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The Sectoral Politics of Industrial Policy Making in Brazil: A Polanyian Interpretation

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ABSTRACT

This article considers why Brazilian industrial policies have varied across sectors since the mid-1990s. It relies on a Polanyian-inspired framework to propose that the strength of counter-movements against corporate welfare shapes the sector-specific capacity of policy makers to exert state discipline over business interests and diverges from neoliberal scripts of industrial policy making. The authors use prototypical case studies on the automotive, animal protein and pharmaceutical sectors to support their argument. In the automotive industry, the continuous pressure from powerful and cohesive labour unions led to the emergence of a neo-corporatist sectoral regime that was characterized by a tripartite policy design and encompassed conditionalities. In the case of animal protein, the lack of bottom-up pressure culminated in a disembedded neoliberal sectoral regime, in which business owners received almost unconditional benefits, turning industrial policies into corporate welfare. Finally, in the pharmaceutical industry, the combination of diffuse societal demands and unions with intermediate relevance led to an embedded neoliberal sectoral regime that combined selective conditionalities with some space for non-business participation in policy design.

INTRODUCTION

Since the mid-1970s, the crisis of state-led political economy regimes has catalysed the ascent of neoliberalism (Sandbrook, 2022). This shift, marked by liberalizing reforms such as the removal of trade barriers, the weakening of state-owned banks and the reshaping of public expenditure, positioned industrial policies as primary targets in the global push for marketization (Ban, 2016). State support for private capital persisted during this period, albeit carefully aimed at strengthening market forces and reinforcing

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powerful business interests rather than trying to shape them (Berry, 2021; Schrank and Whitford, 2009).

In many countries, the combination of stronger competition and a lack of state support caused the demise of key industrial sectors, which created problems such as fewer qualified jobs, a decrease in economic complexity and the emergence of new socio-cultural grievances (Rodrik, 2008). The negative consequences of marketization on the industrial front also fostered a myriad of reactions. For instance, domestic business owners lobbied policy makers for supportive measures to cope with integration into globalized markets, while labour unions pushed for governmental initiatives that could save jobs and wages (Bruszt and Karas, 2020; Ornston, 2012).

In the wake of the global financial crisis of 2008, neoliberalism came to terms with broader forms of state intervention, entered a mature, roll-out stage and moved away from the roll-back reforms of previous decades (Fine and Saad-Filho, 2017; Peck and Tickell, 2002). In this sense, Ban (2013, 2016) contends that countries may edit market reforms, forging local varieties of neoliberalism which reflect specific links between state, market and society, without breaking with core neoliberal prescriptions. Following this rationale, it is possible to identify instances of sectoral variegation within industrial policy making (Döring et al., 2017; Langbein and Markiewicz, 2020), especially as globalization constrains the policy space for coherent initiatives (Cerny, 2008; Gallagher, 2015).

Against this background, this article brings a Polanyian perspective to the debate on the sectoral variegation of industrial policy making. Drawing upon a reformulated version of the framework put forward by Bohle and Greskovits (2012), the article proposes the notion of *sectoral political economy regimes*, which are defined according to the governmental incentives to business groups, the conditions tied to this support, and the set of actors with influence over policy design. Then, going beyond the state–business dichotomy, the article investigates why industrial policies have varied across sectors and considers how policy makers manage national developmental goals, business lobbies and popular demands. The main argument of the article is that the strength of the counter-movements within each sector shapes the capacity of policy makers to exert state discipline over business interests and consequently diverge from neoliberal scripts of industrial policy making. Counter-movements rooted in strong labour unions and/or vibrant civil society organizations favour the emergence of neo-corporatist sectoral regimes, characterized by encompassing conditionalities and the incorporation of non-business actors in policy formulation. Conversely, the lack of bottom-up mobilization leads to disembedded neoliberal sectoral regimes, allowing business owners to turn industrial policies into corporate welfare and to obtain incentives almost without conditionalities. Finally, counter-movements based on diffuse societal pressure and/or less powerful labour unions are likely to forge embedded neoliberal sectoral regimes, which open space for limited non-business participation in policy design and impose only selective conditionalities.

To assess this argument, we build an exploratory case study centred on Brazil since the achievement of price stability in the mid-1990s, and paying particular attention to the left-of-centre governments led by the Workers' Party from 2003 to 2016. The focus on Brazil stems from the fact that its economic traits are applicable to a relatively broad set of national experiences. For instance, as a middle-income economy, Brazil faces relevant external constraints while safeguarding some policy space (Gallagher, 2015). Moreover, due to its premature deindustrialization (Castillo and Martins-Neto, 2016), Brazil must address typical challenges faced by a developing country, such as nurturing new sectors to progress towards the technological frontier, while attending to the usual dilemmas of advanced economies, such as deciding on the level of support for declining industries. Furthermore, as Brazilian policies have targeted a broad set of industries following the rise of the Workers' Party to power in 2003 (Stein and Herrlein Júnior, 2016), the case of Brazil allows us to build cross-sectoral comparisons and to explore variegated choices of policy tools and conditionalities.

Methodologically, we rely on semi-structured interviews conducted from March 2021 to November 2022 with staff from the Banco Nacional de Desenvolvimento Econômico e Social (BNDES — Brazil's National Bank of Economic and Social Development), government officials, trade unionists and researchers (see Appendix Table A1 for a complete list of interviews). These are triangulated with official documents and related literature to compare industrial policies within three sectors: automotive, animal protein and pharmaceuticals. Although we are aware of their differences, these industries represent, respectively, prototypical cases of neo-corporatist, disembedded neoliberal and embedded neoliberal sectoral regimes. As noted by Gerring (2007), a prototypical case-study design is preferred when the goal is to introduce a new theoretical framework and establish causal relationships that should be reassessed by future works. Furthermore, these sectors have a recurrent presence in the public debate and are among the main beneficiaries of industrial support during different post-democratization governments (Government of Brazil, 2003, 2008, 2011). Finally, in contrast to sectors such as oil, mining and steel, where the state often plays a key role, none of the three selected sectors has a record of the state acting as a producer. This enables us to analyse industrial policy in the context of mature neoliberalism, where policy makers have limited tools to face the structural power of private business groups.

This article makes three contributions. First, it sheds light on the potential role of popular mobilization to give policy makers the upper hand in their relationship with business groups. This Polanyian-inspired argument adds to the literature and provides further theoretical and empirical support to the works of Chang (2009), Evans (1995), Maggor (2021) and Ornston (2012), which see the incorporation of non-business actors as supporting the monitoring of industrial incentives and the embedded autonomy of policy makers, paving the way for democratic developmental states. Second, regarding the industrial policy literature centred on the prevention of corporate welfare and rent-seeking practices (Bruszt and Karas, 2020; Bulfone et al., 2023; Langbein and Markiewicz, 2020), we offer a theoretical framework based on a clear and limited set of analytical dimensions, which favours future comparative studies. Third, in the context of recent debates on Brazil's industrial plans (e.g. Ban, 2013; Döring et al., 2017; Etchemendy, 2011; Singh, 2014), our article provides a new approach to understanding sector-specific state action and moves away from studies that are centred on state-dominated sectors, or that take sectoral dynamics as the manifestation of a dominant national strategy.

The article is organized as follows. The next section presents the theoretical framework, combining Polanyian political economy and recent studies on the politics of industrial policies. Subsequent sections analyse Brazil's industrial policies for the automotive, animal protein and pharmaceutical sectors. The final section discusses the findings and concludes by emphasizing the importance of sectoral political economy regimes for policy making.

THEORETICAL FRAMEWORK

According to Polanyi (1944/1980), capitalism evolves around the double movement, that is, the opposition between the *movement* towards self-regulating markets and the *counter-movement* against the subordination of society to market imperatives (Goodwin, 2022). In addition to shedding light on the perils of commodification, the Polanyian approach also offers a guide for understanding institutional transformation (Sandbrook, 2022). Its core proposition is that key institutional changes — such as the post-war building of European welfare states — can be traced to the conflict between social groups that seek to expand the realm of markets and those that demand protection from the dislocations caused by marketization (Bohle and Greskovits, 2012).

Goodwin (2022) emphasizes that the composition of coalitions in the historical double movement is dynamic and varies with each historical and geographical context. The drive for social protection that characterizes counter-movements originates from diverse groups such as labour unions, territorial social movements and civil society organizations. This leads to diverse and possibly diffuse political agendas (da Silva, 2023). Aligning with Polanyi's concept, the global ascent of neoliberalism after the demise of the Fordist production regime in the late 20th century marks a shift towards market self-regulation (Sandbrook, 2022). This period saw a weakening of counter-movements against marketization and an increased capacity for corporations to select from multiple investment locations, prompting capitalist states to reduce post-war economic interventionism and grant more freedom to private business groups (Bulfone et al., 2023).

Against this background, it is possible to define neoliberalism as a set of ideas and policies that aim to subordinate the state and all social domains to the market logic and the powerful economic interests within it (Laruffa, 2023). In this sense, even at the peak of roll-back neoliberalism, states repurposed their patterns of intervention rather than disappearing from the economic sphere (Fine and Saad-Filho, 2017; Peck and Tickell, 2002). Subsequently, as early market reforms led to socio-economic instability, neoliberal states gradually embraced new forms of intervention, which included the channelling of public resources to the internationalization of domestic companies and the attraction of foreign investors (Cerny, 2008). Accordingly, in this mature or roll-out phase of neoliberalism, there has been a growing trend towards sectoral policies, but ones that support profitability and promote powerful economic interests within the market without significantly altering corporate behaviour towards developmental outcomes (Hathaway, 2020; Laruffa, 2023). These policies position the state either as a market maker or a risk absorber, thereby fostering better investment conditions without intervening in or directing corporate decisions (Gabor, 2023).[1] In our framework, those policies which benefit private capital without asking for much (or anything) in return are aligned with the business-friendly nature of neoliberalism and should be considered instances of corporate welfare (Berry, 2021; Bulfone et al., 2023).

However, the specific features of neoliberal management also vary across space, forging policy regimes that reflect the strength of popular organizations, the national position in global markets and the relationship between business leaders and state managers (Ban, 2013; Bruszt and Karas, 2020; Peck and Tickell, 2002). Following this rationale, Bohle and Greskovits (2012) propose a Polanyian-inspired typology to compare national capitalist varieties that emerged with the rise of neoliberalism. They classify these political economy regimes in the light of how state managers combined the pursuit of economic liberalization with different forms of political governance and compensation to harmed social segments. According to their framework, disembedded neoliberal regimes seek radical economic liberalization, providing little compensation to harmed social groups and a limited space for political participation in policy design. Embedded neoliberal regimes, on the other hand, build more inclusive political systems, which favour moderate forms of compensation for the losers of liberalization. Finally, neo-corporatist regimes follow the least radical strategy of marketization, offering generous compensation to harmed social groups that are negotiated through tripartite bargains.

1. While Gabor's (2023) framework is comprehensive, we focus on how corporate welfare aligns more closely with 'derisking' than conditional industrial policies.

An advantage of the Polanyian approach is the capacity to capture the diverse institutional aspects of industrial policy making, especially under the constraints of globalization and neoliberalism (Bohle and Greskovits, 2012; Döring et al., 2017). Goodwin (2018) highlights the multiscalar nature of counter-movements, which allows for disaggregating the analysis of the double movement into sectors.

Building upon the typology of Bohle and Greskovits (2012), we propose the concept of sectoral political economy regimes, namely the different forms through which state managers combine the support for private corporations in each sector with the conditions tied to these incentives and the participation of non-business actors in the respective policy formulation. In doing so we offer three significant extensions of the Polanyian framework. First, our approach diverges from the traditional focus on how state managers maintain social cohesion and craft political support for liberalizing reforms. Instead, we delve into the complexities of mature neoliberalism and explore how state tools are used to bolster private sector performance and the societal reactions this engenders (Cerny, 2008; Fine and Saad-Filho, 2017). Second, we refocus the double movement's political governance from a national to a sectoral level, recognizing the significance of sector-specific bargains without disregarding broader political institutions and government partisanship. Third, we reshape the Polanyian approach to counter-movements by looking at the issue of compensation from a different perspective. Specifically, rather than analysing how state managers compensate harmed social groups for the costs of market reforms, we discuss what society receives in exchange for channelling public resources into private business groups. In short, we consider the issue of conditionality or the requirements that firms should meet to access public resources (Langbein and Markiewicz, 2020; Maggor, 2021).

As highlighted by Bulfone et al. (2023), a proper definition of conditionality should go beyond the fulfilment of legal obligations and attend to the alignment of corporate behaviour to state preferences and the mitigation of rent-seeking practices. In line with this orientation, we go a step further and analyse state preferences from the perspective of broader societal demands like the achievement of full employment and the internalization of sophisticated economic activities. This is important because even in the absence of rent-seeking practices, policy makers may see inherent social benefits in any corporate gain and set conditions that are fully centred on the improvement of private performance. Therefore, we draw upon the works of Amsden (2001), Chang (2009) and Evans (1995) and follow a stricter definition of conditionality, one which takes the form of norms and mechanisms that align corporate behaviour to the upgrading of the national productive structure.

Taking into consideration this theoretical framework, we classify sectoral political economy regimes into three ideal types as shown in Table 1. Disembedded neoliberal regimes support the leading corporations in each

Table 1. Sectoral Political Economy Regimes

Analytical dimensions	**Neo-corporatism**	**Embedded neoliberalism**	**Disembedded neoliberalism**
Conditionalities	Encompassing	Selective	Weak or absent
Policy design	Tripartite	State–business with some non-business participation	State–business collusion
Non-business actors	Strong	Weak or diffuse	Irrelevant

Source: Authors' compilation.

sector without relevant conditionalities. As Laruffa (2023) notes, rather than a retreat of state, the concept of a 'disembedded' regime refers to a pattern of economic management that reinforces powerful interests within the market. It is less responsive to the public interest and largely escapes democratic control. Under these arrangements, the governance remains between state managers and business leaders, shielding policy design from the demands of social movements and civil society organizations. As these regimes align conditionalities to the predetermined goals of private actors, they can also be classified as instances of corporate welfare, as defined by Bulfone et al. (2023).

Considering our framework, sectors that are not the object of significant state support are also instances of disembedded neoliberalism. The rationale for this classification is that the absence of significant industrial policies implies an acceptance of the dominant position of certain business interests within the sector. Accordingly, there are two types of disembedded neoliberal regimes: the *roll-back* subtype, in which the state follows a hands-off approach; and the *roll-out* subtype, in which states are more explicit in their support to powerful businesses, expanding the set of industrial policy tools. As our theoretical argument is rooted in the roll-out stage of neoliberalism, we focus on the latter subtype.

Embedded neoliberal regimes require something in return for corporate incentives. They impose selective conditionalities to force some form of alignment between business strategies and developmental goals. In terms of governance, labour unions and civil society organizations have some voice, but they occupy a marginal position in policy formulation. By seeking to achieve economic transformation without a deep intervention into corporate behaviour, these arrangements follow a similar rationale to what Bruszt and Vukov (2017) characterize as liberal developmental states.

Unlike disembedded neoliberalism, where there is almost total business dominance, neo-corporatist regimes impose encompassing conditionalities in exchange for backing private corporations in a sector. In terms of governance, policy design takes the form of a tripartite bargain and allows for a high degree of participation of labour unions and civil society organizations. As these arrangements prioritize developmental goals amid the pressures of globalization, they come close to the ideas of neo-structuralism as summarized by Singh and Ovadia (2018).

To explore the drivers of sectoral variegation of industrial policies in the Brazilian context, we build upon three complementary strands of the political economy literature. The first is the debate on the role of non-business actors in the formulation of industrial policies. For instance, Evans (1995) contends that the building of democratic developmental states presupposes an expansion of the scope of state–society relations and takes the balance of forces between different social groups as the basis for a robust embedded autonomy. Similarly, Chang (2009) and Schneider (2015) argue that the participation of labour unions and civil society organizations may strengthen the monitoring of industrial support. Ornston (2012), and more recently Maggor (2021), also associated tripartite bargains with competitiveness gains in high-technology sectors. Although these studies look beyond the standard state–business bargain, they do not place social mobilization at the centre of the theoretical framework and take a predominantly speculative approach to its repercussions for industrial policy making.

The second strand focuses on the politics of industrial policy making in Brazil since economic liberalization. In this sense, Ban (2013), Döring et al. (2017) and Singh (2014) argue that the rise of neo-developmentalism led to industrial policies that combined the exposure to global competition with sectoral incentives. Similarly, Etchemendy (2011) and Musacchio and Lazzarini (2014) shed light on the pivotal role of state-owned banks in this strategy. Despite their contributions to the description of the resurgence of industrial policies in Brazil, these scholars overlook sector-specific drivers and take sectoral policies as an illustration of the national development model or at least an intentional implication of the neo-developmentalist project.

Finally, the third strand covers studies that investigate the extent to which popular forces can shape financial policy making. In this regard, Gallagher (2015), Naqvi (2021) and da Silva (2023) contend that strong labour unions and social movements can use their electoral influence and mobilizational capacity to countervail the different dimensions of the power of financial interests, enabling policy makers to impose stricter regulations. Although these scholars make only marginal references to industrial planning, they show that bottom-up societal pressures can contribute to rebalancing the usually asymmetrical bargains between state and business. Moreover, as both financial regulation and industrial policy making are considered technical issues, this literature paves the way for an assumption that the latter policy arena is equally susceptible to bottom-up societal pressures.

Building upon these complementary insights, we argue that the emergence of different sectoral political economy regimes reflects the strength of industry-specific counter-movements, which are rooted in the demands of labour unions and/or civil society organizations (see Table 1). According to this rationale, strong popular organizations favour the building of a neo-corporatist regime by demanding encompassing conditionalities and a relevant voice in policy design. Conversely, the absence of relevant unions or civil society organizations paves the way for disembedded neoliberalism, with the counter-movement unable to prevent corporate welfare. Finally, counter-movements based on diffuse societal pressures and less powerful labour unions exert a partial influence over policy making and extract some conditionalities but fall short of going beyond embedded neoliberalism.

This argument stems from four interrelated mechanisms. First, industrial policies are usually seen as dominated by business–state relations and what Culpepper (2010) calls 'quiet politics' (see also Bohle and Regan, 2021). Thus, there is always a chance that industrial policies will slide into mere corporate welfare practices benefiting incumbent interests (Bulfone et al., 2023). Second, the presence of relevant non-business actors may contribute to industrial policy making by strengthening the monitoring of incentives and increasing the political cost of state–business collusion (Chang, 2009; Schneider, 2015). Third, when governments are willing to be more ambitious in their industrial policy goals, popular mobilization strengthens the hand of policy makers in their negotiations with business leaders (Naqvi, 2021; da Silva, 2023), favouring the imposition of stricter conditionalities and tripartite bargains. Moreover, the existence of bottom-up pressure has a positive impact on institutional capacity by challenging state managers to meet societal demands and by making embedded autonomy more robust (Bruszt and Karas, 2020; Evans, 1995). Fourth, strong popular organizations have implications for the behaviour of business groups, which may be more willing to accept stricter conditionalities in exchange for the support of labour unions and social movements in the cross-sectoral conflict around the orientation of macroeconomic management (Gallagher, 2015; da Silva and Bandeira, 2021). To be clear, this point is not necessarily about the results of these policies, since those are affected by structural conditions which go beyond the scope of this article. Stricter conditionalities are not a guarantee of better results, but a way for the state to influence private actors, rather than leaving investment decisions solely to market forces.

We argue that sector-specific counter-movements go beyond a vague demand for more state support to their respective industry, requiring that workers and other non-business actors advocate for government funds to be conditional upon certain obligations for capitalists, such as employment protection, the development of more comprehensive national production chains, increased technological innovation, and stricter environmental responsibilities. In this sense, sectoral counter-movements focus on demands within their specific sector and do not necessarily extend their concerns to conditions in other sectors. On the other hand, when unions and other non-business actors align closely with capitalist goals without advocating for these specific conditions, there is no counter-movement, since the neoliberal agenda of reinforcing powerful business interests within the market remains unchallenged.

The proposed framework applies exclusively to industries with specific policies in place, as the presence of vertical policies is what triggers the political dynamics of a sectoral double movement.[2] While one might argue that any form of government involvement inherently diverges from market orthodoxy, this article focuses on sectors underpinned by a concrete industrial policy. In this regard, recent developments in the literature on industrial policies and conditionalities enable us to distinguish between public–private deals aimed at developmental outcomes and those that are only attentive to business interests (Bulfone et al., 2023; Gabor, 2023; Mazzucato and Rodrik, 2023). Consequently, sectoral policies should not be automatically perceived as counter-actions to neoliberalism or as assured steps towards re-embeddedness. In scenarios where these policies lack specific conditions, they tend to maintain the status quo in private sector decision making.

Similarly, it is worth noting that the choice of sectors targeted by policy makers lies outside the scope of our argument. While we acknowledge the shortcomings of this, we identify two factors that mitigate its negative impact on our contribution. Theoretically, the rise of mature neoliberalism led to an expansion of industries that benefited from some kind of corporate welfare. Empirically, Brazil's shift in industrial policy making under the Workers' Party governments serves as a case in point. The transition from a focus primarily on innovation to one that adopted broader sectoral policies (Arbix, 2019) changed the focus from *which* sectors receive support to *how* they can access this support and *what* is asked of the private sector (de Gaspi, 2024). Secondly, we do not assert that the strength of counter-movements was the sole cause for different sectoral political economy regimes in Brazil. For instance, as left-wing administrations have organic ties with popular organizations (Gallagher, 2015; da Silva, 2023), it makes sense to expect that government partisanship will shape the longitudinal evolution of each regime. Additionally, we do not dispute those factors such as the degree of institutional capacity, the legacy of import-substitution industrialization, and the level of internationalization of business groups that play a part in the evolution of sectoral regimes (Bruszt and Karas, 2020; Döring et al., 2017; Etchemendy, 2011). In this respect, our focus on the double movement at the sectoral level is an analytical choice to secure a proper space to analyse its impact on industrial policy making.

TRIPARTITE BARGAINS AND THE AUTOMOTIVE SECTOR: FROM THE SECTORAL CHAMBER TO THE INOVA-AUTO INCENTIVE PROGRAMME

The discussion of sectoral policies for the automotive industry illustrates the nexus between a strong, sector-specific counter-movement and the building of a neo-corporatist regime. The bottom-up pressure for encompassing conditionalities and their influence in policy design can be attributed to the

2. As previously mentioned, in the absence of significant industrial policies, sectors should be classified as cases of disembedded neoliberalism.

fact that metalworkers are the most powerful labour unions in the country,[3] and are responsible for most of the strikes in the private sector (DIEESE, 2006, 2009, 2021; Riethof, 2019).

In the early 1990s, despite their commitment to market reforms, the Brazilian administrations led by Fernando Collor (1990–92) and Itamar Franco (1992–94) included labour unions in the sectoral chamber of the automotive sector (Cardoso et al., 2015), after they had organized massive strikes in 1991 (Arbix, 1996). Although the presidency of Fernando Henrique Cardoso (1995–2002) hollowed out the chamber by narrowing participation, a new wave of strikes in the mid-1990s contributed to the creation of the New Automotive Agreement in 1996, which conceded further tax incentives in return for the regional decentralization of automotive production, the preservation of employment levels, and the meeting of light national content requirements (Doctor, 2007; dos Santos et al., 2021).

This neo-corporatist sectoral regime gained further momentum with the election to the presidency of Luis Inácio Lula da Silva, a former metalworker himself, in 2002. The historical connection between his Partido dos Trabalhadores (PT — Workers' Party) and the struggles of labour — especially in the automotive cluster of São Paulo's ABC region[4] — meant that former union leaders were now in prominent government positions (D'Araujo, 2009). The combination of metalworkers' mobilization capacity and a labour-based governing party counteracted the relative power of business in negotiations, empowering unions to call for better working conditions and the nationalization of the production chain.

To assess the evolution of the sectoral regime during the PT administrations, it makes sense to analyse their three industrial plans, namely the Industrial, Technological and Foreign Trade Policy (PITCE, 2004–07), the Productive Development Policy (2007–10), and the Greater Brazil Plan (PBM, 2011–14) (Cardoso et al., 2015). Moreover, it is worth noting that many of the implemented initiatives first appeared in the Seven-goal Plan for Brazil's Automotive Sector, which was presented to the Lula da Silva candidacy by the metalworkers' unions in the 2002 election period.

When it comes to the automotive industry, the PITCE initiatives reflected two contradictory forces. On the one hand, the social linkages of the new government incumbents favoured the creation of new spheres of participation, which included unions and broadened policy consultation (Doctor, 2007). On the other hand, the context of high unemployment and the alignment of unions with the Workers' Party contained sectoral mobilization, leading to a historical low in the number of strikes (DIEESE, 2021; Riethof,

3. In Brazil's labour classification, metallurgy is the sectoral division that encompasses automobile production.
4. The ABC Region is an industrial region in Greater São Paulo, Brazil, widely known for its large number of international companies, particularly car manufacturers. The name refers to the cities of Santo André, São Bernardo do Campo and São Caetano do Sul.

2019). As a result of these heterogeneous drivers, the government did not break with the principles of the Automotive Regime, opting instead for a complementary approach that prioritized investment on capital goods and research and development (R&D)[5] (Government of Brazil, 2003). In this sense, during the PITCE period, the total operations of the BNDES for the automotive sector increased from BRL 1.5 billion in 2002 to a maximum of BRL 2.9 billion in 2006 (about US$ 287 million and US$ 553 million respectively), providing subsidized loans in exchange for the design of new vehicles, production lines and component systems[6] (BNDES, 2022b).

Launched after Lula's re-election in the wake of the 2007 crisis in Brazil, the Productive Development Policy was more explicit in its policies for the automotive sector and set goals to expand productive capacity to make national production chains denser, to strengthen engineering activities and to increase exports. This resulted in BNDES increasing its financial support of the sector to the sum of BRL 3.8 billion in 2010 (about US$ 725 million), and adding tax benefits (Government of Brazil, 2008; Schapiro, 2017); the increase in support included emergency measures in response to the global financial crisis in 2008. These were part of the Investment Sustainability Programme (PSI), a countercyclical financing scheme for sectors with high employment. After the financial crisis, the Lula government introduced R&D and investment requirements for tax credits in this sector, enforced through two presidential decrees and overseen by the Ministries of Science and Technology, Industry and Commerce, and Finance[7] (Sarti and Borghi, 2017).

This countercyclical impetus meant that Brazil was one of the countries to recover the fastest from the 2008 global financial crisis. As normalcy returned, the revision of development interventions was precluded during the electoral year of 2010, when the Workers' Party elected Dilma Rousseff (2011–16) as Lula's successor. In this new context, the government's commitment to reindustrialization took the form of the PBM, which was the developmental plan with the broadest sectoral scope since the country's democratization (Stein and Herrlein Júnior, 2016).

In terms of the automotive sector, two aspects paved the way for a deepening of the neo-corporatist regime. Firstly, the policy design of the

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5. Online interviews: former senior staff member of the BNDES, 11 May 2021 and 11 October 2022; University Professor and Researcher who served as President of the Institute of Applied Economic Research (IPEA) and of the Fund for Studies and Projects (FINEP), 24 August 2021; Researcher at the Inter-Union Department of Statistics and Socio-Economic Studies (DIEESE), 26 August 2021.
6. At the time of writing, US$–Brazilian real exchange rate was 1–5.15. Own calculations were brought to 2021 values and include all loans for activities related to the automotive sector.
7. Law 12715 linked access to tax benefits to investing at least 10 per cent of the credit value in R&D or engineering. This was established by Presidential Decree 7389/2010 (www.planalto.gov.br/ccivil_03/_ato2007-2010/2010/decreto/D7389.htm).

PBM departed from the previous plans by instituting Sectoral Councils. According to a researcher at the Departamento Intersindical de Estatística e Estudos Socioeonômicos (DIEESE — Inter-Union Department of Statistics and Socio-Economic Studies), this governance model had heterogeneous effects on union influence over sectoral policy making.[8] On the one hand, it undercut the participation of weak unions from non-traditional sectors and favoured the lobby of business groups. On the other hand, it gave more voice to unions with greater mobilizational capacity, such as those in the automotive industry.

The influence of unions over policy formulation also stemmed from extra-institutional actions. In this sense, it is worth noting that the PBM debates occurred during the highest number of automotive strikes since the Workers' Party took office (Cardoso et al., 2015). One of the most debated topics at that time was the unions' concern about market access of newcomer firms with no factories in Brazil. This led to a workers' demonstration against the rising imports of vehicles (SMABC, 2011), pushing the government to impose further conditionalities on business groups.[9]

Against this background, in 2012 the government launched the Inovar-Auto Incentive Programme, which was the most comprehensive set of initiatives for the automotive sector during the PT administrations. Drawing upon the debates within the Automotive Sector Council of the PBM, the diagnosis underlying the programme was that the growing balance of payments deficit of the sector showed a loss of national production chain density (Ibusuki et al., 2015). As highlighted by a former minister for industry, this policy focus was fully aligned with the agenda of labour unions, and it was 'a lot easier' to conduct the 'tough discussion on national content clauses' when unions were at the government's side.[10]

The Inovar-Auto Incentive Programme, aimed at bolstering Brazil's automotive sector, imposed heavy taxes on imported cars and doubled import taxation for non-operating manufacturers in Brazil. It also offered significant tax incentives and credit for adhering to stringent national content requirements, leading to a World Trade Organization dispute (Barbosa, 2018). Participants had to meet two out of three productivity goals,[11]

8. Interview online, DIEESE researcher, 26 August 2021.
9. Interviews online, President of the Institute for Labour, Industry and Development (TID-Brasil) of the Unified Workers' Central (CUT) and trade unionist, 1 September 2021; trade unionist with the Steelworkers Union of the ABC Region and former Union's Director for Industrial Policy (2017–20), 10 September 2021.
10. Interview online, former Minister for Industry and Commerce and former President of the Brazilian Agency for Industrial Development, 1 July 2021.
11. According to Law 12715, companies could choose from: (1) growing percentage of gross revenue invested in R&D (started at 0.15 per cent); (2) growing percentage of gross revenue invested in engineering (started at 0.5 per cent); and (3) adopting national energy certifications gradually until 2017. See: www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/l12715.htm

aligning with the demands of automotive workers (Cardoso et al., 2015). From 2011 to 2013, BNDES credit surged from BRL 3.5 to BRL 6.7 billion (BNDES, 2022b). In return, legal obligations under Law 12715 (mentioned in footnote 11) made compliance mandatory, with penalties imposed for non-compliance.[12]

An official government report highlighted the programme's focus on strengthening production chains and mitigating import competition (MDIC, 2019). In this sense, it managed to reduce the market share of imported cars and surpass targets in volume of new investments, energy efficiency, sustainable development and R&D investment (ibid.). From 2011 to 2014, it also succeeded in boosting employment and investment (ibid.; see also Sarti and Borghi, 2017). However, this latter policy outcome was damaged by the post-2014 economic downturn, reducing vehicle demand despite the observed adherence to the programme's conditionalities.

The Inovar-Auto Incentive Programme on Brazil's automotive industry had mixed outcomes.[13] It was initially hailed for enhancing industry competitiveness, catalysing 51 per cent of new sector investments, and improving energy efficiency in domestic automobile production (de Mello et al., 2016). Moreover, although both R&D and export impetus saw limited growth, the programme contributed to a short-term decrease in imports caused by national content requirements (Sturgeon et al., 2017).

In 2016, however, the impeachment of President Rousseff caused repercussions for the automotive sector. Launched in the transition between the right-wing presidencies of Michel Temer (2016–18) and Jair Bolsonaro (2019–22), the 2017 Automotive Plan (Route 2030) replaced the Inovar-Auto Incentive Programme and was formulated in a challenging context for labour unions. According to a former Director for Industrial Policy of the Steelworkers Union, the unions faced economic recession and had lost their privileged access to state managers, making their negotiating position weaker.[14] As a result, workers could not exert the same influence on policy design, and failed to safeguard strict conditionalities. On the other hand, unions organized several strikes and kept their parliamentary influence, which illustrates the resilience of sectoral neo-corporatism (DIEESE, 2021),[15] and could include job guarantees and vocational training as programme goals.

In summary, the analysis of industrial policies in the automotive sector indicates an arrangement that approaches a neo-corporatist regime. In general terms, this arrangement reflected the strength and cohesion of metal labour unions, which managed to use their high mobilizational capacity

12. An emblematic case of benefit cancellation was around the Chinese car manufacturer JAC Motors who failed to comply in timely fashion with conditions (Rocha, 2016).
13. For an abridged version of the pros and cons of the policy, see Barbosa (2018) and Pessoa (2018).
14. Online interview, former Director for Industrial Policy (2017–20) and trade unionist of the Steelworkers Union, 10 September 2021.
15. Law 13.755/2018, see: www.planalto.gov.br/ccivil_03/ato2015-2018/2018/lei/l13755.htm

to effectively participate in policy formulation and push state managers to impose conditionalities on businesses. Despite its resilience throughout the analysed period, this sector-specific counter-movement had a stronger impact on policy making when the governing party had organic linkages with unions and policy design took place at the sectoral level.

THE LENDING HAND OF THE STATE: CORPORATE WELFARE IN THE ANIMAL PROTEIN SECTOR

Food products have always played an important role in Brazil's export basket. In the case of animal protein, the mid-1990s' price stabilization led to the consolidation of the sector's business model, paving the way for the internationalization of its major players. This was further encouraged through sizable government policies (Del Bel Filho et al., 2012). Against this background, this section examines the policies executed by the BNDES for the largest companies in the sector and focuses on the state-induced rise of JBS to become the largest animal protein producer in the world. We claim that the absence of a relevant counter-movement in this sector paved the way for a disembedded neoliberal regime.

Several factors underlie the weakness of popular pressure. For instance, Brazil's agricultural and agro-industrial activity is characterized by a very fragile presence of unions (Toledo and Amodeo, 2014). Since the late 1990s, the Landless Workers Movement (MST), which is the strongest territorial social movement in the country, has experienced a decrease in mobilizational capacity, gradually reducing the number of land occupations (Araujo, 2015). Similarly, after the creation of the Ministry of Agrarian Development in 1999, popular demands for land rights and sustainable agriculture were diverted from the Ministry of Agriculture, where most of the administrative and financial capacity is concentrated. Although this process empowered social movements by creating a more favourable policy arena, it also eased their points of contention with large producers[16] (Carvalho, 2021).

In the early 2000s, as the dominant companies in the sector were vying to go beyond domestic borders, the combination of fragile bottom-up pressures and a high degree of firm concentration created a fertile ground for corporate welfare. Specifically, the requirements imposed by large markets, such as the European Union, pushed animal protein corporations to improve their quality control and production standards, unifying the interests of businessowners (Amaral et al., 2012). As they were not yet global giants, even leading firms like JBS, Marfrig and Minerva needed public support to pursue this strategy effectively. According to a scientist at Empresa

16. The launching of the Food Acquisition Programme in 2003 also led the MST to occupy a different role in domestic food supply, limiting its actions against major meat exporters (Carter, 2015).

Brasileira de Pesquisa Agropecuária (EMBRAPA — Brazilian Agricultural Research Corporation), state managers were fully aligned with these private goals: 'We already had some large meatpackers … so we wanted to give incentives to structure big firms, who had more conditions to export'.[17]

Throughout the administrations led by the Workers' Party, internationalization efforts were heavily financed through the BNDES and its shareholding company BNDESPar. In credit operations from 2003 to 2015, the bank invested over BRL 30 billion (about US$ 5.7 billion) in the sector. In terms of shareholding participation, the BNDES owned more than 30 per cent of JBS and almost 14 per cent of Marfrig in 2011 (BNDES, 2022a).

The case of JBS is a good example of an unmediated state–business relationship. According to calculations made public by BNDES after an independent investigation,[18] JBS received close to BRL 31.2 billion (approximately US$ 5.9 billion) through either loans or shares. A timeline of its main operations shows the relevance of these funds for the company's internationalization during the 2000s (see Table 2).

Among the distinct forms of support, a major (and controversial) one was the conversion of the JBS variable-rate debentures owned by the bank into company shares. In December 2009, the BNDES acquired 1.3 million debentures in exchange for BRL 3.47 billion (approximately US$ 662 million), which was used by JBS to buy the companies Bertin and Pilgrim's Pride. This operation was conditional upon the bank having shares in JBS's forthcoming initial public offering (IPO) in the US stock market (BNDES, 2024b; Cleary Gottlieb Steen and Hamilton, 2019). When the IPO was not released, in early 2011, these debentures were converted into shares of JBS Brazil. As per the agreement, the price of each share should be between BRL 6.5 and 12.5.[19] In the end, the price was closer to the lower value, but it was still over the market price of the share, which was BRL 5.48 at the time of the operation (Landim and Inhesta, 2011).

As the BNDES was now a relevant shareholder of both JBS and Marfrig, it made sense to not punish its debtors.[20] At this point, policy makers had an incentive to take stricter conditionalities off the table for the animal protein sector, since any bolder moves in this respect could trigger a reaction of financial markets and negatively impact large open capital companies, which in turn could lead to losses for the Bank and taxpayers. As government involvement grew, so did the sector's power to push for benefits with weak conditionalities.

17. Interview online, scientist at EMBRAPA, 24 October 2022.
18. Both a Parliamentary Inquiry Committee and an independent investigation showed no clear evidence of corruption in the relationship between the Bank and JBS (Cleary Gottlieb Steen and Hamilton, 2019).
19. Between US$ 1.24 and US$ 2.39 at the time of writing.
20. A BNDES staff member working on matters related to agro-industries claimed that it did not 'make sense' to speak of conditionalities given that the Bank was a shareholder; interview online, 17 November 2022.

Table 2. Main Operations of the BNDES for JBS Internationalization, 2005–2011

Date	**Operation**	**Description**	**Operation's current value (BRL millions)**	**Location**
August 2005	Financing	Loan for the acquisition of Swift Armour	187.46	Argentina
July 2007	Shareholding (BNDESPar)	Investment for the acquisition of Swift US	1,130.00	United States
April 2008	Shareholding (BNDESPar)	Investment for the acquisition of National Beef and SmithField	995.86	United States
Throughout 2008	Shareholding (BNDESPar)	Investment at Bertin (who would later be acquired by JBS)	2,490.00	Brazil
December 2009	Shareholding (BNDESPar)	Investment for the acquisition of Bertin and Pilgrim's Pride	3,470.00	Brazil and the United States
Throughout 2011	Shareholding (BNDESPar)	Conversion of debentures into JBS shares	Not applicable	Brazil

Source: Authors' elaboration based on BNDES (2022a).

In fairness, the internationalization of the sector was a successful state-made phenomenon. However, we argue that, in this instance, policies did not align business interests with the developmental goal of upgrading the Brazilian productive structure, which is the focus of this article. Instead, the power imbalance between large business groups and sector-specific counter-movements made for a scenario in which policy goals reinforced the position of powerful capitalists within the industry and the Brazilian position as a commodity exporter.

In terms of conditionalities, in October 2009, after most large operations were already past, the BNDES approved specific socio-environmental guidelines for the beef industry. However, these requirements were minimal, falling short of any contribution to the country's productive capabilities. For instance, the first conditionality was essentially the need to comply with Brazilian law, requiring regular environmental licences, and prohibiting practices like illegal land occupations and the utilization of modern slavery or child labour (Amaral et al., 2012; Wilkinson, 2014). The second conditionality was particularly convenient for large export firms, representing a version of the phytosanitary barriers imposed by Europe and Japan (BNDES, 2022b), meaning that companies could either be already compliant or use loans to enable future compliance (and access external markets).

The contribution of channelling investments into lower-technology sectors, such as meatpacking, for the pursuit of economic development remains a topic of debate (Hidalgo et al., 2007). Nonetheless, the animal protein sector has demonstrated some growth. While there have been natural oscillations, the sector's share of Brazil's total exports grew from 6.8 per cent in 2005 to 7.77 per cent in 2016.[21] This growth, albeit modest relative to significant state investment, highlights the sector's role in the national trade balance during the period of major sectoral policies that saw a roll-back after the end of the PT period.[22] In sum, although exports have expanded somewhat, a study on agricultural supply chains — including beef and poultry — shows the paucity of the sector's linkages with national companies (Cruz et al., 2022).

Moreover, the benefits of hosting the world's largest animal protein company are unclear at best. According to the statistics database, Statista, after years of financing large overseas operations of JBS, almost half of the company's net revenue is now concentrated in the United States, while Brazil gets less than one sixth.[23] Also, even though some environmental

21. For trade data see UN Comtrade database: https://comtradeplus.un.org/TradeFlow?Frequency=A&Flows=X&CommodityCodes=02&Partners=0&Reporters=76&period=all&AggregateBy=none&BreakdownMode=plus
22. The BNDES non-automatic loan database — thus loans that must go through the bank's bureaucracy for approval — shows the last major loan in the period to an animal protein firm was a BRL 134,153,059 disbursement to BRF in April 2015 (BNDES, 2024a).
23. See Statista's 'JBS Net Revenue Share by Region Worldwide 2019' data: www.statista.com/statistics/876558/net-revenue-distribution-of-jbs-worldwide/

pledges were made (Wilkinson, 2014), this was not a sustained and structural process. For example, after the de facto relaxation of environmental regulations under the Bolsonaro government, livestock was responsible for 75 per cent of deforestation (Salomão et al., 2021), while large companies like JBS and Minerva admitted to having bought cattle from farms owned by environmental criminals (Hoffmeister et al., 2022).

In sum, the conditionalities imposed on large animal protein companies in Brazil did not go beyond mere compliance with the law (Amaral et al., 2012). The weakness of counter-movements and the consequent lack of non-business participation in policy design forged a disembedded neoliberal sectoral regime, which deepened firm concentration, promoted a movement towards amassing profits abroad, and returned very few benefits to the Brazilian productive system.

NATIONAL COMPANIES AND DIFFUSE COUNTER-MOVEMENTS: THE CASE OF THE PHARMACEUTICAL SECTOR

The bottom-up demands that affected the pharmaceutical industry had two main origins. First, despite being less powerful than their automotive counterparts, chemical labour unions built some mobilizational capacity, becoming one of the few organizations that can regularly organize strikes in Brazil's private sector (DIEESE, 2006, 2009, 2021). Second, following the country's democratization, the social mobilization for health reform, led by public health doctors and professionals, enshrined the right to health in the 1988 Constitution, creating the Sistema Único de Saúde (SUS — Unified Health System).[24] Besides forging a vibrant public debate on access to treatments and pharmaceuticals, this process also established local and federal health councils, which allowed a broad set of social movements to have a voice in policy formulation (Menicucci, 2006).

Ten years after the creation of a unified health system, the centre-right government of Cardoso faced a crisis in the pharmaceutical industry. From 1990 to 1998, both the price of medicines and the sectoral profits tripled (Vieira, 2022). To make matters worse, pressure on the sector became more intense after scandals related to inactive birth control pills and fake cancer medication were unearthed in 1998 (Fonseca, 2014). As the government came under pressure to act, lobbying efforts against stricter regulations were also watered down by the public outcry.

In 1999, President Cardoso and his health minister, José Serra, signed the Generic Drug Law, which regulated the processes of certification and production of generic medicines, a clear shift from the government's overcompliance with patent laws that characterized most of the administration

24. The 1988 Constitution, Article 196, clearly states: 'Health is a right for all and a duty of the state'; see: www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm

(Shadlen and Fonseca, 2013). Considered a key step for the subsequent sectoral policies, this created the necessity for bioequivalence, a process by which companies must prove that their generic medicine is identical to the reference medicine in the market (Palmeira Filho, 2013).

With the PT's victory and the party's explicit commitment to industrial policy making (Ban, 2013; Kupfer et al., 2013), the pharmaceutical sector became a focus for sectoral incentives, given its potential for innovation and the instruments available to the government. In addition to loans and fiscal incentives, the existence of the SUS and the structure of the Brazilian Health Ministry allow the government to act as a final buyer and to guarantee demand for business owners, enabling a more complete policy package (Costa et al., 2019).

As the previous government had created a legal framework that opened an avenue for bolstering the pharmaceutical sector, PT administrations actively designed policies to seize these opportunities and support domestic business groups (Shadlen and Fonseca, 2013). Moreover, as the formulation of industrial plans gave formal channels of influence to labour unions, chemical workers' unions gained some voice in policy design for the pharmaceutical industry, albeit falling short of the tripartite bargains of their more influential automotive counterpart (Casas, 2009).[25]

Throughout this period, one of the key tools for the pharmaceutical sector was the development of credit lines for regulatory compliance in the Profarma programme. Besides enabling investments on fixed assets, this programme also offered subsidized credit supply for the acquisition of tangible or intangible assets that were expected to create innovative capacities. Departing from other BNDES initiatives, Profarma followed an evolutionary approach, changing over time to better meet the needs of the National Health Policy in articulation with the Ministry of Health[26] (Palmeira Filho, 2013).

The Profarma programme highlights differences in sectoral regimes compared to those discussed earlier. Unlike the automotive sector, pharmaceutical companies faced fewer requirements, lacking national content clauses and measures to address the trade balance deficit (Rodrigues et al., 2018). However, Profarma's credit was tied to specific productivity goals, unlike the incentives in the animal protein sector. The programme mandated investment in productivity and R&D exceeding the Bank's loans, leading to significant investment increases, indicating compliance with these conditions (Pieroni et al., 2011).

25. Interview online, DIEESE researcher specialized in the chemical and pharmaceutical sectors, 8 November 2022.
26. According to Gomes et al. (2014), the programme had three distinct phases: 1) strengthening of productive capacities and compliance with stricter regulations (2003–07); 2) a focus on innovation (2007–13); and 3) catch-up in biotechnology (in 2013) until the dismantlement of Profarma.

Moreover, from the second phase of the programme (2007–13), around 22 per cent of Profarma-related loans were directed towards the development of new products, albeit with only moderate and incremental innovation potential (Palmeira Filho, 2013). In addition to credit schemes, the pharmaceutical sector has also benefited from a unique aspect in Brazilian industrial policy, namely the use of governmental purchasing power to guarantee demand to national firms. After the generics legislation and the increase in quality control practices in Brazilian firms during the 1990s, this became a major factor in pharmaceutical sectoral policy (Vargas et al., 2016). More specifically, during the PT years, the most innovation-inducing part of this purchasing power was exerted through the Productive Development Partnerships (PDPs).[27]

The launching of the PDPs aimed at technology transfer, enhancing national productive capacity and catering to the demands of the SUS.[28] These partnerships consisted of connecting public laboratories with private partners for the development of health technologies to reduce the vulnerability of the national health system. In these contracts, private companies were expected to develop and transfer technology to public laboratories, while a pharma-chemical firm based in Brazil[29] was responsible for internalizing the production of the active pharmaceutical ingredient. By meeting these requirements, companies could sell this medicine faster, being exempt from compliance with the usually long procurement process (Pimentel et al., 2022). Like the Profarma programme, this led to the development of new products for national pharmaceutical companies.

In both Profarma and PDPs, state support to the pharmaceutical industry included selective but relevant conditionalities, which resulted in clear social benefits. These, however, were not simply conceded by private firms, but extracted through negotiation. More specifically, the matter of technology transfer was key to unions, as they understood that this could lead to more and better jobs. Despite resistance from private firms, a DIEESE researcher noted that the broad counter-movement constellation was helpful, as unions 'pushed firstly for technology transfer' and the broader societal interests 'increased legitimacy [of union demands]', as health is not seen as 'some specific corporatist interest'.[30]

27. Not to be confused with the Productive Development Policy, which was the industrial policy plan of the second term of the Lula presidency (2007–10).
28. Instead of creating this initiative for all pharmaceuticals, the PDPs had a quite narrow filter for what could qualify for its benefits. On the specific conditions, see Silva and Elias (2019).
29. In theory, the BNDES cannot distinguish between companies funded by national or international capital (as long as they operate in Brazil). However, a senior BNDES official said that in most situations it does not seem reasonable to expect that a bank funded with public money use these resources to induce investment from foreign multinationals that have their innovation capacities elsewhere (interviews online, 11 May 2021 and 11 October 2022).
30. Interview online, DIEESE researcher, 8 November 2022.

These policies were important for increasing the participation of national groups in the sector as well as access to generic medicines by the population and for government purchases (Rodrigues et al., 2018). On the other hand, efforts to strengthen the national production chain remained limited, especially as there were no national content clauses that could spur the recovery of the Brazilian ailing chemical sector.[31] As such, in terms of current account repercussions, although the national pharmaceutical sector grew substantially, its production was mostly focused on the domestic market and continued to rely heavily on imported chemical inputs.[32] In addition to this negative result, and even though some incremental innovation came to fruition, this process was overly concentrated within large companies and was incomplete (Pimentel et al., 2022).

The conditions for accessing Profarma's credit lines and government purchases in the pharmaceutical industry were more fluid than those required by the automotive sector. The top official of BNDES responsible for the Profarma programme during this period stated that, 'looking back, maybe the conditions were less strict, less explicit, than they should have been'.[33] In this regard, it is possible to contend that health-related diffuse interests lacked bargaining power in comparison to the strong and cohesive unions that underpinned the neo-corporatist automotive arrangement. Moreover, there was tension between national production and access to health (Shadlen and Fonseca, 2013), meaning that the imposition of national content requirements to overturn the sector's huge commercial deficit could lead to increased prices for the final consumer. This denotes a heterogeneity that was absent from our other sectoral examples, illustrating the contradictory political pressures that characterize the Polanyian double movement at the sectoral level.

DISCUSSION AND CONCLUDING REMARKS

This article has discussed Brazil's industrial policy using a Polanyian-inspired framework. In brief, we contended that the strength of sector-specific counter-movements affected the extension of conditionalities and the governance of policy design, forging distinct sectoral political economy regimes. This general argument was supported by three prototypical case studies that analysed key sectors of the Brazilian economy (see Table 3). In the automotive industry, for example, metallurgy labour unions used their

31. Of all manufacturing sub-sectors (excluding mining and foodstuffs), the chemical sector had the worst performance from 2003 to 2013 (Morceiro, 2016).
32. The dependency on imports of the pharmaceutical sector is one of the most severe in the Brazilian economy (Morceiro, 2016). This was also a concern expressed by a senior BNDES staff member (interview online, 11 May 2021).
33. Interviews online, senior staff member of BNDES, 11 May 2021 and 11 October 2022.

Table 3. Sectoral Political Economy Regimes in Brazil

Analytical dimensions	Automotive	Pharmaceutical	Animal protein
Main conditionalities	Encompassing national content clauses; labour-related benefits; vocational training	Negotiable metrics to join and keep partnerships (PDPs); light innovation targets	Following the country's law; compliance with requirements from 'exigent' external markets
Policy design	Tripartite and institutionalized	Institutionalized forums with some voice for unions; diffuse participation	State and business (quiet politics)
Non-business actors	Strong and cohesive labour unions	Less powerful unions joined by diffuse societal interests	Irrelevant

Source: Authors' compilation.

strong mobilizational capacity to push for a neo-corporatist pact, based on institutionalized tripartite bargains that tied the support for transnational companies to encompassing conditionalities such as national content clauses. In the animal protein industry, on the other hand, the fragility of unions, the weakening of social movements, and the diversion of popular pressure from the main policy arena paved the way for disembedded neoliberalism, creating a scenario of corporate welfare in which state-owned credit supply enabled the internationalization of domestic business groups without imposing any conditionalities related to the upgrading of the national productive structure. Finally, in the pharmaceutical industry, the combination of diffuse societal demands for public health and labour unions with some relevance forged an embedded neoliberal regime that has been characterized by some bottom-up participation in policy design and selective conditionalities like the meeting of light innovation targets.

The analysis of Brazil's sectoral policies through a Polanyian lens offers three interrelated contributions. Regarding the politics of industrial policy making in Brazil (Ban, 2013; Döring et al., 2017; Etchemendy, 2011; Singh, 2014), we show that sectoral variegation was not necessarily a manifestation of a dominant national model, but a reflection of political conflicts in each sector. Taking into consideration the recent literature centred on the prevention of corporate welfare in industrial policies (Bruszt and Karas, 2020; Bulfone et al., 2023; Langbein and Markiewicz, 2020), we developed a theoretical framework based on a clear and limited set of analytical dimensions, which favours future comparative studies on the role of popular mobilization and participation. When it comes to the literature on democratic developmental states (Chang, 2009; Evans, 1995; Maggor, 2021; Ornston, 2012), we provided further support to the thesis that the incorporation of non-business actors strengthens the monitoring of industrial incentives and the embedded autonomy of policy makers, staving off corporate welfare.

The scope of this article centred on developing a theoretical framework and examining the politics of policy design; it did not permit an extensive investigation into the long-term economic outcomes of sectoral policies. This constitutes a limitation of our study. While there is existing literature on the consequences of these policies, as our brief analysis of results indicates, a comparative analysis of their effects across these three sectors would be an interesting avenue for future research.

More generally, the article shows that creating a coalition to support industrial policies demands a broader arrangement of social forces, especially in democratic settings. As mentioned above, although many authors have hinted at greater societal participation as an antidote to rent-seeking and other possible unwanted side-effects of sectoral incentives, this article has shown, by looking closely at different types of sector-specific dynamics, that even under similar institutional settings, the dynamics of organized interests matter greatly. As such, rather than focusing purely on convincing business groups to invest, governments committed to a transformative economic agenda should activate other actors who can bring with them the necessary drive to divert industrial policy results towards societal goals.

APPENDIX

Table A1. Complete List of Interview Participants

Interview	Description	Date(s)
1	Specialist in Public Policies and Government Administration (EPPGG) specializing in Industrial Policy and Innovation and serving in multiple ministries from 1997 to present.	8 March 2021
2	Secretary of Economic Development at the Ministry of Development, Industry, Foreign Trade and Services from 2011 to 2014.	27 April 2021
3	Senior staff member of BNDES (1998–2016) and head of the Bank's department for the pharmaceutical sector from 2004 to 2016.	11 May 2021 and 11 October 2022
4	Former Minister for Industry and Commerce and former President of the Brazilian Agency for Industrial Development.	1 July 2021
5	University Professor and Researcher, President of the Institute of Applied Economic Research (IPEA) and of the Fund for Studies and Projects (FINEP), largely responsible for the PITCE.	24 August 2021
6	Researcher at Departamento Intersindical de Estatística e Estudos Socioeonômicos (DIEESE — the Inter-Union Department of Statistics and Socio-Economic Studies).	26 August 2021
7	Trade unionist since 1986, President of the Institute for Labour, Industry and Development (TID-Brasil) of the Unified Workers' Central (CUT) since 2018.	1 September 2021
8	Trade Unionist in the Steelworkers Union of the ABC Region since 2001, Union's Director for Industrial Policy matters from 2017 to 2020.	10 September 2021
9	BNDES staff member (2002 to present), aide to the Bank's presidency from 2006 to 2016.	14 September 2021
10	Senior executive of BNDES, served as the Bank's executive director and vice-president from 2007 to 2016.	25 October 2021
11	Scientist at Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA — Brazilian Agricultural Research Corporation) since 2002.	24 October 2022
12	Researcher at Departamento Intersindical de Estatística e Estudos Socioeonômicos (DIEESE — the Inter-Union Department of Statistics and Socio-Economic Studies) specializing in the chemical and pharmaceutical sectors.	8 November 2022
13	BNDES staff member working on agro-industrial projects.	17 November 2022

Note: All interviews were conducted online. All interviewees were warned about issues around anonymity, especially when their positions were unique and thus total anonymity was impossible. All interviewees accepted these terms. Not all interviews are cited directly, but all of them informed this article.

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