] Anderson, "Crisis in Brazil"
[73] International Investment Position (IIP) Series, available at Brazilian Central Bank (https://www.bcb.gov.br)
[74] Gentil and Araujo, "Divida Publica e Passivo"

Primary export specialisation

There is no doubt the lasting fiscal load, credit squeeze, international competition and liability costs on the private sector – together with the prolonged primary fiscal contraction and mounting debt service on the public sector – have affected the capacity and scope of production, consumption and trade of the country.

Since the 1990s, the profile of the Brazilian industry gradually transformed: the most sophisticated sectors, producing more technology and value-added products, declined, while those that process natural resources and produce low technology and low value-added products ascended. That implied that the production chain of several industrial segments became less integrated and more dependent on the import of productive inputs – in other words, increasing the import coefficient of the industry.[75]

With the recovery of growth and consumption after the second half of the 2000s, the volume of imports of the industrial sector, specifically of the medium-low to high-technology industry, increased in a higher proportion than its exports, reflecting both, the actual structure of the industrial sector and the effects of currency appreciation on the level of consumption and export capacity (see Figure 7). That entailed a decline in the industrial trade balance in periods of an upturn in the economy.

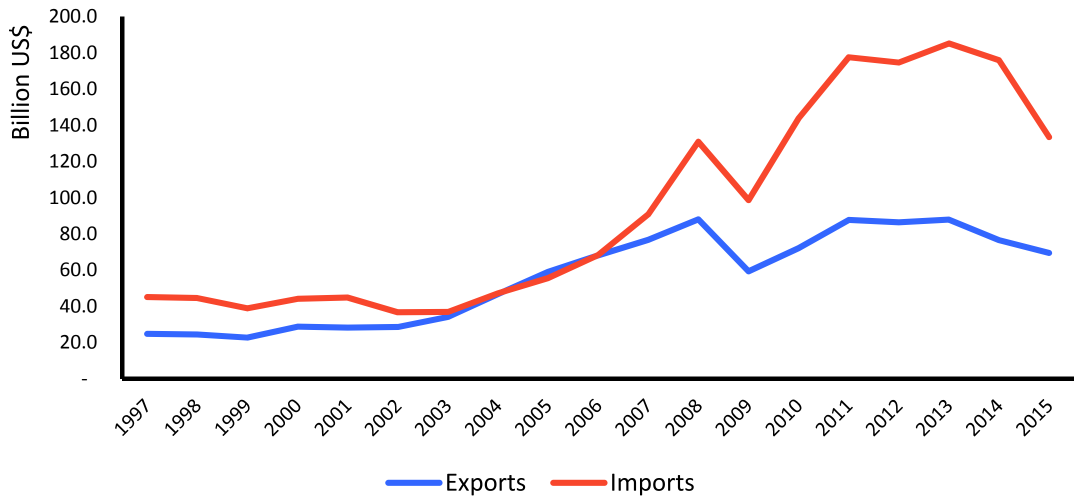

Figure 7: Import and Exports from medium-low, medium-high and high technology industry (1997-2015)

Source: Ministry of Industry, Foreign Trade and Services (MDIC)

That means the domestic production of value-added and technology was replaced by consumption of imported goods – which is a radical shift from the strategic goals pursuit by the state during the decades of ISI. In the 2000s, Brazil was mainly importing sustainable consumer goods, fuels and industrial inputs and in a much lesser proportion, equipment goods, which, again, is indicative that imported goods had substituted sectors of the domestic industry.[76] Despite having reached a significant level of industrial diversification in the 1980s, part of the Brazilian industry was later reduced to assemblers (of imported inputs) or *maquilas*.[77]

If this re-configuration of the industrial profile was a consequence of market stimulus and constraints shaped by policy reforms in the 1990s, it is to expect that, maintaining the same policies, the large inflow of foreign investments observed from 2006 onwards would fail to address the gaps in the industry productive chains, once responding to the same market conditions. Bresser-Pereira's thesis,

[75] Carneiro, "O Desenvolvimento Brasileiro Pós-crise"
[76] Gaulard, "The 'Hot Money' Phenomenon", 378
77 Carneiro, "O Desenvolvimento Brasileiro Pós-crise"

discussed by Paulani[78], has a more sophisticated argument. He says that, contrary to orthodox arguments, the absorption of external savings in developing countries, being associated to cyclical exchange rate overvaluation, does not stimulate domestic investments, but consumption – thus, reproducing the external dependency, instead of the contrary.

Until the 1990s, the greatest part of FDI concentrated in manufacturing (66.8% of the stock), while services received 29.3% and agriculture and mining just 3.9%.[79] A decade later, around 50% of the gross FDI were directed to specific segments of the service sector – particularly the ones privatised in the previous decade.[80] In the mid-2000s, FDI was attracted by the size of the Brazilian market – which was experiencing increasing levels of consumption as a result of a real minimum wage increase, compensatory income distribution programmes and access to popular credits. Investors were also attracted to the opportunities in the exploitation natural resources – mining, oil, gas and agribusiness – where Brazil was a rising power. Thus foreign investments might have actually re-enforced structural gaps.

Differently from the more sophisticated industry, the extractive and processing industry of raw materials (including low-technology manufactures, such as food and beverages) had a low import coefficient and a high export capacity. This allowed these segments of the industry to be highly competitive, even under the condition of overvalued currency. Similarly, the primary sector was also less sensitive to the exchange rate appreciation, not only because of import and export coefficient but also because the primary sector explored cheap and abundant production factors (land and natural resources) and was able to exert competitive advantage in relation to the industry (see Figure 8).

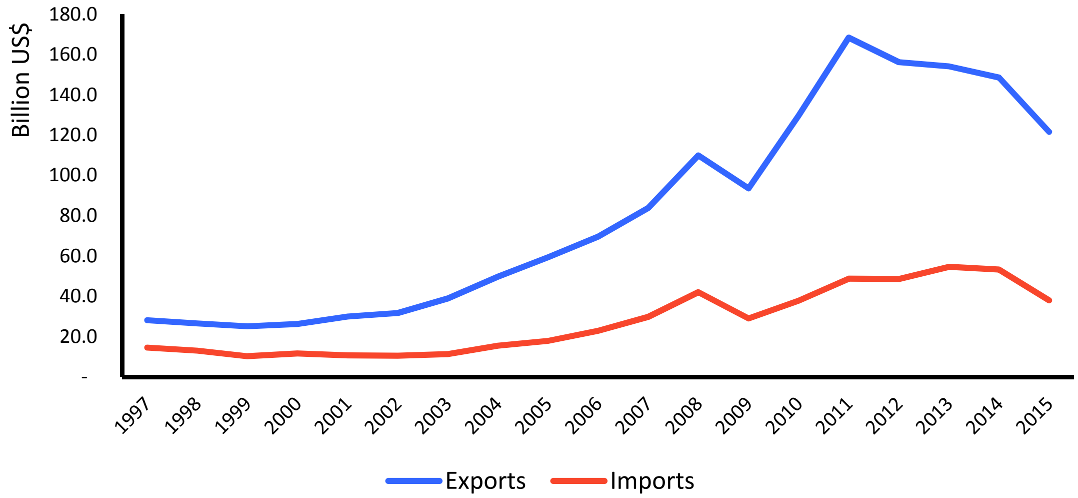

Figure 8: Import and Exports of non-processed products (commodities) and products of low-technology industry (1997-2015) （Source: MDIC）

In spite of the overvaluation of the *real*, agribusiness exports continued to champion Brazil's trade relations with the rest of the world. Without its exports, the total trade balance of the country would have had in 2007, a deficit of almost US$18.4 billion, instead of a surplus of US$40 billion. That deficit would be of US$65.2 billion in 2011 and US$97.4 billion in 2013 instead of a surplus of respectively US$30 and US$2.5 billion.

78 Paulani, "Acumulação sistêmica".
79 Hennings and Mesquita, "Capital Flows", 105
80 Ibid.

The evolution of Brazil's merchandise trade composition during the 2000s shows a process of reprimarisation of its foreign trade – also called regressive specialisation of the country's productive structure.[81] In the early 1970s, manufactured products represented approximately 15% of the export basket, increasing to 54% in 1990 and then declining to 39% in 2010; primary exports, in turn, followed the reverse trend, departing from approximately 75% of the export basket in 1970, 28% in the 1990 and 45% in 2010. The figure below clearly illustrates these two parallel phenomena: the decline of manufactured and the increase of primary products in the country's foreign trade basket.

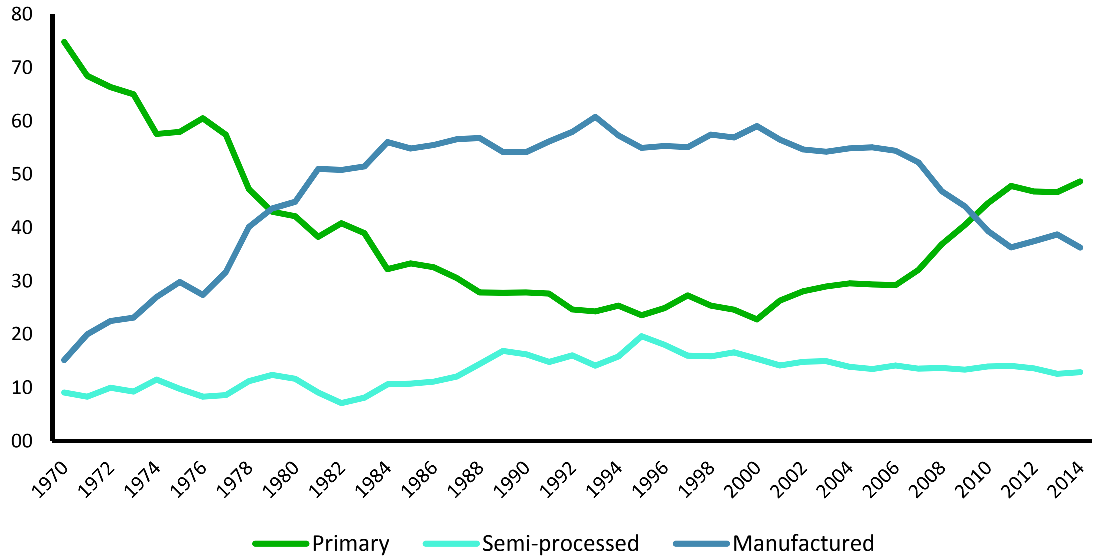

Figure 9: Brazilian exports: % primary, semi-processed and manufactured (1970-2014)
Source: MDIC

Not only the country's export basket became more concentrated in primary products, the very composition of the primary basket was also centred in a handful of particular sub-sectors. Although the agribusiness exports portfolio is diverse – with 25 sector branches, and more than 2,800 items – only the sum of soybeans and soy-based products with the meat complex products comprise of more than 40% of all agribusiness exports (see Figure 10).

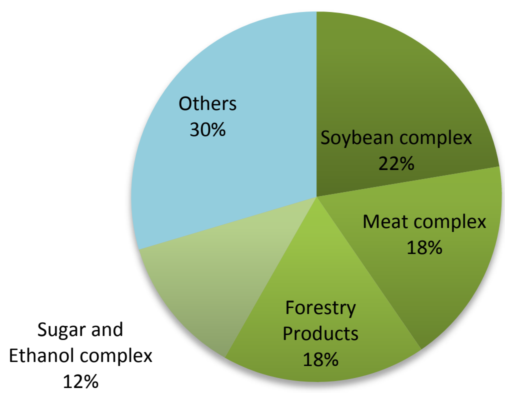

Figure 10: Percentage of main agribusiness export complexes in 2010
Source: Agrostat (MAPA)

[81] Carneiro, "O Desenvolvimento Brasileiro Pós-crise".

Oliveira (2016) calls the attention for the economic relevance of soy, which accounted for 12.9% of all Brazilian exports in 2013 – only behind iron ore (13.4%) – twice as much as meat products exports (6.1%), the second biggest agro-export item. In 2014, the share of the soy complex in all exports reached even further: 14%.[82] Perhaps even more impressive is the fact that only five commodities – iron ore, soybeans (and soy-related products), sugar, crude oil and meats – comprised 42.5% of the value of all Brazilian exports in 2012.

5.2 The 'rise of Brazil' as an agribusiness powerhouse: a reflection

Considering the patterns of production and consumption presented above, Brazil was doomed to endure a burden in the industrial trade balance each time the currency appreciates and growth accelerates, which means the country was equally doomed to undergo a relentless pressure on the primary sector to produce an ever-higher trade surplus. That is why some have argued that Brazil presented, indeed, symptoms of the Dutch disease.[83] Analysing the expansion of the agribusiness production and exports within this broader context of trade relations, what appeared as a sole attainment of power in the agro-food system becomes an overall regression of the Brazilian productive insertion in the world economy as a specialised exporter of primary commodities. That associates with greater vulnerability and instability of the Brazilian economy as a whole.

The fact the price of Brazil's main export commodities is defined in the stock market is an ultimate aspect of vulnerability. In case of an international liquidity crisis – which is also beyond the control of the Brazilian state, despite its increasing reliance on foreign savings – followed by devaluation of the domestic currency, the imports Brazil is now dependent on would become more expensive, increasing the negative pressure on the trade balance. Not only that, to overcome the technological gap of the industry, Brazil will need to import equipment goods and, again, cope with the pressure of imports on the Current Account.

After 2008, it was clear that agribusiness exports, even continuously expanding, were incapable of counteracting, first, the industrial trade deficit, second, remunerating the stocks of foreign capital, to offset the current account. For Delgado, the fact that the current account balance rapidly declined after a short period of surplus shows the weakness of the specialisation in primary commodities as a solution to external dependence: it could only be a provisional fix to a structural imbalance of the Current Account.[84] This paper tried to show that, indeed, primary export was a temporary solution to external dependence; it was a product of it.

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[82] AGROstat, Agribusiness series per product: 1997-2015 (author's estimate)

[83] Paulani, "Acumulação Sistêmica" and Bresser-Pereira, "The Dutch Disease". '"Dutch disease", a term coined by this newspaper [The Economist] in 1977 to describe the impact of a North Sea gas bonanza on the economy of the Netherlands. This malady involves commodity exports driving up the value of the currency, making other parts of the economy less competitive, leading to a current-account deficit and even greater dependence on commodities'. The Economist, "It's Only Natural"

[84] Delgado, "Especialização primária"

http://www.economist.com/news/americas/21635056-appointment-capable-economic-team-good-brazil-signals-its-presidents

The Economist. "It's Only Natural: Commodities Alone Are Not Enough to Sustain Flourishing Economies." *The Economist*, September 09, 2010. http://www.economist.com/node/16964094

UNCTAD. "Transnational Corporations, Agricultural Production and Development." In *World Investment Report, 2009*. Geneva: UNCTAD-UN, 2009.

Wilkinson, John, Bastiaan Reydon, and Alberto Di Sabbato. "Concentration and Foreign Ownership of Land in Brazil in the Context of Global Land Grabbing." *Canadian Journal of Development Studies/Revue canadienne d'études du développement* 33, no. 4 (2012): 417-38.

Under the macroeconomic and institutional conditions of neoliberalism, primary specialisation – associated with degrees of de-industrialisation and increased consumption of imported goods – represented an inadequate and weak productive structure for sustainable growth, as a condition of growth itself. The relentless expansion of agribusiness exports, even when commodity prices collapsed, has a structural nature conditioned by the macroeconomic framework and the imperatives of equilibrating the current account that is systemically undermined as a consequence of growth. Not surprisingly, cyclical crises of the balance of payment have been part and parcel of the growth models conditioned by and contributing to the neoliberalism paradigm.

6 Conclusion

This paper sought to reassess how the 'rise of Brazil' as an agribusiness powerhouse relates to the country's recent economic upswing, followed by a crisis. For that, I have explored the patterns of accumulation and growth shaped since the neoliberal policy and institutional reforms were introduced particularly in the early 1990s.

First, agribusiness exports appeared as a driver of macroeconomic stabilisation, after a crisis provoked by the side effects of the policies and institutional reforms that engendered inflation control and consumption-led growth financed by foreign capital. The agribusiness rapidly developed as the country's best asset to re-equilibrate the current account, being favoured by the incorporation of technology, depreciated exchange rate and increasing international commodity prices. Second, the agribusiness production and exports gradually emerged as a driver of economic growth, together with a massive inflow of foreign investments, reflecting two exceptional global conditions: the peak of the commodity boom and the abundance of global capital liquidity.

Third and most importantly, under the premises of neoliberal policies and financial accumulation, the continuous expansion of agro-commodities exports is a counterpart of the imperatives to continue remunerating the stocks of foreign capital and consuming imported goods, both systematically enhanced as a consequence of growth. After 2011, the agribusiness net exports continued to increase, although no longer producing either growth or external stability. That was manifesting the weakness of the regressive commodity export specialisation country had undergone, as an outcome of the policy-induced external dependency. Therefore, the relation between a strong trade performance of the agribusiness sector and the return of economic growth was only circumstantial, but the relentless growth of commodity exports was structural – albeit systemically weak and vulnerable as a driver of growth. The current crisis is certainly not an event disconnected from the very patterns of the economic upswing of the past decade; it is precisely a product of that history.

Therefore, when seen in context, gaining agricultural productivity, massive economy of scale, conquering international markets and ultimately gaining power within the global agro-food system becomes part and parcel of an overall loss of economic power and political autonomy, as a consequence of the country's perverse insertion in global circuits of financial capital accumulation. The main limitation of primary commodity exports in Brazil does not lie in the nature of the sector itself, but on its organic links with the neoliberal system of accumulation. That is why the commodity boom was a lost opportunity to diversify, articulate and expand Brazil's productive structure, maximising the social gains from agriculture and related industry.

'Export or die' – expression that was used by President Cardoso in 2001 ('exportar ou morrer') – was not Brazil's contemporary cry for independence. Ironically, this paraphrase of country's independence slogan is, in fact, more explicit than its herald probably intended: 'export or die' is a condemnation – the political economy of which must be revealed and confronted.

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