

ECONOMIC REBALANCING AND GEOECONOMIC CHALLENGES FOR CHINA: THE CASE OF INTRA-BRICS TRADE AND FOREIGN DIRECT INVESTMENTS

Rebalanceamento econômico e desafios geoeconômicos para a China: o caso do comércio e investimento intra-BRICS

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Introduction

This article examines the geoeconomic challenges brought to China by the effects of trade and foreign direct investment (FDI) flows, and consequently by the nature and composition of international economic alliances, mainly cooperation among underdeveloped nations (Glosny, 2010), of rebalancing³ of its drivers of growth⁴. It evaluates likely impacts on other BRICS countries, given the economic linkages developed during the past couple of decades, as an example of what may happen to broader geoeconomic arrangements as the process of rebalancing deepens. Each growth pattern entails different production and consumption structures (CUI and MURTAZA, 2007). If an economy grows based mainly on investment and exports, as did China until mid-2000s, it has a different production and consumption profile than if it depended mainly on domestic consumption. Indeed, in China, rebalancing means increasing the importance of more consumption-oriented sectors, such as high-end consumer goods, education, and health

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³ According to the Cambridge Dictionary: from verb “Rebalance”: “to change the amount or level of one or more things in order to improve a particular situation.”

⁴ Drivers of growth is a fairly common term in economics and related fields. For example, the World Bank and the People’s Republic of China’s Development Research Center of the State Council, in their book subtitled New Drivers of Growth (2019, p.1, our emphasis): “After nearly four decades of rapid growth, China’s economy is transitioning to a “new normal” of slower but more balanced and sustainable growth. Its old drivers of growth—a growing labor force, the expansion of manufacturing, migration from rural areas to cities, the accumulation of capital (thanks to high savings), expanding exports, and opening to foreign investments—are waning or having less impact. (...) The slowdown in global trade after the global financial crisis, China’s already large share in global markets, and rising global trade tensions are constraining exports as a driver of growth.”

(MARIANERA, 2010; LEMOINE ET ÜNAL, 2017a, 2017b). Meanwhile, the importance of those sectors that are related to demands of investments and exports, such as metals, mining, and extraction goods in general, mostly intermediate inputs, diminishes (SIMOLA, 2015). Rebalancing has received attention from Chinese authorities in their 10th, 11th, and 12th five-year plans (TEIXEIRA and MILAN, 2018).

These large macro-sectoral adjustments, caused by changes in the orientation of Chinese economic growth, in turn, may have significant geoeconomic implications (SIMOLA, 2015). China is a central player in the world economy and, because it is actively involved in the interdependence created by globalization, changes in its growth regime must be felt by its economic partners, as well as its adversaries, shifting the composition of the economic alliances, specially cooperation with underdeveloped countries. Recent conflicts involving Huawei and trade disputes with Trump's administration point to the importance of understanding geoeconomic factors when one considers China. We try to understand such developments by taking the BRICS group as an example.

The rebalancing of the Chinese economy has received a lot of interest from academics as well (Lardy, 2006; Palley, 2005; Prasad, 2015). Wang (2014), Li et al. (2015), and Pettis (2015 and 2013b) describe its main features and evolution. Pettis (2013a) draws attention to conflicts and geopolitical tensions that are likely to surface. Huang (2014) evaluates the impacts of rebalancing on the world economy, and Simola (2015) shows the likely economic effects using an input-output approach. Many authors highlight the regional impacts: Lakatos et al. (2016) discuss the impacts on Sub-Saharan African. Hedrick-Wong (2011), Forster (2015) and Yu (2011) do the same for Latin America, and Schellekens (2013) for underdeveloped countries in general. Finally, Dollar (2014) assesses the consequences for the United States. Thus, so far, no study has tackled the impacts of rebalancing on BRICS. This is probably because geoeconomic factors have not been explicitly dealt with when discussing rebalancing. Since BRICS has been an important geoeconomic initiative (Hebron, 2016; LSE, 2012), understanding the impacts of rebalancing on each BRICS member, and the consequences for the alliance itself, may illustrate the potential issues that China may have to confront in the coming years as the outcomes are generalized.

Hence, another objective of this article is, besides evaluating the consequences of rebalancing for intra-BRICS trade in goods and FDI flows, to use this experience as an example of potential geoeconomic challenges, in the form of maintaining and expanding China's influence on the underdeveloped world, that it may face as the pattern of its economic growth shifts. China may need to strengthen existing partnerships and promote new ones to reassert its economic power on a global scale, and these alliances may be affected by changes in the economic linkages built by China during its rapid rise as a global player. Our hypothesis is that the position of a country in the international division of labor (IDL) (COFFEY, 1996), and this very division has been strongly shaped by China (YUYANG, 2011), allows one to assess not only the impacts of rebalancing on economic linkages, but also the necessary changes in geoeconomic configuration and therefore in the nature of underdeveloped countries' economic cooperation and bargaining in the world economy. Since China is suffering massive pressure from the Trump administration to give up its actual prominence, this issue is not trivial and will occupy a large part of its diplomatic agenda. On the other hand,

the important Silk-Road/Belt initiative, and its capacity to enhance China's clout on a completely different scale, is not addressed in this paper, since it is likely, given its territorial nature, to affect India and Russia disproportionately.

Thus, geoeconomic factors should not be downplayed when analyzing global economic affairs in general, in Chinese international economic affairs in particular. Le Corre (2018) evaluates the Chinese economic influence in four European countries. Yet, from a geoeconomic perspective, it seems more interesting to consider the vast territorial scope of China's power and how it is likely to change as the rebalancing proceeds. That is why the analysis of the impacts on within-BRICS trade and FDI flows is attractive, as it covers four continents and a diversity of geoeconomic linkages. In other words, the economic defiance to China is complex, as it reflects different patterns of interaction built gradually in the past decades. And these arrangements create different opportunities for enhancing cooperation or preventing conflicts. Economic interactions between China and other BRICS states have intensified in recent years, especially in terms of trade relations. The former has become the main source of goods imports from the latter, as well as one of the most important destinations for their exports.

In order to achieve our goal, we consider the potential impacts of the rebalancing on each BRICS member according to its current position in the IDL, gathering evidence regarding the nature of their most important traded goods and the pattern of FDI channels with China from 2001 to 2015. The data was collected from national and international institutions, including Central Banks, State Ministries, the International Trade Centre, World Bank Group, UNCTAD, and United Nations. Hopefully this approach can be applied to other countries and even to a larger sample of countries to provide a more robust evaluation of the Chinese geoeconomic challenges from the ongoing process of rebalancing.

The article is organized as follows. In the next section, we discuss the method of empirical analysis. In subsequent sections, each partner of China within BRICS is evaluated in terms of their trade in goods and FDI flows. Then, a brief synthesis is proposed. A final section concludes, attempting to extrapolate the BRICS experience to a more general setting and highlighting the possible geoeconomic opportunities and hurdles that China is likely to encounter in the near future.

The Nature of within-BRICS Trade and Investment Flows: Methodology

In order to discuss the probable impacts of rebalancing on intra-BRICS trade and FDI patterns, a methodology for selection and analysis of data about exports of goods and of investment flows was developed. Given the lack of reliable data on trade in services, they were not considered⁵. In the case of exports of goods, two samples were drawn. The first one consisted of those goods in the UN's Harmonized

⁵ According to OECD (2018, our emphasis): "Services comprise a growing share of international trade. Yet detailed statistics on which countries trade which services with which partners remain patchy. (...) This means that we have no data at all for 90% of all possible bilateral services trade relationships, which reflect nearly half of the global services trade value. Moreover, even where data are available, asymmetries (...) undermine their usefulness. There are many reasons why trade in services data are unsatisfactory. (...) To reconcile asymmetries in bilateral trade in services statistics and to estimate bilateral flows where no statistics exist, BaTIS uses all available official data, and a variety of estimations, including linear interpolations and extrapolations, and econometric models (...)". Thus, OECD-WTO Balanced Trade in Services (BaTIS) data-set uses estimations to fill up the 50% (!) gap in data. Since the latter are only approximations, we avoided using trade in services data.

System 2 at 6-digit level (HS-6) and that were not modified in the 2002, 2007, and 2012 revisions of this classification of products (for continuity sake, without the need of forcing a conversion⁶) and that were simultaneously present among the top-10 exports, in terms of value in current US\$, to China, for at least eight years in the period from 2001 to 2015.

For classifying goods according to their final use, two correspondences were made. First, the goods selected in the HS-6 were matched to the Broad Economic Categories (BEC), 4th revision (WCO, 2017). Then, goods were matched in the BEC for the basic classes of goods in the System of National Accounts (SNA). BEC is an international classification consisting of 19 basic categories of goods divided into three levels. Level one is composed of seven categories, level two of 14, and level three of eight. Out of those 29 categories, 16 are associated, according to their main final use, to one of the three basic classes in the SNA, and three are not associated with any, due to the multiple final uses of the goods ("Motor vehicle fuels", "Passenger cars", and "Goods not elsewhere specified" (UNITED NATIONS, 2002). Those three were not considered in our study. HS correspondence with BEC was made through the World Bank / World Integrated Trade Solutions website.

Last, a BEC correspondence for the basic classes of goods in the SNA was made. Each code equals one of the 19 basic BEC categories, of which, as seen, 16 are associated with one of the three basic classes of goods in the SNA. Goods that had their classifications modified by the 2002, 2007, and 2012 HS reviews were not included in the first or second sample. These modifications include divisions, mergers, or extinctions, and made it difficult to construct historical series of data on them without forcing a conversion using harmonized tables. For example, frozen Alaska pollack (SH 030367) was the main commodity exported by Russia and India to China in 2015. But it only existed in the HS in 2012, after the category "frozen freshwater and salt water" (SH 030379) was further divided into 11 new categories. And this category had already been split into two others in the HS review in 2007, which lasted until the 2011 update, namely swordfish (SH 030361) and toothfish (SH 030362). It was also for this reason that the year 2015 was chosen in the second sample. In general, consumer goods exported by other BRICS to China are few and most of them have undergone modifications with the above-mentioned HS revisions, consequently, preventing a larger time series from being considered without forcing the use of rough conversion tables.

Once the selection was made, an index for revealed comparative advantage (IRCA) was calculated for each good, both for the country that exported it and for China, to measure the international competitiveness of each actor and detect commercial complementarities or rivalries, and, above all, to identify their respective positions in the IDL. Such indices are not exempt from criticisms (WEBSTER, 1991; JIA, WU, and LIU, 2016), but are a valid first approximation. Such positions are possible to be identified through the IRCA because it is an indicator of the relative structure of a country's exports, that is, it measures trade performance of the country in a particular product or in bundles of products in comparison

⁶ Markhonko (2014, our emphasis) correctly claims that: "It has to be emphasized, however, that the work on (and use of) improved conversion tables should not be seen as a replacement of the efforts to collect data which would reflect actual product structure of inputs used by various industries wherever it is feasible. Any kind of a conversion table will remain a very rough tool by its nature and such tables should be used only if no other ways of linking trade data and industrial activities are available." Our efforts were directed at gathering such data about product structure of inputs (and final goods).

to the rest of the world, indicating that it has revealed comparative advantage (RCA) in the export in question when the index value is greater than 1, or revealed comparative disadvantage (RCD) when its value is less than unity. The comparative advantage is meaningful if a country is able to export to China, but the rebalancing may cause this advantage to become irrelevant.

Subsequently, the selected goods were classified based on their main final use: capital goods, intermediate goods, and consumer goods. It was assumed in this study that demand for capital goods and intermediate goods is more associated with growth induced by investment and exports, and demand for consumer goods is more associated with the new growth regime. Whereas capital goods and intermediate goods are used by companies in their production processes, with high levels of industrial output characterizing the former growth path, consumer goods are purchased by households.

A second sample of goods was selected because the first one was made up of only intermediate goods. This was expected, given the previous growth regime and the position of the other BRICS in the IDL as suppliers of products more associated with demand for investments. Consequently, it was necessary that the second sample consisted only of consumer goods, in order to grasp the behavior of Chinese demand for those during the rebalancing period. Consumer goods among the top 10 sold by each country to China in 2015 were selected at 6-digit level and that were unchanged in the 2002, 2007, and 2012 revisions of this international product classification. In those cases where the number of goods in the sample was less than five, the universe of identification was expanded until reaching this threshold, *ceteris paribus*.

In order to analyze the FDIs, the sectoral destination of flows from each country was highlighted in order to verify whether or not they were consistent with the China's demands (Andreff, 2015; Aykut and Goldstein, 2006; Aykut and Ratha, 2004). The sectoral distribution of firms were indicated according to the UNCTAD ranking of the 100 largest non-financial Multinational Corporations (MNCs) in developing and transition economies, ranked by assets, for at least two years between 2010 and 2015, except for 2013, for lack of data. This method is applied to each one of the BRICS (except China) in the next sections.

Brazil

Trade in goods has been the most relevant economic linkage between Brazil and its most important trading partner, China. The main Brazilian intermediate goods that fit our criteria and were exported between 2001 and 2015 at HS 6-digit level were: Non-conjugated iron ore and its concentrates (HS 260111), iron ore agglomerated and its concentrates (HS 260112), chemical wood pulp (HS 470329), tobacco partly or wholly with stems or husks (HS 240120), petroleum oils and oils obtained from bituminous minerals (HS 270900) and soybean oil (HS 150710). Brazil presented high IRCA in all these products, except for petroleum oils (Table 1). China did not obtain IRCA in any of the six exported goods. In this way, it was verified that there was a high commercial complementarity between the two countries.

Table 1 - IRCA of Brazil and China for the main Brazilian intermediate goods exported to China - 2001/ 2015

	260111		260112		470329		270900		240120		150710	
	BRA	CHI	BRA	CHI	BRA	CHI	BRA	CHI	BRA	CHI	BRA	CHI
2001	33.73	0.00	34.03	0.00	24.62	0.00	0.23	0.10	21.50	0.83	21.34	0.26
2002	32.59	0.00	32.69	0.00	22.69	0.00	0.53	0.08	26.76	0.94	25.12	0.15
2003	31.71	0.00	30.06	0.00	27.87	0.00	0.53	0.07	23.49	0.76	25.86	0.03
2004	25.58	0.00	29.77	0.00	25.31	0.00	0.45	0.04	25.21	0.72	24.89	0.04
2005	20.24	0.00	27.67	0.00	24.95	0.00	0.50	0.05	28.74	0.66	22.04	0.07
2006	21.40	0.00	28.81	0.00	24.90	0.02	0.65	0.04	26.66	0.60	15.80	0.14
2007	20.71	0.00	26.35	0.00	25.50	0.03	0.76	0.03	28.28	0.56	14.67	0.06
2008	18.21	0.00	25.14	0.00	25.41	0.00	0.75	0.02	27.65	0.60	16.30	0.15
2009	19.00	0.00	18.72	0.00	29.95	0.01	0.87	0.03	27.89	0.59	13.27	0.08
2010	19.63	0.00	24.08	0.00	27.13	0.00	1.08	0.01	23.60	0.61	11.04	0.06
2011	19.13	0.00	21.97	0.00	25.84	0.01	0.97	0.01	22.26	0.63	12.63	0.05
2012	18.07	0.00	20.92	0.00	27.96	0.01	0.93	0.01	23.55	0.54	14.58	0.07
2013	17.66	0.00	20.28	0.00	29.54	0.00	0.65	0.01	23.32	0.50	11.05	0.09
2014	17.49	0.00	23.18	0.01	34.34	0.00	0.98	0.00	20.36	0.44	11.31	0.14
2015	16.20	0.00	25.85	0.00	37.70	0.00	1.34	0.01	19.57	0.45	11.53	0.11

Source: Prepared by the authors based on data from the International Trade Center (2018)

China's purchases from Brazil were associated with its previous model of economic growth. Sales of intermediate goods to China grew during the first decade of the 2000s, and began to fall shortly afterwards with rebalancing, except for chemical pulp of wood. These goods accounted for about 46% of the total exported from Brazil on average from 2001 to 2015, the lowest mean participation among the BRICS.

Considering the second sample, the main Brazilian consumer goods exported to China were edible cuts and offal from roosters or chickens (SH 020714), boneless beef (SH 020230), orange juice (SH 200911), meat of swine not elsewhere classified (n.e.c), frozen, cane or beet (170199), and food preparations (HS 210690). For the first five, Brazil presented high IRCA, while for the last one it presented RCD for most of the period from 2001 to 2015. However, it recorded IRCA indices higher than those obtained by China (table 2). Again, there was high commercial complementarity between them.

Table 2 - IRCA of Brazil and China in the main Brazilian consumer goods exported to China - 2001/2015

	020714		020230		200911		020329		170199		210690	
	BRA	CHI	BRA	CHI	BRA	CHI	BRA	CHI	BRA	CHI	BRA	CHI
2001	16.50	2.29	11.32	0.15	55.38	0.04	5.96	0.72	17.75	0.24	2.89	0.57
2002	20.63	1.47	10.70	0.06	67.15	0.04	7.94	0.94	18.83	0.27	1.38	0.56
2003	21.73	0.83	13.19	0.04	69.50	0.03	9.29	0.92	13.98	0.07	1.11	0.44
2004	30.41	0.23	18.66	0.05	61.42	0.03	8.92	1.11	16.63	0.05	1.02	0.36
2005	30.59	0.22	19.83	0.04	53.22	0.03	10.94	0.75	16.11	0.17	0.93	0.31
2006	29.62	0.13	24.01	0.05	55.75	0.02	9.60	0.64	18.19	0.06	0.86	0.30
2007	28.71	0.16	24.66	0.05	57.79	0.02	10.65	0.33	17.44	0.05	0.99	0.31
2008	27.97	0.15	23.73	0.05	48.94	0.02	9.20	0.21	14.61	0.02	0.88	0.24
2009	24.83	0.13	19.83	0.04	42.88	0.02	9.38	0.22	17.92	0.03	0.84	0.23
2010	24.24	0.17	18.49	0.05	36.00	0.01	8.74	0.24	17.70	0.04	0.84	0.24
2011	23.91	0.19	14.82	0.05	31.98	0.02	6.74	0.17	13.85	0.03	0.73	0.28
2012	24.39	0.14	15.90	0.03	38.30	0.03	7.22	0.15	13.05	0.02	0.90	0.28
2013	24.54	0.15	17.31	0.02	40.11	0.03	7.32	0.18	13.25	0.02	1.02	0.27
2014	26.48	0.16	17.93	0.02	42.62	0.03	9.25	0.23	12.99	0.02	0.90	0.25
2015	29.23	0.16	16.22	0.02	46.58	0.03	9.61	0.19	12.86	0.03	1.07	0.24

Source: Prepared by the authors based on data from the International Trade Center (2018)

As expected, Brazilian exports of consumption goods to China were much higher between 2010 and 2015 than those recorded during the 2000s, especially edible pieces of chicken and goose meat and boneless bovine meat. In relative terms, the six goods represented, on average, only 1.18% of Brazil's total average exports to China from 2001 to 2015. This low participation is understandable in view of the country's high level of specialization in the most demanded products during the previous growth regime. So, the trade linkages shrink, and Chinese geoeconomic influence in Latin America is also likely to diminish.

Table 3 shows Brazilian and Chinese MNC present in the ranking of the 100 largest MNCs from developing countries. As it can be seen, Brazilian companies were fewer and less diversified industrially than the Chinese. In addition, there were companies from both countries in the same industries, as occurred with the oil exploration / refining / distribution industry and in the metal and metal products industry. This means competition and reduced scope for cooperation and joint ventures.

Table 3 - Brazilian and Chinese companies in the ranking of the 100 largest emerging countries' MNCs from 2010 to 2015⁷

Companies	Sector
Brazilian MNCs	
Vale	Mining and extraction
Petrobras	Oil exploration / refining / distribution
Gerdau	Metal & metal products
JBS	Food, beverages and tobacco
Embraer	Aircraft
Chinese MNCs (To be considered also for the other BRICS countries)	
CITIC Group	Diversified
China Ocean Shipping (Group) Company e	Transport and storage
China National Offshore Oil Corp	Oil exploration / refining / distribution
China National Petroleum Corporation	Oil exploration / refining / distribution
Sinochem Group	Oil exploration / refining / distribution
Lenovo Group Ltd	Electrical and electronic equipment
Sinopec - China Petrochemical Corporation	Oil exploration / refining / distribution
China Minmetals Corp	Metal & metal products
ZTE Corp	Other consumer goods
TPV Technology Limited	Wholesale sales
Legend Holdings Corporation	Computer equipment
China Mobile Limited	Telecommunications
China Eletrônicos Corporation (CEC)	Computing and data processing
Cofco Corp	Wholesale sales
Tencent Holdings Limited	Computing and data processing
Fosun International Limited	Metal & metal products

Source: Prepared by the authors based on data from the United Nations Conference on Trade and Development.

In 2015 the stock of Direct Brazilian Investments (DBIs) in China (equity) was approximately 4.5 times lower than Chinese stocks in Brazil. Those DBIs were equivalent to only 0.1% of total Brazilian stocks, placing China as its 34th destination. By sector, 84% of DBIs stocks in China were concentrated in the manufacturing industry in 2015, which includes manufacture of food products, petroleum products, machinery, electrical equipment and materials, transportation equipment and so on. Next were financial, insurance and related services activities, with 9%; others with 4%; and complementary administrative and service activities with less than 2%.

⁷ The sectors follow the Standard Industrial Classification (SIC).

The profile of DBIs in China suggests that they have been low and have reduced chances of being more positively affected by rebalancing. Here the linkages are asymmetrical, and Brazil will face difficulties as China redirects its flows to the domestic market. The involvement of Brazilian MNCs with China is also superficial. The high proportion of companies engaged in activities such as business consulting, trading, distribution / sales and sourcing demonstrates a shallow engagement. There is the aggravating fact that activities like sourcing performed by Brazilian manufacturing companies reinforce trade imbalance by increasing the volume of imports from China.

The Brazilian MNCs present in China were in 26 different sectors, but none of them were in strategic sectors where FDI inflows are encouraged by the Chinese government, like new energy, renewable energy, advanced machinery, and the new generation of information and communication technologies. Yet, Brazil has important companies most closely linked to household consumption, such as BRF.

Russia

Russia has also developed strong trade flows with China (HSU and SOONG, 2014). Recently, trade flows suffered the effects of the 2008 crisis, but in 2015 China was the 3rd main destination for Russian exports, buying 8.24% of its total exports, and the primary source of its imports, with 19.26% of the total.

The main goods exported from Russia to China between 2001 and 2015 at the six-digit HS level were mineral or chemical fertilizers (HS 310520), potassium chloride (HS 310420), coniferous wood (HS 440320), pulp wood chemistry (HS 470321), turbojets (HS 841112), and petroleum oils or oils obtained from bituminous minerals (HS 270900)⁸. Unlike the Chinese, Russian goods presented IRCA in all of them (table 4).

Table 4 - IRCA of Russia and China in the main Russian intermediate goods exported to China - 2001/2015

	310520		310420		440320		470321		841112		270900	
	RUS	CHI	RUS	CHI	RUS	CHI	RUS	CHI	RUS	CHI	RUS	CHI
2001	10.11	0.29	10.90	0.34	19.90	0.00	1.67	0.01	0.92	0.04	4.42	0.10
2002	9.59	0.20	9.51	0.33	20.23	0.00	1.49	0.00	1.39	0.03	4.95	0.08
2003	8.90	0.17	10.34	0.23	19.30	0.00	1.50	0.00	1.49	0.03	5.01	0.07
2004	8.04	0.22	10.63	0.06	19.25	0.00	1.13	0.00	0.97	0.09	5.18	0.04
2005	8.85	0.20	10.70	0.05	16.92	0.00	1.14	0.01	0.80	0.08	4.64	0.05
2006	8.56	0.25	10.10	0.18	16.68	0.00	1.12	0.00	1.29	0.14	4.15	0.04
2007	8.00	0.51	10.52	0.03	16.74	0.00	1.13	0.00	1.84	0.08	4.46	0.03
2008	6.80	0.31	9.60	0.04	12.64	0.00	1.08	0.00	1.20	0.08	3.53	0.02
2009	12.32	0.04	6.89	0.21	12.97	0.00	1.40	0.00	1.52	0.12	4.44	0.03
2010	9.92	0.03	7.35	0.02	9.13	0.00	1.24	0.00	1.47	0.16	4.33	0.01
2011	9.89	0.02	5.52	0.01	7.10	0.00	1.19	0.00	1.06	0.20	3.81	0.01
2012	10.99	0.04	8.53	0.09	6.11	0.00	1.19	0.00	1.65	0.14	3.84	0.01
2013	9.92	0.05	6.23	0.09	4.84	0.00	1.35	0.01	2.00	0.13	3.99	0.01
2014	9.79	0.07	8.36	0.07	5.49	0.00	1.61	0.00	1.89	0.23	4.15	0.00
2015	13.02	0.05	10.96	0.06	6.64	0.00	2.27	0.01	2.64	0.38	5.65	0.01

Source: Prepared by the authors based on data from the International Trade Center (2018)

⁸ There is an important trade flow in weapons from Russia to China. Russians exported between 34% and 60% of their arms between 1996 and 2006 to the Chinese. This figure has dropped to around 25% between 2007 and 2009 and since 2010 it has been around 10% (WEZEMAN, 2017). However, due to the reduced availability of data and, mainly, the methodology used in this article, this trade is not addressed.

Four of the exported goods showed a decrease in their values in recent years: petroleum oils or oils obtained from bituminous minerals, coniferous wood, potassium chloride, and fertilizers minerals or chemicals. In the case of the latter two, in addition to the effects of the rebalancing, part of the fall registered can also be explained by the excess capacity of the Chinese fertilizer market, as well as by government's interest in reducing the use of those that are chemical and in increasing those that are organic, to make the agricultural industry more environmentally friendly and economical.

Meanwhile, exports of chemical wood pulps, commonly used in papermaking, and turbojets, commonly used in airplanes, have increased. These two products make up final goods widely used by households. For example, the gains in the income of Chinese consumers have increased the use of air transport, which, in turn, demands more aircrafts. The share of the six Russian products in the total exported to China was substantial. The average from 2001 to 2015 was 48.68%.

As expected, Russian exports of consumer goods grew at the beginning of the current decade. Main goods were printed books, leaflets, and similar printed matter (HS 490199), chocolates and other food preparations containing cocoa (HS 180690), images, prints and photographs (HS 491191), beer (HS 220300), and natural honey (HS 040900). For most of the period, both countries had RCD in these goods, except for Chinese honey (table 5). But in general, the Russians presented IRCA larger than those obtained by the Chinese in more products, and for longer.

Table 5 - IRCAs of Russia and China in the main Russian consumer goods exported to China -2001/2015

	490199		180690		491191		220300		040900	
	RUS	China	RUS	China	RUS	China	RUS	China	RUS	China
2001	1.48	0.62	0.43	0.05	1.60	0.05	0.16	0.18	0.04	4.83
2002	1.27	0.61	0.44	0.08	1.01	0.11	0.25	0.22	0.02	2.14
2003	0.86	0.56	0.50	0.08	0.59	0.14	0.34	0.19	0.04	1.83
2004	0.70	0.57	0.48	0.06	1.01	0.13	0.42	0.14	0.04	1.60
2005	0.51	0.57	0.53	0.06	1.34	0.19	0.49	0.12	0.04	1.68
2006	0.53	0.61	0.54	0.07	0.60	0.23	0.47	0.11	0.03	1.56
2007	0.63	0.64	0.57	0.06	1.06	0.33	0.57	0.11	0.02	1.19
2008	0.57	0.73	0.51	0.06	0.40	0.51	0.58	0.13	0.02	1.26
2009	0.63	0.71	0.59	0.05	0.83	0.47	0.41	0.12	0.04	1.01
2010	0.52	0.73	0.46	0.07	0.15	0.58	0.23	0.10	0.01	1.17
2011	0.44	0.73	0.45	0.12	0.16	0.73	0.20	0.10	0.01	1.13
2012	0.32	0.76	0.88	0.13	0.47	0.72	0.41	0.10	0.02	1.09
2013	0.63	0.68	1.04	0.13	0.31	0.94	0.40	0.10	0.03	1.01
2014	0.59	0.66	1.00	0.16	0.44	0.97	0.36	0.10	0.05	0.90
2015	1.17	0.61	1.04	0.16	1.49	1.09	0.39	0.10	0.17	0.90

Source: Prepared by the authors based on data from the International Trade Center (2018)

These five goods totaled, on average, 0.29% of Russian total goods exported to China from 2001 to 2015. It should be noted that, given the selection specifications, mainly the restriction imposed on the changes in the HS, some Russian consumer goods exported to China were not considered in our sample.

However, the share of this class of goods in the total exported would remain small even if they were included.

Direct Russian Investments (DRIs) have been unable to compete and succeed in China. Most of Russian MNCs (Table 6) belongs to the industries associated with the supply of investment rather than consumption. However, the fact that there are strong Chinese competitors in the same sectors (Table 3) explains why, in 2007, at the height of the previous model of growth, DRIs in China were only \$48 million. As expected, such investments were even lower in 2015, about \$ 11 million, reflecting Russia's low capacity to meet the demand for investments more associated with consumption. The stock of DRIs totaled US \$ 148 million in 2015, equivalent to only 0.05% of the total DRIs in the world.

Table 6 - Russian companies in the ranking of the 100 largest emerging MNCs from 2010 to 2015

Companies	Sector
VimpelCom Ltd	Telecommunications
Lukoil OAO	Oil refining and related industries
Gazprom JSC	Mining, extraction and petroleum
Evraz Group	Metal & metal products
Severstal Group Holdings	Metal & metal products
Mechel OAO	Metal & metal products
Sistema JSFC	Telecommunications
Rusal	Metal & metal products

Source: Prepared by the authors based on data from the United Nations Conference on Trade and Development.

India

Sino-Indian trade relations have evolved rapidly in recent years, which has even helped to make them increasingly "Asia-centric." The current trade in goods between the two countries went from just over \$ 2.7 billion in 2001 to approximately \$ 72.2 billion in 2011, stabilizing around \$ 70 billion. In addition, between 2001 and 2015 China's ranking went from 13th (with 2.10% of total exports) to the 4th (3.62%) main destination of exports from India, and the 7th (3.61% of total imports) to the 1st (15.77%) place as the origin of Indian imports. This was enough for China to become India's most important trading partner in 2008 (GUPTA and WANG, 2009; MARELLI and SIGNORELLI, 2011; MOHANTY, 2014).

From 2001 to 2015 the main intermediate goods exported from India to China were iron ore and its non-agglomerated concentrates (HS 260111), crude or chopped granite (HS 251611), aluminum oxide (HS 281820), polypropylene (HS 390210), cotton, not carded or combed (HS 520100), and refined copper in the form of cathodes and cathode sections (HS 740311). In all goods India recorded RCA for most of the period (Table 7).

Table 7 - IRCA of India and China in the main Indian intermediate goods exported to China - 2001/ 2015

	260111		251611		281820		390210		520100		740311	
	IND	CHI	IND	CHI	IND	CHI	IND	CHI	IND	CHI	IND	CHI
2001	8.07	0.00	49.67	1.53	0.49	0.04	3.87	0.04	0.21	0.26	0.76	0.17
2002	14.54	0.00	46.08	1.33	4.93	0.03	4.05	0.04	0.13	0.52	1.76	0.22
2003	12.31	0.00	38.60	0.91	2.76	0.06	3.67	0.02	0.53	0.26	2.20	0.17
2004	20.74	0.00	47.72	0.83	4.60	0.02	4.30	0.03	1.92	0.02	2.31	0.28
2005	20.35	0.00	43.14	0.86	3.95	0.02	1.71	0.03	3.47	0.01	2.33	0.30
2006	15.74	0.00	44.71	0.64	3.79	0.01	3.24	0.03	8.76	0.03	3.48	0.41
2007	14.11	0.00	44.94	0.32	2.21	0.02	2.59	0.03	13.62	0.03	2.96	0.21
2008	9.53	0.00	38.02	0.22	2.47	0.02	1.36	0.04	12.18	0.03	2.22	0.18
2009	8.16	0.00	33.07	0.18	1.48	0.04	1.66	0.04	8.07	0.02	1.71	0.11
2010	5.17	0.00	31.94	0.20	7.85	0.03	2.64	0.06	13.36	0.01	5.10	0.05
2011	2.11	0.00	30.34	0.19	1.46	0.04	2.73	0.10	9.60	0.04	1.83	0.20
2012	1.53	0.00	35.97	0.22	1.87	0.03	2.15	0.08	11.22	0.02	2.09	0.30
2013	0.68	0.00	33.51	0.27	2.12	0.07	3.18	0.08	13.07	0.01	2.02	0.30
2014	0.42	0.00	36.15	0.22	2.42	0.07	2.55	0.07	11.07	0.01	2.57	0.25
2015	0.13	0.00	36.62	0.32	2.17	0.08	2.00	0.08	10.00	0.03	2.37	0.18

Source: Prepared by the authors based on data from the International Trade Center (2018)

Sales of iron ore and its non-agglomerated concentrates, of crude or rough granite, primary polypropylene, cotton and refined copper grew more significantly from the mid-2000s until 2010, and therefore includes most of the previous growth regime phase. But they declined during the rebalancing period. Sales of aluminum oxide increased from 2001 to 2006, and then decreased until 2011, when they increased again. However, more recent data indicate that it has fallen. It should be emphasized that India had the second lowest dependence on goods exported to China when compared to other BRICS countries. The average participation of the six main goods in relation to the total exported was approximately 46.89% over the 15 years under analysis.

Most exports of consumption goods experienced rapid growth. The main consumer goods sold in 2015 were chocolates and other preparations containing cocoa (HS 180690), footwear with outer sole and upper leather covering the ankle (HS 640351), fermented black and partly fermented tea (HS 090240), articles of garments made from genuine leather or regenerated leather (HS 420310), and medicament consisting of mixed products (HS 300390). As Table 8 shows, India has RCAs in all of these products except for chocolates. And China had RCA only in medicines. However, its IRCA was smaller. Both countries had RCDs in chocolates, but the Indian IRCA for this good was generally larger than those achieved by the Chinese.

Table 8 - IRCA of India and China in the main Indian consumer goods exported to China - 2001/2015

	180690		640351		090240		420310		300390	
	IND	CHI	IND	CHI	IND	CHI	IND	CHI	IND	CHI
2001	0.07	0.05	20.90	0.05	19.50	1.35	11.76	9.66	6.47	0.24
2002	0.06	0.08	20.55	0.03	21.95	1.28	8.39	8.80	6.68	0.23
2003	0.08	0.08	23.86	0.07	16.81	0.84	7.59	8.33	6.00	0.19
2004	0.07	0.06	22.37	0.09	18.70	0.75	8.21	7.38	4.47	0.17
2005	0.05	0.06	22.01	0.06	16.16	0.61	7.05	6.32	2.68	0.14
2006	0.08	0.07	20.19	0.04	13.39	0.56	7.19	4.66	3.01	0.18
2007	0.09	0.06	20.59	0.02	12.80	0.50	7.12	3.38	3.35	0.23
2008	0.11	0.06	21.81	0.03	12.53	0.44	8.58	2.58	2.75	0.24
2009	0.08	0.05	19.92	0.04	9.82	0.40	8.37	2.28	2.89	0.29
2010	0.09	0.07	16.99	0.03	11.27	0.36	7.15	2.26	2.33	0.23
2011	0.08	0.12	15.16	0.04	11.65	0.37	8.68	1.58	2.91	0.23
2012	0.21	0.13	16.02	0.03	10.55	0.38	9.19	1.49	3.71	0.24
2013	0.26	0.13	15.90	0.05	10.18	0.37	8.79	1.29	2.58	0.22
2014	0.30	0.16	17.43	0.09	9.35	0.35	8.76	1.08	1.99	0.22
2015	0.54	0.16	16.88	0.14	10.79	0.38	10.35	0.78	1.83	0.23

Source: Prepared by the authors based on data from the International Trade Center (2018)

Exports of these products to China were larger, in absolute terms, during the rebalancing in relation to the previous growth period, due to the increasing household income and, consequently, the change in the consumption composition. It should be noted that, despite the reduction or slow growth after the period of the greatest expansion between 2009-2013, sales of chocolates, teas and garments began to rise again soon after. However, this has not happened with medicines, perhaps due to the reduction of the Indian RCA in that good.

Again, consumer goods accounted for a small share of the total exported to China. In the period, the average exported by India was only 0.41% of the total. It must be emphasized that, along with Russia, India was the country that most had consumer goods excluded from the sample considered here because of the selection criteria adopted. But, again, their inclusion would not change the fact that the country still exports very little of these products to the neighboring partner.

Direct Indian Investments (DIIs) in China have also been reduced, causing the latter not to figure among the top 10 main destinations of these investments. Despite the growth during the period under review, flows of DIIs to the neighboring countries did not exceed US\$ 80 million in 2015, which was equivalent to only 1.05% of the total invested by the country in the world, and about 0.06% of FDI inflows to China in that year. In the period from 2007 to 2015, the accumulated value was only US \$ 484 million.

At the time, DIIs in China were mainly in the service sector, which was in line with the country's specialization in the IDL. Four of the top 10 companies in the ranking of the top 100 MNCs were in the service sector, according to table 9: Bharti Airtel, Tata Consultancy Services, Reliance Communications, and Infosys. In addition, 1,224 (58.5%) of the 2,093 Indian companies with foreign subsidiaries identified by the

Central Bank of India in 2015-16 operated also in this sector. Of these, 506 (41.3%) were companies in the information and communication sector.

Table 9 - Indian companies in the ranking of the 100 largest emerging MNCs from 2010 to 2015

Companies	Sector
Tata Steel Ltd	Metal & metal products
Tata Motors Ltd	Automotive
Bharti Airtel Ltd	Telecommunications
Oil and Natural Gas Co	Oil exploration / refining / distribution
Hindalco Industries Ltd	Diversified
Tata Consultancy Services	Other
Suzlon Energy Ltd	Diversified
Reliance Communications Ltd	Telecommunications
Infosys Limited	Computing and data processing
Reliance Industries Limited	Oil refining and related industries

Source: Prepared by the authors based on data from the United Nations Conference on Trade and Development

According to table 10, total services (wholesale and retail trade, restaurants, and hotels + financial, insurance, real estate and business services + transport, storage and communication services + community, social, and personal services) totaled 52.4% of the number of DIIs and accounted for 50.4% of their value in China from 2007 to 2015. During this period, the category of "financial, insurance, real estate and business services" received 172 investments (31.3% of the total) in the amount of approximately US\$ 183.5 million (37.9% of the total).

Table 10 - Number of investment operations and value of the DIIs in China from 2007 to 2015 by economic sector

Sector	Number of transactions	%	US\$ million	%
Manufacturing	233	42,4	185.712	38,4
Agriculture, hunting, forest and fishing ⁹	15	2,7	45.621	9,4
Wholesale and retail trade, restaurants, and hotels	88	16,0	55.028	11,4
Financial services, insurance, real estate and business services ¹⁰	172	31,3	183.432	37,9
Transport, storage, and communications	15	2,7	3.658	0,8
Personal, social, and community services	13	2,4	1.328	0,3
Construction	9	1,6	6.723	1,4
Other	4	0,7	2.733	0,6
Total	549	100	484.234	100

Source: Prepared by the authors based on data from India Reserve Bank (2017)

⁹ Included the data found under "agriculture and mining".

¹⁰ Included the data found under "financial, insurance and business services"

About 74% of the US\$ 183.5 million was made by Infosys. The company, operating in the fields of business consulting, information technology, and outsourcing services has long-term interest in China and has been established there with the objective of serving both its domestic market and the regional market (Tüsiad, 2012). The main Indian business groups are already present in China, such as Infosys, Wipro, and Tata. These firms belong to diversified sectors, including some that are strategic for the Chinese government, such as renewable energy and information and communication technologies. In addition, the number of Indian companies meeting Chinese demand for consumption is probably the largest among the BRICS. This suggests that the DIIs tend to be among the most positively affected by the rebalancing, which explains part of their recent growth.

South Africa

A decade after the political-diplomatic *concertation* of 1998, China was already the main trading partner of South Africa (SA) (Alden and Wu, 2014). China moved from the 6th to the 1st place as the origin of South African imports in the period 2001 to 2008, and from the 17th to the 1st destination of SA exports between 2001 and 2009. In 2015, 18.35% of the imports from SA came from China, while 8.33% of its exports went to that country.

From 2001 to 2015, the main intermediate goods exported by South Africa to China were iron ore and its concentrates (HS 260112), manganese ore and concentrates (HS 260200), chromium ore (HS 261000), chromium iron (HS 720241) and waste and scrap of copper (HS 740400). As table 11 shows, while SA displayed RCA in all these goods, China did not have it in any of them. In addition, except for residues and scrap copper, the SA indices were very high.

Table 11 - IRCA of South Africa and China in the main South African intermediate goods exported to China - 2001/2015

	260112		260200		261000		720241		740400	
	SA	CHI	SA	CHI	SA	CHI	SA	CHI	SA	CHI
2001	30.43	0.00	60.07	0.02	65.77	0.14	122.90	0.75	3.98	0.09
2002	34.85	0.00	83.12	0.03	73.03	0.03	148.81	0.26	4.46	0.06
2003	28.09	0.00	79.87	0.02	64.23	0.07	151.07	0.38	3.84	0.04
2004	23.66	0.00	50.30	0.01	59.46	0.03	134.62	0.26	3.12	0.04
2005	22.93	0.00	48.40	0.00	44.38	0.02	109.90	0.20	4.11	0.02
2006	26.99	0.00	59.33	0.00	72.63	0.00	108.63	0.12	5.22	0.02
2007	29.95	0.00	56.96	0.00	69.01	0.00	99.50	0.63	5.05	0.01
2008	28.67	0.00	80.44	0.00	70.67	0.00	95.44	0.48	5.52	0.01
2009	58.40	0.00	58.92	0.03	92.27	0.01	116.34	0.45	6.15	0.01
2010	39.61	0.00	53.39	0.05	81.62	0.00	85.34	0.24	3.59	0.01
2011	34.97	0.00	43.06	0.06	85.72	0.00	72.24	0.14	3.55	0.00
2012	38.80	0.00	58.74	0.06	81.88	0.00	65.28	0.06	3.54	0.00
2013	45.94	0.00	65.74	0.02	94.98	0.01	88.41	0.24	3.96	0.00
2014	43.91	0.01	77.67	0.00	101.82	0.01	105.68	0.01	1.88	0.00
2015	36.92	0.00	91.54	0.01	141.90	0.00	107.28	0.00	1.00	0.00

Source: Prepared by the authors based on data from the International Trade Center (2018).

The relationships between China's growth regimes and goods imported from SA from 2001 to 2015 were also as expected. All the above goods exports grew significantly in most of the years 2001 to 2010-11, under the previous growth regime. Then, in the period of rebalancing, they began to decrease or stopped growing. SA's main goods sold to China accounted for an average of 49.35% of the country's total exports to its partner from 2001 to 2015. This is the highest figure among the BRICS.

The effects of the rebalancing were also felt by Chinese imports of consumer goods from SA. In 2015, the main consumer goods sold by SA to China were the wines of fresh grapes (HS 220421), oranges (HS 080510), peaches (HS 200870), vermouth and other wines of fresh grapes (HS 220510), fresh grapes (HS 080610), medicinal products consisting of mixed or unmixed products (HS 300490), preparations for beauty, make-up and skin care (HS 330499), sports or training coat sets (HS 621133) and grapefruit, fresh or dried (HS 080540). SA had IRCAs higher than those achieved by China on all goods except sets of coats (table 12). In the latter case, exports to China were probably justified by SA's protectionist trade and / or industrial policies.

Table 12 - IRCA from South Africa and China in the main South African consumer goods exported to China - 2001/2015

	220421		080510		200870		220510		080610		300490		330499		621133		080540	
	SA	CHI	SA	CHI	SA	CHI	SA	CHI	SA	CHI	SA	CHI	SA	CHI	SA	CHI	SA	CHI
2001	4.81	0.01	15.13	0.01	18.23	1.83	0.01	0.08	12.21	0.00	0.08	0.06	0.51	0.30	0.52	9.63	14.67	0.07
2002	6.49	0.01	16.90	0.02	21.72	1.52	0.07	0.07	13.58	0.02	0.07	0.04	0.80	0.34	0.61	8.98	22.39	0.07
2003	6.35	0.00	20.12	0.05	25.48	1.79	0.10	0.06	13.62	0.03	0.05	0.03	0.68	0.39	0.32	7.94	21.59	0.08
2004	6.71	0.00	22.15	0.07	25.35	1.44	0.04	0.04	18.05	0.03	0.06	0.03	0.57	0.31	0.51	6.44	31.27	0.09
2005	6.99	0.00	22.98	0.10	22.73	1.36	0.10	0.04	15.16	0.03	0.07	0.03	0.71	0.33	0.23	5.49	35.70	0.20
2006	5.65	0.01	25.26	0.09	16.61	1.35	0.12	0.02	13.14	0.05	0.07	0.02	0.78	0.35	0.23	5.51	24.17	0.36
2007	5.67	0.02	26.11	0.12	13.77	1.62	0.18	0.02	13.48	0.07	0.07	0.02	0.71	0.29	0.18	5.59	25.75	0.66
2008	5.65	0.01	23.20	0.16	11.30	1.73	0.12	0.02	11.27	0.09	0.10	0.03	0.79	0.23	0.27	5.57	21.91	0.94
2009	6.34	0.00	22.41	0.21	17.55	1.64	0.18	0.02	14.47	0.16	0.11	0.02	0.89	0.25	0.39	5.22	23.57	1.02
2010	5.24	0.01	24.24	0.18	16.57	1.63	0.39	0.02	12.25	0.16	0.16	0.03	1.25	0.26	0.29	5.01	21.16	0.91
2011	3.78	0.01	20.89	0.13	12.17	1.72	0.24	0.02	10.39	0.22	0.19	0.05	1.03	0.27	0.20	5.09	23.25	0.87
2012	3.73	0.03	23.29	0.18	14.41	1.72	0.23	0.02	11.21	0.33	0.21	0.06	1.31	0.25	0.21	4.58	20.41	1.15
2013	4.07	0.01	23.96	0.17	14.52	1.77	0.10	0.01	11.22	0.29	0.21	0.06	1.50	0.21	0.20	3.98	27.84	1.31
2014	4.28	0.04	27.77	0.19	16.22	1.78	5.06	0.01	12.84	0.36	0.20	0.06	1.64	0.20	0.31	3.72	24.51	1.25
2015	4.39	0.13	32.40	0.13	22.39	1.62	3.43	0.01	17.34	0.71	0.15	0.06	1.66	0.21	0.55	3.31	23.04	1.48

Source: Prepared by the authors based on data from the International Trade Center (2018)

All consumer goods had their exports to China growing faster during rebalancing. Although exports of fresh grapes, vermouth and other wines, as well as grapefruits, had closed 2015 with values lower than those achieved in 2013-2014, exports of all nine products in 2015 were higher than those in 2009-2010, and

even more so than in 2001. In the case of SA, exports of consumer goods to China also account for only a small part of the total exported to the country, given that the average share was only 0.41% from 2001 to 2015.

Although SA is BRICS' smallest economy in terms of GDP, it is the country of the group that most invested in China in the recent period. In 2012, 18% of its stock was in that country, making it its main destination. In addition, it has grown in the recent period, and they are much larger than Direct Chinese Investments (DCI) in SA. In 2001, the stock of DISAs in China was only \$ 1 million, but went up to \$ 20 billion in 2012. In the meantime, the stock of DCIs in SA went from \$ 19 million to \$ 5 billion.

The growth and the concentration of DISAs in China can be partly explained by the fact that the main companies from SA belong to sectors that have been highly demanded by the rebalancing. SA had as many companies as India in the ranking of the 100 largest MNCs, being the second most diverse among BRICS countries, behind only China, and concentrated in industries that serve mainly the demand for consumption (Table 13).

Table 13 - South African companies ranking 100 of the largest emerging MNCs from 2010 to 2015

Company	Sector
MTN Group Ltd	Telecommunications
Steinhoff International Holdings Ltd	Other consumption goods
Sasol Limited	Chemical
Naspers Ltd	Other consumer services
Gold Fields Ltd	Metal & metal products
Medi-Clinic Corp Ltd	Other consumer services
Netcare Ltd	Other consumer services
Sappi Ltd	Wood and paper
Aspen Pharmacare Holdings Limited	Pharmaceuticals
Mediclinic International PLC	Healthcare services

Source: Prepared by the authors based on data from the United Nations Conference on Trade and Development.

Synthesis of Results

Table 14 summarizes the above results.

Table 14 - Summary of Findings

Export of Goods	FDIs
<p>The majority of exports of goods to China present in the two samples selected for each exporting country behaved as expected:</p> <p>i) Because it is composed of intermediate goods more associated with investment, the majority of exports of goods from the first sample increased during the period of the export-led growth and began to decrease in the period of rebalanced growth;</p> <p>ii) Because it is composed of goods more associated with consumption, most of the exports of goods from the second sample increased during the period of rebalanced growth;</p> <p>iii) In both cases exports were in accordance with the position of the exporting countries in the IDL.</p>	<p>The behavior of the Direct Investments of the BRICS that went to China behaved as anticipated:</p> <p>i) Because of the specialization of the Brazilian and Russian MNCs, more closely related to the supply of investment goods than to consumption goods, it is unlikely that their investments are going to profit from the rebalancing;</p> <p>ii) Brazilian MNCs' investments (though they have grown in recent years) and, above all, Russian MNCs' ones have been virtually uninfluenced by China's previous growth model because of the existence of large Chinese firms operating in the same sectors;</p> <p>iii) Investments by India and SA are probably being positively affected by the rebalancing, as the MNCs from these countries are more diversified sectorally, some of them belonging to industries whose FDIs are encouraged by the Chinese. This may justify the high presence of DISAs in China and the growing trend of DIIs.</p>

Source: Elaborated by the authors.

Regarding trade linkages with China under rebalancing, the other BRICS countries export only a relatively small amount of consumer goods to China, facing likely difficulties as the process of change deepens. Also, the geoeconomic issues that China will have to deal with, considering only the BRICS' experience, are non-trivial. This is because the low share of exports of consumer goods shows an inadequacy of BRICS' output to new Chinese demands. There is a low trade complementarity between Brazil, Russia, India, and SA on the one hand, and China on the other, in consumer goods. There are two main reasons. First, all five countries produce mainly low-quality consumer goods. Second, the Chinese demand is getting bigger for high-quality consumer goods. Consequently, due to this mismatch, the Chinese partners tend to take little advantage of the country's increased demand for consumer goods caused by the rebalancing. And other suppliers may replace them in the segments where they operate. Yet, regarding FDIs, the situation is less stringent, at least for India and SA.

Thus, BRICS are likely to absorb the negative effects of the rebalancing of China's drivers of growth, especially because of their inadequate product and investment offerings to Chinese demand. With rebalancing, while the demand for the intermediate goods in which they are large suppliers decreases, the demand for consumption goods, for which they are not large suppliers, and still suffer from competition from China itself, grows.

The situation is more worrisome for Brazil and Russia, whose FDIs are less associated with consumption goods. The situation in India and SA is less difficult. However, even these latter two countries have to deal with specific issues that prevent them from taking full advantage from opportunities generated by the rebalancing, such as China's growing supply of services, barriers imposed by China to imports of certain services and, in the specific case of SA, xenophobia.

Hence, the hypothesis that rebalancing has replaced the need for goods and FDIs more associated with investments for ones more associated with consumption, impacting the other BRICS states according to the position of each one in the IDL shaped by China itself, does not seem to be rejected at this stage, even though our method of selection of goods may not be the best one.

Concluding Remarks

China's growth regimes impact the world economy in terms of linkages and geoeconomic influence in general, and its closest partners in particular. In the case of the previous growth model, the positive impacts on trade flows and FDIs were derived from China's rapid expansion, founded on investments, exports, and industrial output. They included building economic linkages that increased imbalances in the world economy and changed the terms of trade in favor of some commodities and to the detriment of some manufactured goods, favoring cooperation with underdeveloped countries. This created conditions for an asymmetric geoeconomic pattern in which underdeveloped countries able to engage in these increased flows were favored, strengthening cooperation and alliances.

In the case of the rebalanced regime in the making, the implications stem from China's lower growth rates and the increasing dependence on domestic consumption. They reduced the country's current account surplus, slowing down or decreasing international prices of certain commodities, and forming a large Chinese market for goods mainly consumed by households. This is likely to reconfigure China's economic linkages and its geoeconomic strategy. This study considered those last effects on BRICS, an important geoeconomic alliance for Beijing.

Because the rebalanced growth regime implies a different structure of spending, it has affected the demand for products and FDI from the other BRICS. It has reduced the demand mostly associated with investments and boosted consumption, impacting the alliance according to the position of each country in the IDL, whose division itself has been built with a significant contribution by China. So, rebalancing is deconstructing what the previous growth regime created, depriving many countries of Chinese purchases, that is, de-linking the economies once connected.

Therefore, China will have to substantially increase efforts to rebuild allegiances and expand its geoeconomic influence in the underdeveloped world in a context in which the United States has been very aggressive in attempting at displacing the Chinese from their hard-won position. This is likely to be difficult to the extent that the traditional flows of exports to China fall, and FDI requires increasingly specialized flows to the production of high-level consumption goods. The later are more likely to be encountered in the developed nations, sometimes more hostile to China, than in underdeveloped ones, which have in the past constituted a major source of geoeconomic influence for the country. The Silk Road/Belt Project may be a central tool to accomplish that. Future research will show if this is indeed the case.

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RESUMO

Este artigo investiga um importante desafio que a China enfrentará nos próximos anos: as consequências geoeconômicas do rebalanceamento de seu regime de crescimento. Do lado da demanda, o investimento e as exportações chinesas abrem espaço para o consumo, reduzindo as importações de bens de capital e aumentando as importações de bens de consumo. Do lado da produção, a indústria perde terreno para os serviços. Contudo, cada regime implica diferentes fluxos comerciais e de investimento e padrões de influência, cooperação e parceria. Assim, a distribuição espacial do comércio e do IED da China deve mudar, modificando os vínculos econômicos com seus parceiros, como os BRICS, e seus poderes de negociação na economia mundial. Este estudo avalia a trajetória das importações chinesas de bens e dos IEDs de outros BRICS. Em termos de comércio, avaliamos a competitividade das exportações de cada país em relação à produção chinesa. Sobre os fluxos de IDE, consideramos a distribuição setorial do investimento realizado pelas maiores Empresas Multinacionais (EMN) do BRICS para avaliar as mudanças prováveis. Nossa pesquisa sugere que os impactos do rebalanceamento em cada BRICS são geralmente negativos e assimétricos, dependendo da posição destes últimos na divisão internacional do trabalho, moldada pela própria influência geoeconômica da China.

Palavras-chave: China, Rebalanceamento, BRICS, comércio, IED.

ABSTRACT

This article investigates a challenge that China will face in the coming years: the geoeconomic consequences of rebalancing its growth regime. On the demand side, Chinese investment and exports give room for consumption, reducing imports of capital goods and increasing imports of consumption goods. On the production side, manufacturing loses ground to services. Yet, each regime implies different streams of commercial and investment flows, and patterns of influence, cooperation, and partnership. Thus, the spatial distribution of international trade and FDI must change, modifying economic linkages between China and its partners, like BRICS, and their bargaining power in the world economy. This study evaluates the trajectory of Chinese imports of goods and FDIs from other BRICS countries. In terms of trade, we assess the competitiveness of each country's exports in relation to Chinese output. Regarding FDI flows, we consider the sectoral distribution of investments carried out by the largest Multinational Corporations (MNCs) from BRICS to assess likely changes. Our research suggests that the impacts of rebalancing on each BRICS country are mostly negative and asymmetrical, depending on the position of the latter in the international division of labor, shaped by the very geoeconomic influence of China.

Keywords: China, Rebalancing, BRICS, trade, FDI.

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