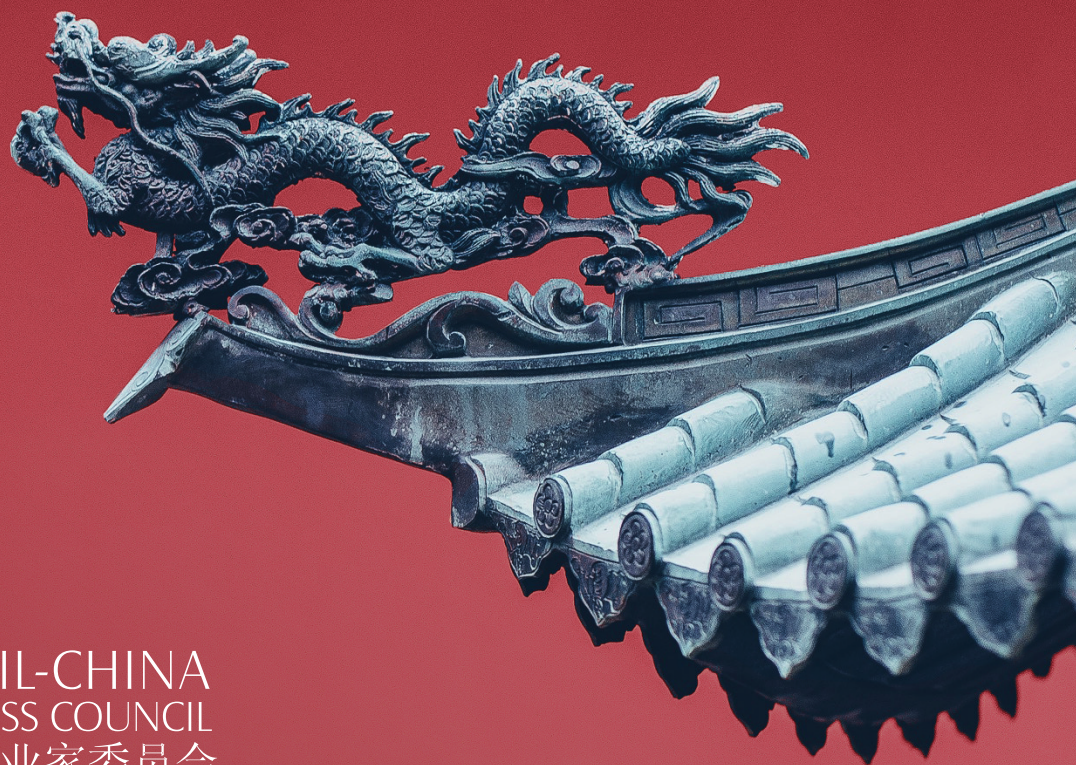


CHINESE INVESTMENTS IN BRAZIL 2018

The Brazilian framework
in a global perspective

Tulio Cariello



About CEBC

The Brazil-China Business Council (CEBC) was founded in 2004. It is a non-profit bilateral institution, which is comprised of two independent sections, one in Brazil and the other in China.

The CEBC seeks to promote dialogue among firms located in both countries. CEBC's activities are focussed on structural issues related to Brazil and China, with the purpose of improving the bilateral business climate.

The Brazil China Business Council's working agenda involves liaising with authorities from both governments, regular meetings of companies from both countries, thematic seminars, creating mechanisms for sharing business experiences and publishing important business research.

In 2015, Brazil and China signed a Joint Action Plan that officially recognized the CEBC as the main interlocutor between businesses in Brazil and China.

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Study Objectives and Methodology

This study intends to provide an overview of Chinese investments in Brazil between 2007 and 2018, particularly this latter year, with details on investment stock and flow, a geographic and industry analyses, forms of entry, and the ownership structure of investors. This edition also reviews Chinese investments worldwide, particularly in Latin America and the Caribbean, as context for understanding China's investments in Brazil.

Information collected by the Brazil-China Business Council was used for the analyses of investment information related to Brazil. CEBC has systematically recorded Chinese investment information since 2011. Transactions are monitored daily from national and international press, as well as through information collected directly from Chinese companies or their local partners. CEBC's analyses include announced investments (which have not necessarily been implemented, but may be implemented in the future) and confirmed investments (projects that have commenced operation). Our analyses also considers both project value and number of projects. The objective of the methodology chosen is to provide information from several different angles to better understand Chinese investments in Brazil, bearing in mind that many Chinese companies do not disclose their total investment numbers.

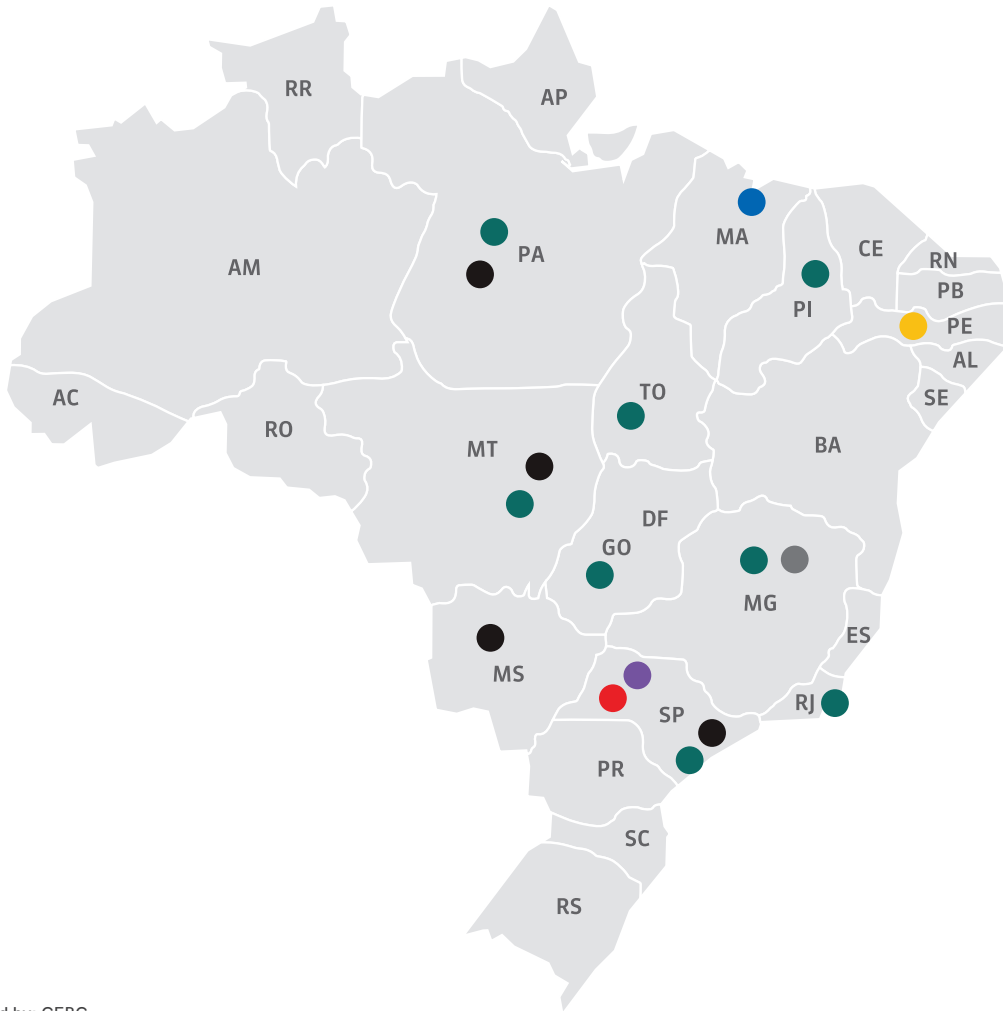
As for the data related to Chinese investments worldwide, several sources were used, including the China Global Investment Tracker, prepared by the American Enterprise Institute and the Heritage Foundation; the Boston University's Global Development Policy Center (GDP Center); China's Ministry of Finance (MOFCOM); the Mercator Institute for China Studies (MERICS); the Rhodium Group; and the Latin American and the Caribbean Network on China (RED ALC-CHINA).

Given that there is not sufficiently comprehensive monitoring, either by the Brazilian Government or other institutions, to ensure a complete database for Chinese investments in Brazil, it is important to say that the information disclosed here regards a general sample of said transactions.

CHINESE INVESTMENTS IN BRAZIL



Principal Chinese Investments in Brazil in 2018



Prepared by: CEBC

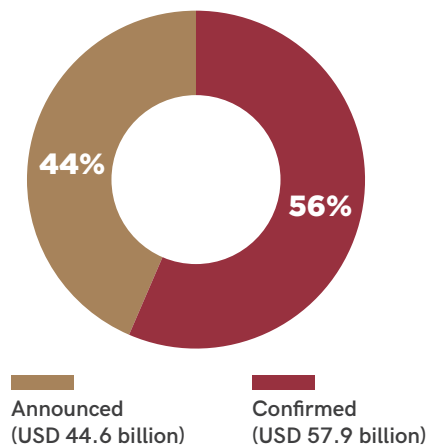


Chinese Investment Stock in Brazil (2007-2018)

According to data from the Brazil-China Business Council between 2007 and 2018, China announced investments of USD 102.5 billion in Brazil. Of this total, approximately USD 58 billion was confirmed, which indicates a realization rate of 56% over this period.

CHART 1

Inventory of Chinese Investments in Brazil | 2007 - 2018 | **By Value**

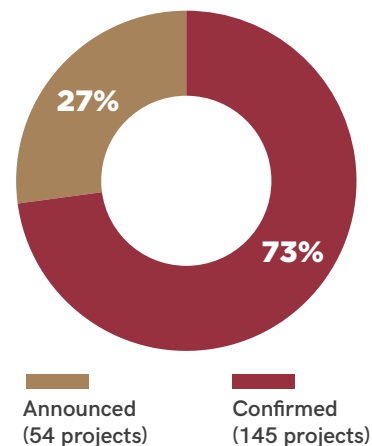


Source: CEBC

When analyzing the number of Chinese investment projects in Brazil between 2007 and 2018, a total of 199 projects were announced. Of these, 73% were put into practice over the years, resulting in 145 Chinese ventures operating in Brazil.

CHART 2

Inventory of Chinese Investments in Brazil | 2007 - 2018 | **Per Number of Projects**



Source: CEBC

From 2007 to 2018, confirmed Chinese investment stock in Brazil amounted to approximately USD 58 billion. This is of a total of US\$102.5 billion in projects announced during the same period.

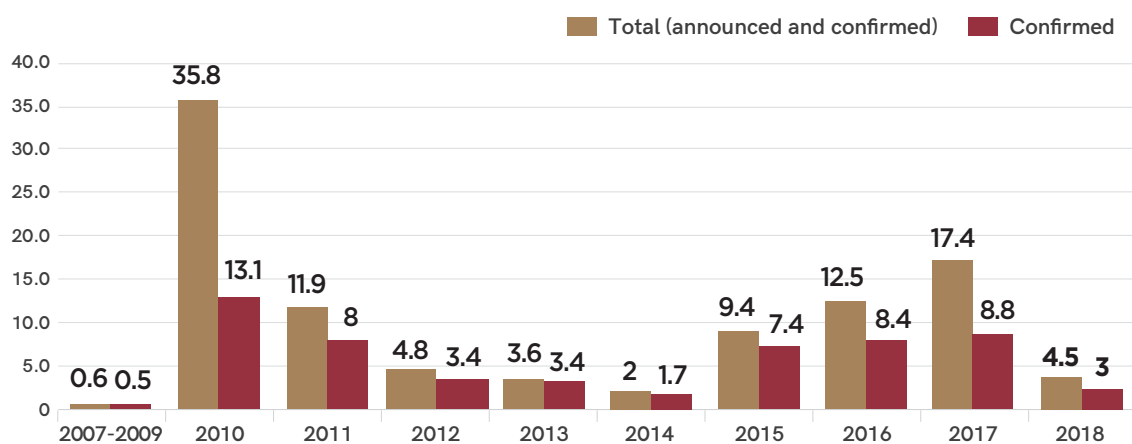
Investment Flow

The flow of Chinese investments in Brazil can be split into four phases. Up to 2010, Chinese companies were mainly interested in the commodities sector, in light of the growing demand from the Asian country for products such as oil, minerals, and soy. From 2010 to mid-2013, Chinese investments shifted towards the industrial sector in search of gains from Brazil's consumer market. The third phase is characterized by investments in services, notably by the Chinese banks. Finally, the last phase began in 2014, with large investments in electricity and infrastructure. Moreover, in this last phase, important investments were made in areas with great potential as well, such as oil and gas, agribusiness and, more recently, technology.

In 2018 specifically, confirmed Chinese investments in Brazil amounted to approximately USD 3 billion, i.e., 66% less than the USD 8.8 billion recorded in 2017. If we include announced, the total amount in 2018 reached approximately USD 4.5 billion, which is 74% lower than the previous year.

CHART 3

Flow of Chinese Investments in Brazil (Announced and Confirmed) | 2007 - 2018 By Value



Source: CEBC

In 2018, confirmed Chinese investments in Brazil amounted to approximately USD 3 billion, i.e., 66% lower than the USD 8.8 billion in 2017.

It is worth noting that the reduction of Chinese investments in Brazil in 2018 is part of a general downward scenario. The Brazilian Central Bank's data shows that foreign investments in the country as a whole – equity interest investments included, but inter-company loans excluded – decreased by 13% that year, falling from USD 64 billion in 2017 to USD 56 billion in 2018.

Similarly, these investments measured by the United Nations Conference on Trade and Development (UNCTAD) reached USD 61 billion in 2018, 10% less than the USD 68 billion in 2017.

From a political standpoint, this less attractive scenario for foreign investments in Brazil in 2018 was a reflection of uncertainties that the end of a transitional government and a particularly troubled election year have brought about. This scenario was further aggravated by the evident likelihood of a new government whose proposal was to break up with the economic policies that previous administrations had implemented. Consequently, foreign investors took a cautious stance, with expectations regarding a possible reformulation of the Brazilian regulatory architecture on foreign investments.

In particular, Brazil's relationship with China, apprehensions were heightened by the fact that the 2018 election poll's leading candidate, Jair Bolsonaro, had specifically criticized Chinese investments in the country, saying, on several occasions, that China would be "buying Brazil, not from Brazil."

Additionally, in his pre-campaign period, the current President of the Republic, then-Federal Representative, made an official visit to Taiwan, which aroused indignation from Beijing. China considers the island a "rebel province", and the sovereignty issue is poorly resolved between both parts and is, as such, a sensitive issue for mainland China. Similarly, the instability of recent Brazilian public administration also contributed to the lack of concrete projects available for Chinese investors. The political conjuncture at the time created uncertainty about the then-imminent new Brazilian government openness to partnerships with China.

Evidently, the importance that bilateral politics plays in attracting Chinese investments to Brazil cannot be disregarded, especially when these investments involve a significant participation of the Chinese state, which is very much the case for Brazil. In 2018, a total of 40% of all Chinese investment projects in Brazil (both announced and realized) counted on the participation of Chinese central state-owned companies. These are large companies in strategic industries whose administration is associated with the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, one of the highest instances of China's political apparatus.

From a market perspective, one should that the decrease seen in Chinese investments in 2018 when compared to 2017 is also a

result of the relatively robust investments seen in 2017.

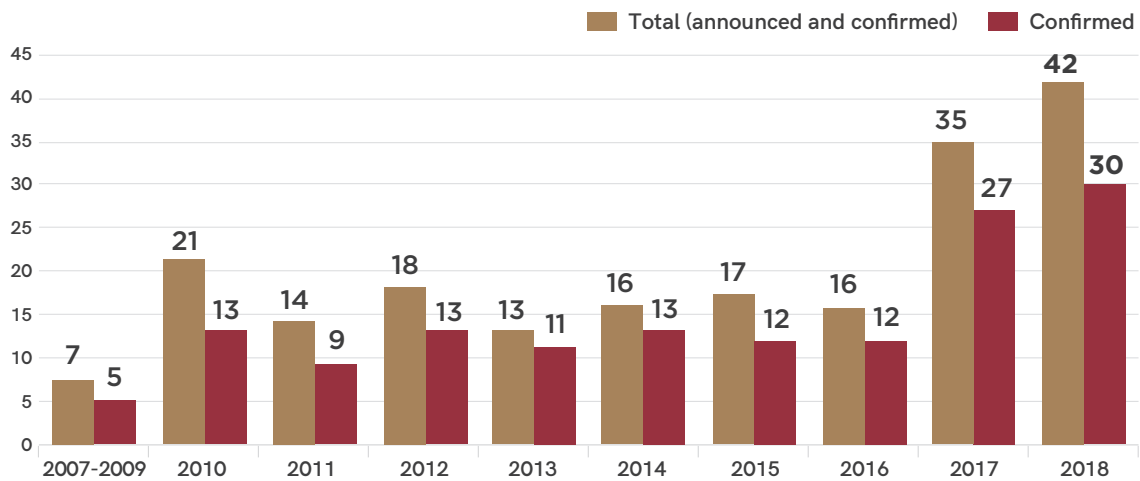
Major Chinese investors, mainly in the electricity generation, transmission, and distribution, prioritized consolidating their operations in Brazil with their existing assets rather than investing in new mergers and acquisitions. State Grid is a good example of this phenomenon. According to the company, none of their eight projects in Brazil purchased new assets in 2018.

On the other hand, despite some political attrition and a decrease in the total value of Chinese investments in 2018 compared to

2017, Chinese investments in Brazil have still shown resilience and pragmatism. The CEBC identified 42 investment projects, both announced and confirmed, in 2018, which is the highest number of projects recorded so far. If you consider only the confirmed investments, there was a total of 30 investment projects, which represents an increase of more than 11% compared to the 27 projects in 2017. In other words, even with some obstacles, Chinese investments in Brazil follow a similar strategy to those of other foreign investors - operating in accordance with Brazilian legislation and guided by market-based analysis and the emergence of opportunities.

CHART 4

**Flow of Chinese investment in Brazil (Announced and Confirmed) | 2007 - 2018
Per Number of Projects**



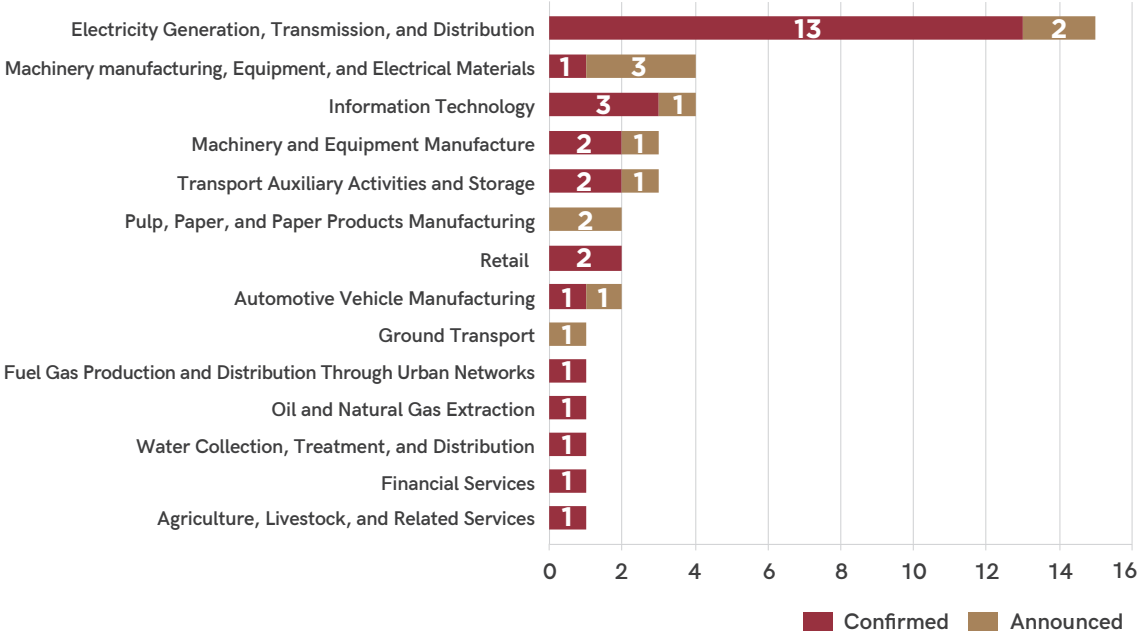
Source: CEBC

Industry Analysis

As was the case in the last few years, most of the Chinese investments confirmed in 2018, both in terms of value and number of projects, were related to electricity generation, transmission, and distribution. Within this scenario, two Chinese state-owned companies, State Grid and China Three Gorges, were particularly active, having confirmed investments in a total of 12 projects in 2018, according to information the CEBC received directly from these companies. Investments from both of these state-owned companies amounted to approximately USD 1.7 billion.

CHART 5

Business Sector distribution of Chinese Investments in Brazil (announced vs. confirmed) | 2018 | Per Number of Projects



Source: CEBC

Besides the electric power industry, there were new ventures in areas still underexplored by Chinese investors, such as in information technology, which received investments from Didi; mobile platforms for transport and urban mobility; and investments by Chinese technology giant Tencent in the Nubank credit card fintech.

Infrastructure also received investments in 2018, with financial resources put towards auxiliary services for transport and storage. For example, PetroChina invested in TT Work in the State of Pernambuco, while the China Communications Construction Company leads the project to build a Private Use Terminal at the São Luís Port in the State of Maranhão.

There were investments in the industrial sector too, with transactions in the machinery and equipment industries – the manufacturer YDF Valves purchased part of IPPG Brasil. Meanwhile, in the electrical machinery, equipment, and materials industries, Sanxing Electric purchased Nansen Precision Instruments, and Gree expanded its plant in the Manaus Free Trade Zone. GSPak was interested in investing in the pulp, paper, and paper products manufacturing sector, and announced that factories would be built in Brazil. In the motor vehicles sector, Vinco Motos Elétricas announced that it would set up a company in Minas Gerais, with the indication of a partnership with the Chinese manufacturer TAILG.

In retail, Midea launched an e-commerce platform for selling its home products line and the Chinese Aihuishou invested in Trocafone, a company dedicated to selling used cell phones and smartphones.

In oil and gas, CNOOC, in a joint venture with BP Energy and Ecopetrol, won the Pau Brasil pre-salt block in the Santos Basin. Shandong Kerui Petroleum also won a bid to install a Natural Gas Processing Unit at Comperj, in the state of Rio de Janeiro.

In the transport industry, BYD, a company that already has a considerable investment history in Brazil, announced an agreement to build a monorail in Salvador, the capital of Bahia State.

China Gezhouba Groupwater, a state-owned company, invested in water collection, treatment, and distribution. The company now controls the São Lorenço Water Production System (Sistema Produtor de Água São Lourenço – SPSL) concession in the state of São Paulo.

Fosun, a multi-industry Chinese conglomerate, acquired controlling interest of Guide Investimentos, a Brazilian brokerage and asset management company.

Agribusiness received Chinese investment for yet another year. The Pingle group, a wheat mill manufacturer, marked its entry into the Brazilian by opening a technical and commercial office and building a parts warehouse in Paraná state.

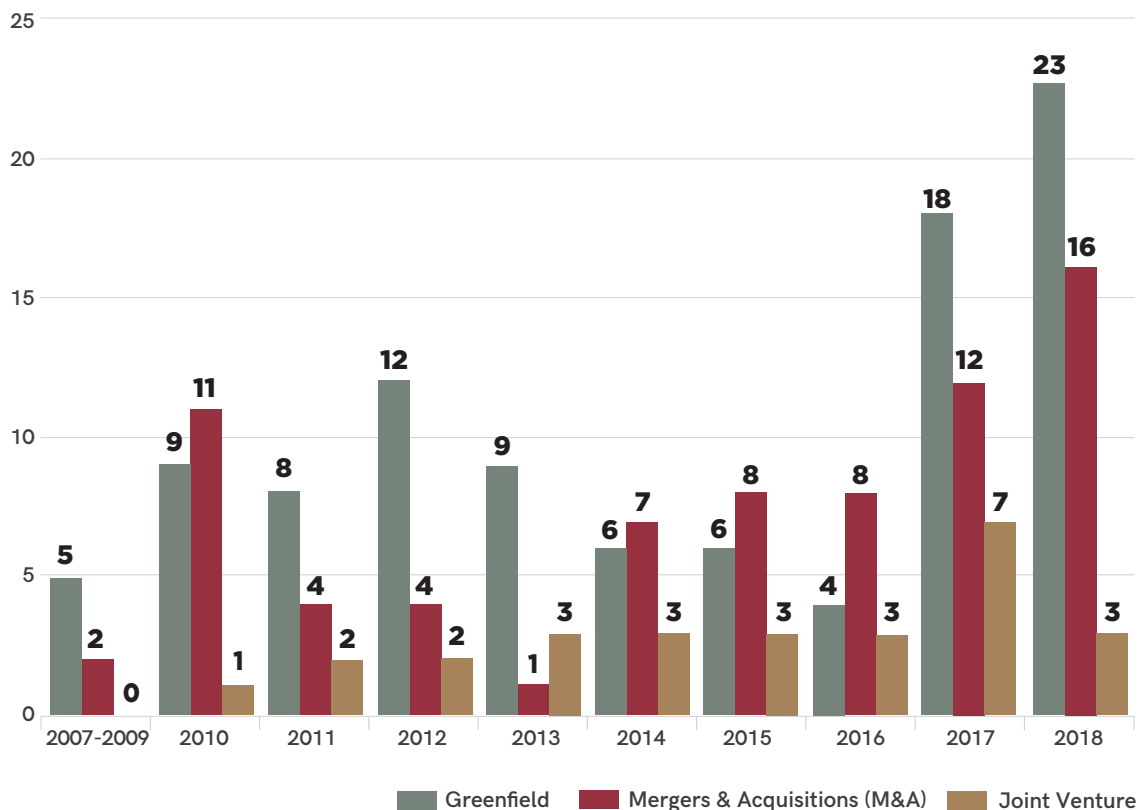
Most investments in 2018 were in the generation, transmission, and distribution of electricity. Together, State Grid and CTG invested about USD 1.7 billion in 12 projects.

Modes of Entry

Announced and confirmed Chinese investments in Brazil in 2018 were predominantly greenfield investments, which accounted for 50% of the total number of investment projects. Investments made via mergers and acquisitions accounted for 42%, while joint ventures accounted for 8% of the total number of investment projects.

CHART 6

Modes of Entry of Chinese Investments in Brazil (announced vs. confirmed 2007-2018) | Per Number of Projects



Source: CEBC

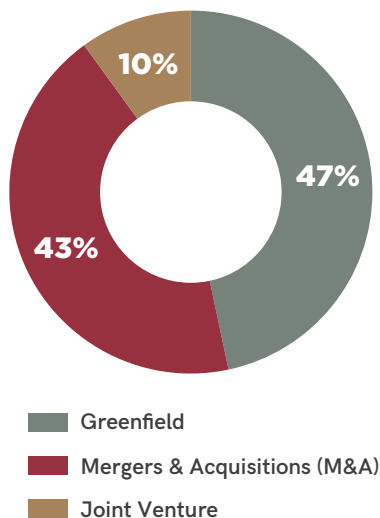
Looking at the graph, we can see that Chinese investors have resumed their interest in greenfield projects, particularly in 2017 and 2018. Prior to these years, from 2014 to 2016, many Chinese companies acquired assets that already existed and were in operation in Brazil, though this scenario was likely a reflection of the large number of public concessions and auctions offered which contributed to an increase in Chinese interest at that time, creating the investment scenario we see for that period.

Of the confirmed investment projects in 2018, greenfield investments accounted for 47% of the total number of investment projects, followed by mergers and acquisitions, which accounted for 43%, and finally joint ventures between Chinese and local partners which represented 10% of the total number of investment projects.

Chinese interest in greenfield investments increased in 2018 and accounted for 47% of the total number of confirmed investment projects.

CHART 7

Modes mode of Chinese Investments in Brazil (confirmed) | 2018
Per Number of Projects



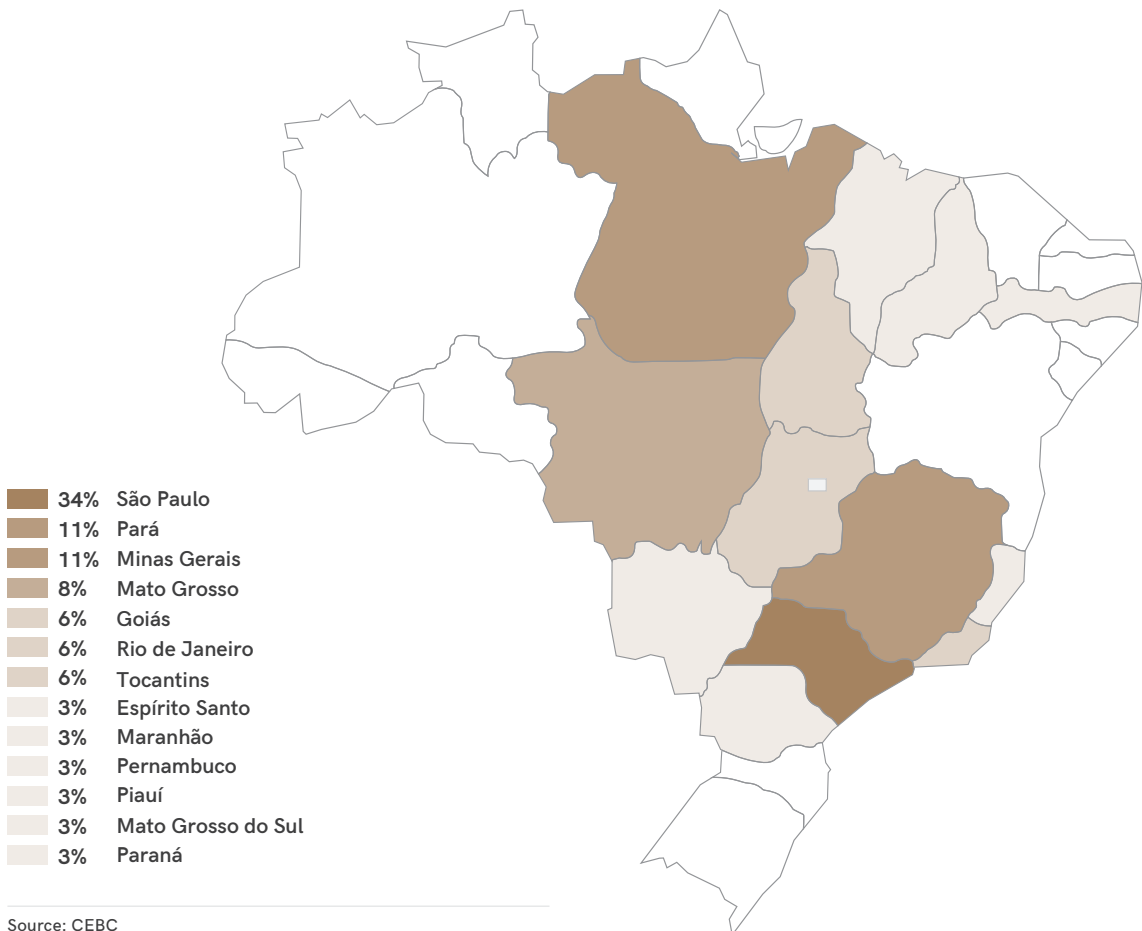
Source: CEBC

Geographic Distribution

Once again, Chinese investments in Brazil have been concentrated in the state of São Paulo. As shown in the map below, São Paulo state attracted 34% of the confirmed investments in 2018, far ahead of any other state. The state of Pará received 11% of the investments, the same percentage invested in the state of Minas Gerais. The state of Mato Grosso accounted for 8% of the Chinese investments, followed by the states of Goiás, Rio de Janeiro, and Tocantins - each of which accounted for 6% of the total investments from China. The states of Espírito Santo, Maranhão, Pernambuco, Piauí, Mato Grosso do Sul, and Paraná each accounted for 3% of investments.

MAP 2

Geographic Distribution of investments by State | Chinese Investments in Brazil (Confirmed) | 2018 | **Per Number of Projects**



Source: CEBC

Considering the stock of Chinese investments in Brazil, it is evident that São Paulo is the state that attracted the most investments in the country. The state received 35% of the confirmed investments between 2007 and 2018, far ahead of Rio de Janeiro, Minas Gerais, and Bahia, which attracted about 7% each. In any case, the speed at which Chinese companies have made themselves present virtually all over Brazil has been significant. According to data collected by the CEBC, only the states of Acre, Paraíba, Rondônia, and Sergipe do not have confirmed Chinese investments.

MAP 3

Geographic Distribution of investments by State | Chinese Investments in Brazil (Confirmed) | 2007-2018 | **Per Number of Projects**



Source: CEBC

CHINESE INVESTMENTS IN A GLOBAL CONTEXT

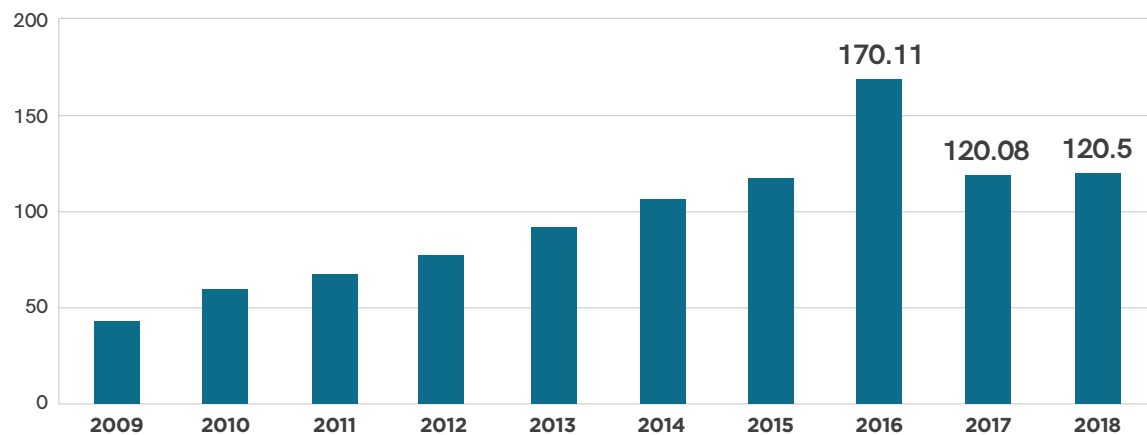


Information on Chinese investments around the world differs according to official and independent sources. Data from the China Global Investment Tracker (CGIT)¹ shows that after a steady growth movement over the past decade, Chinese investment around the world reached USD 105.9 billion in 2018, i.e., a 40% decline when compared to 2017. On the other hand, according to the chart below, official statistics from China's Ministry of Commerce (MOFCOM) show that Chinese foreign investments, excluding financial investments, reached USD 120.08 billion in 2017, which indicates a decrease of 29.4% when compared to the previous year. Despite this decline from 2016 to 2017, official data shows that investments stabilized in 2018 at USD 120.5 billion.

CHART 8

Chinese Foreign Investments, 2009-2018 (USD Billion)

Excluding Financial Investments



Source: MOFCOM | Prepared by: Caixin

China's reduced appetite for overseas investments can be explained by a combination of factors, some of which are linked to Chinese domestic policies.

In recent years, the Chinese government has exerted greater control over so-called "irrational investments", which have led to an accelerated capital flight from the Asian country. In this sense, Beijing has put pressure on important domestic companies

to sell assets abroad, thus reducing their global presence. Additionally, the Chinese government reduced liquidity in the financial system which impacted the availability of financing channels for foreign investment².

Also, according to a study by the American Enterprise Institute³, there was a significant drop in large overseas investments made by Chinese state-owned companies, particularly in the last quarter of 2018. Overall, these

1. The China Global Investment Tracker is published by the American Enterprise Institute and the Heritage Foundation.

2. Chinese FDI in Europe: 2018 trends and impact of new screening policies. Rhodium Group; Mercator Institute for China Studies, 2019.

3. Chinese Investment: State-Owned Enterprises Stop Globalizing, for the moment. American Enterprise Institute, 2019.

companies made fewer investments and executed fewer energy infrastructure projects. This significantly impacted the amount of Chinese outbound investments which are traditionally high.

Spillovers arising from the trade and technological conflict between China and the United States should also be considered seeing that the US has placed restrictions on Chinese investments in their territory.

In line with this trend, major hotspots for Chinese investments, such as Germany and Australia, have also shown less openness to Chinese investments in strategic areas.

In this context, Chinese investments in the European Union have fallen considerably over the past two years according to a study by the Mercator Institute for China Studies and the Rhodium Group. In 2017, Chinese investments in the EU reached € 29.1 billion, i.e., a 22% decline from a peak in 2016, when the value of transactions reached € 37.2 billion. In 2018, investments amounted to € 17.3, a 40% drop from the previous year.

Similarly, Chinese investments in the United States have declined even further. In 2018, investments amounted to USD 4.8 billion, indicating successive drops compared to the USD 29 billion in 2017 and USD 46 billion in 2016, according to a report released by Rhodium Group⁴. Although China Global Investment Tracker's data shows that Chinese investment in the US reached USD 9.7 billion in 2018, the data also indicates a downward

trend with investments falling 60% compared to the USD 24.6 billion in 2017.

Chinese investments in Australia also followed this trend. According to a report by KPMG and the University of Sydney, China's investments in Australia amounted to USD 6.2 billion in 2018, 38% less than the USD 10 billion invested in 2017⁵.

Additionally, some countries that make up the Belt and Road Initiative (BRI), the ambitious new Chinese Silk Road project, have been more reluctant to accept agreements with China because of troubled projects that have caused significant setbacks, including, but not limited to, large indebtedness among some recipient states. In fact, a study by Belgian think-tank Bruegel, based on big data analysis regarding press perceptions in various nations, says that countries officially or otherwise linked to the new Silk Road have mixed feelings about the initiative.

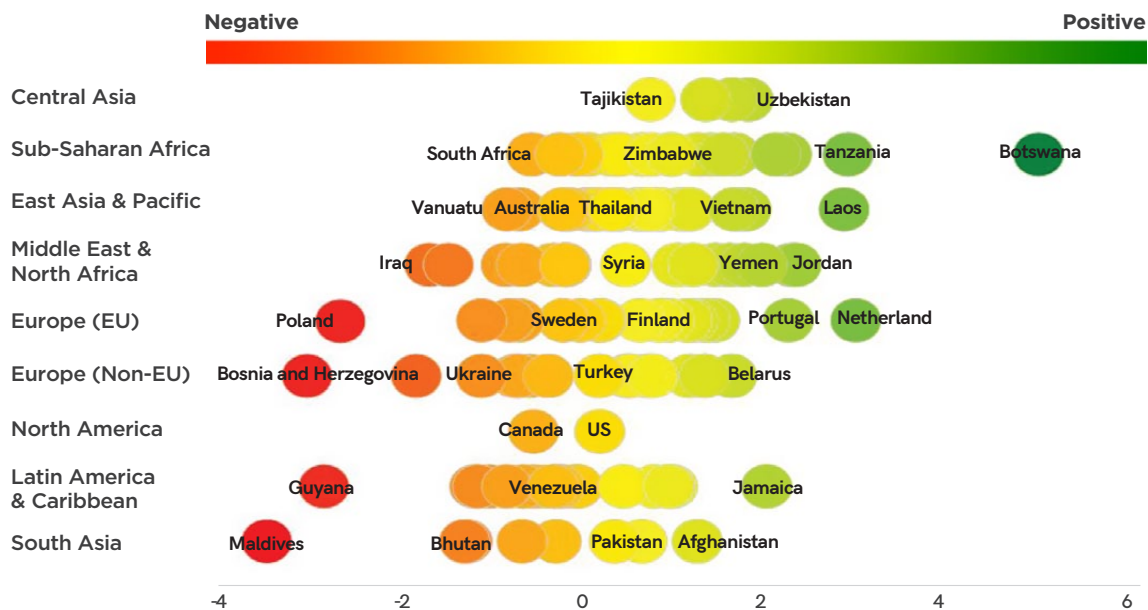
On a regional level, Central Asia and Sub-Saharan Africa have the most positive outlook on BRI, while East Asian and Pacific nations have also shown support for the project. EU countries have a more favorable view of BRI than non-members, with particularly negative perceptions coming from Poland, Bosnia, and Herzegovina and Ukraine. On the other hand, South Asian states have the most negative views, with particularly unfavorable sentiments from India, Bhutan, and the Maldives⁶.

4. Net Negative: Chinese Investment in the US in 2018. Rhodium Group, 2019

5. Demystifying Chinese Investment in Australia. KPMG ; University of Sydney. 2019

6. Countries' perceptions of China's Belt and Road Initiative: a big data analysis. Bruegel, 2019.

Perceptions of the New Chinese Silk Road | 130 Countries and Regions



Source: Bruegel, based on the GDELT Project

Finally, it is worth noting that several Chinese companies have given priority to their operations in their domestic market, focusing on stabilizing the economy and, therefore, have been more cautious about capital outflow, both to Brazil and other countries around the world⁷.

Chinese Investments in Latin America and the Caribbean

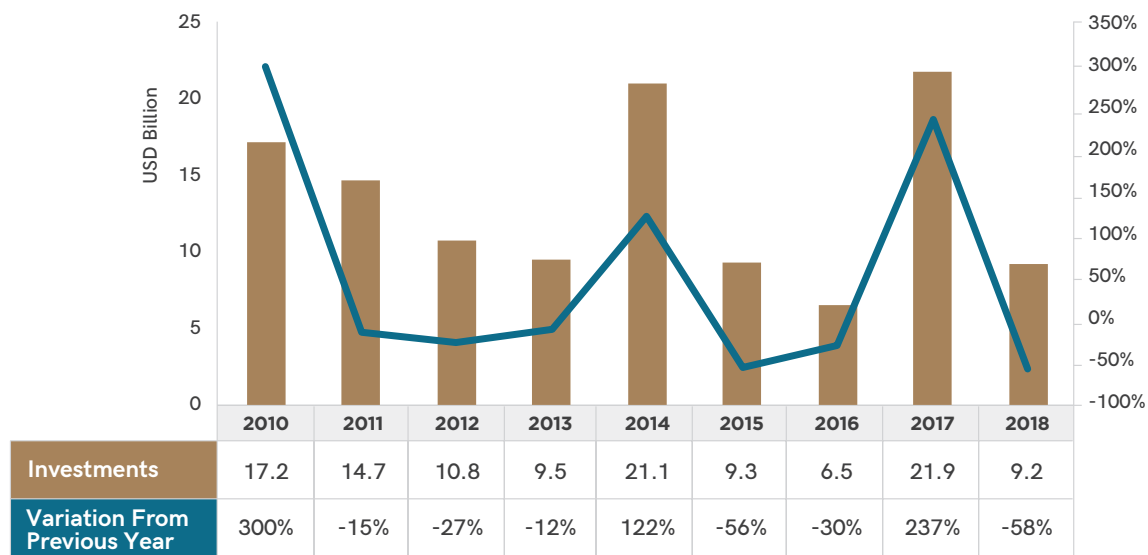
In 2015, during the Forum between China and the Community of Latin American and Caribbean States (CELAC), President Xi Jinping said that China would invest approximately USD 250 billion in the region within the next decade. Indeed, between 2007 and 2018, China already invested about USD 115 billion in Latin America and the Caribbean, according to data from the China Global Investment Tracker.

Despite this rhetoric, China’s investments in Latin America and the Caribbean declined sharply between 2017 and 2018. Indeed, data compiled by Boston University’s Global Development Policy Center (GDP Center)⁸ show a 58% year-on-year decrease – the largest drop in investments since 2010 – with special notice to the irregular intensity of the decrease in investments in the region during this period, as shown in the following chart.

7. CEBC BRIEFING, Issue 11. China in 2019: A New Agenda for Domestic Policies and Foreign Affairs? CEBC, 2019.

8. China-Latin America Economic Bulletin. GDP Center, Boston University, 2019.

Flow and Annual Variation of Chinese Investments in Latin America and the Caribbean | 2010-2018



Sources: Dealogic and Financial Times, by the GDP Center - Boston University⁹ | Prepared by: CEBC

In this context, data from the GDP Center survey also shows that this decrease in investments from 2017 to 2018 was equally reflected in the main forms of Chinese investment in Latin America and the Caribbean. Greenfield investments decreased by 64%, from USD 4.4 billion to USD 1.6 billion while China’s mergers and acquisitions in the region decreased 57%, from a record USD 17.5 billion in 2017 to USD 7.6 billion in 2018.

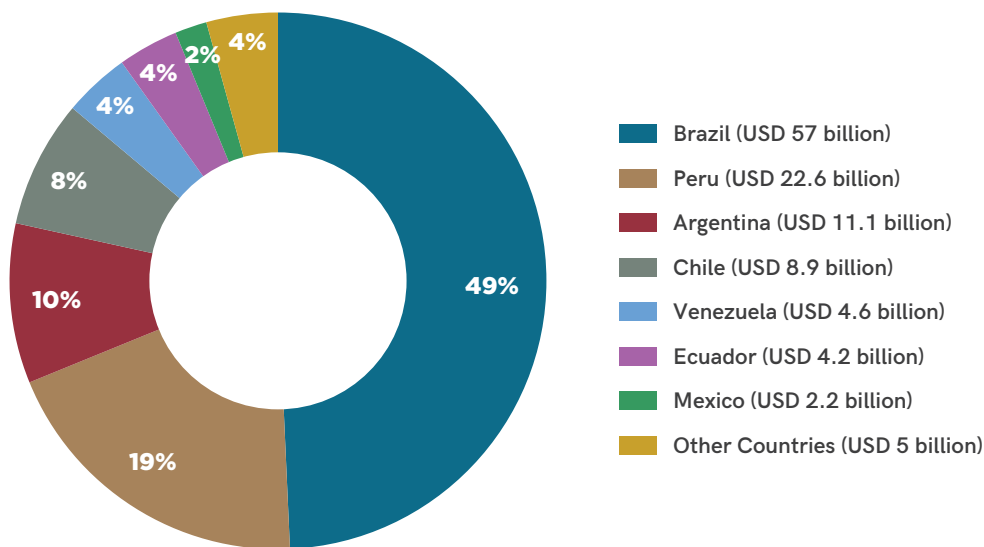
Even as China reduces its appetite for investments overseas, independent sources indicate that Brazil continues to be the evident center of gravity for Chinese investments in Latin America and the Caribbean. According to the above chart, practically half of the

Chinese investments in the region between 2007 and 2018 were directed towards Brazil, a considerably higher percentage than in Peru, which comes in second place with 19% of the total.

From 2017 to 2018, Chinese greenfield investments in Latin America and the Caribbean dropped 64% while mergers and acquisitions dropped 57%.

9. Chinese investments compiled from sources mentioned include Hong Kong, Taiwan, and Macao.

Chinese Investment Stock in Latin America and the Caribbean, Selected Countries | 2007-2018



Source: China Global Investment Tracker | Prepared by: CEBC

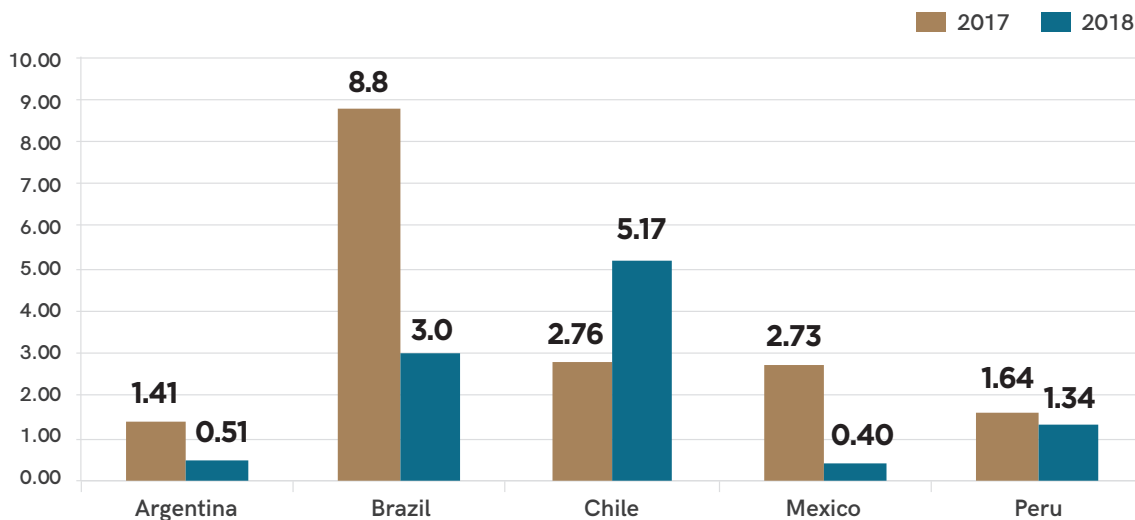
Similarly, data compiled by the Latin America and the Caribbean Network on China (Red LAC-China)¹⁰ confirm that the largest recipients of Chinese investments in the region are Brazil and Peru, receiving USD 48.5 billion and USD 15.7, respectively.

On the other hand, our attention is brought to the considerable growth of Chinese investments in Chile from 2017 to 2018 which increased 87% over this period. Meanwhile, Mexico, Brazil, Argentina and Peru experienced declines of 85%, 66%, 64%, and 18%, respectively.

Brazil is the center of gravity for Chinese investments in Latin America and the Caribbean, attracting almost half of all investments in the region.

10. Monitor de la OFDI de China en América Latina y el Caribe 2018. Red ALC-China, 2019.

Chinese Investments in Latin America, Selected Countries (USD Billion) 2017-2018



Source: Red LAC-China and CEBC | Prepared by: CEBC

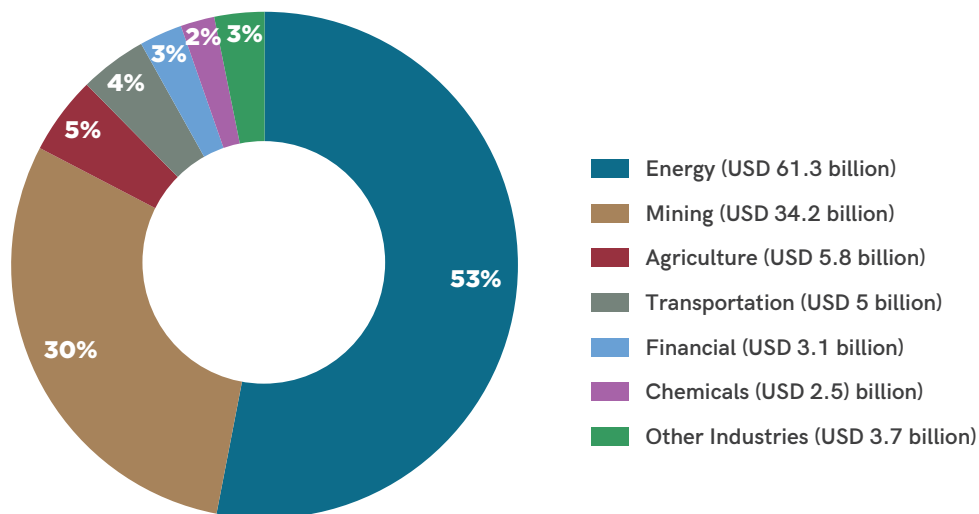
This specific increase of Chinese investments in Chile, however, is due to a particularly large single project. In 2018, China's Tianqi Lithium¹¹ bought a stake in mining company SQM for about USD 4 billion. China's objective was to guarantee a supply of lithium considering the growing demand for the material, which has been brought on, for example, by the electrical vehicles sector in China.

Industry Analysis of Chinese Investments in Latin America and the Caribbean

From an industry sector point of view, Chinese investments in Latin America and the Caribbean between 2007 and 2018 were mostly directed towards the energy sector (particularly in hydroelectricity and oil), which accounted for 53% of investments in the region. Mining accounted for 30% of total investments, followed by agriculture, transportation, finance, and chemicals.

11. "Tianqi buys stake in lithium miner SQM from Nutrien for \$4.1 billion". Reuters

Chinese Investments in Latin America and the Caribbean by Industry | 2007-2018



Source: China Global Investment Tracker | Prepared by: CEBC

Brazil attracted seven of the ten largest energy investments in the region between 2007 and 2018, while Argentina attracted two projects and Peru one, as can be seen in the table below.

TABLE 1

Major Chinese Energy Investments in Latin America and the Caribbean | 2007-2018

Year	Investor	Investment Partner/Recipient	Recipient Country	Investment Value (USD Billion)
2010	Sinopec	Repsol	Brazil	7.1
2016	State Grid	CPFL	Brazil	4.91
2011	Sinopec	Galp Energia	Brazil	4.8
2016	China Three Gorges	-	Brazil	3.66
2017	State Grid	CPFL	Brazil	3.44
2010	CNOOC	Bridas	Argentina	3.1
2010	Sinochem	Statoil	Brazil	3.07
2013	CNPC	Petrobras	Peru	2.89
2010	Sinopec	Occidental Petroleum	Argentina	2.47
2017	State Power Investment	-	Brazil	2.26

Source: China Global Investment Tracker | Prepared by: CEBC

However, given that Brazil received almost half of all Chinese investments in the region during that period, and considering that the energy sector strongly influences overall investments in the country, it is important to observe that the overall framework of Chinese investments in Latin America and the Caribbean would change significantly if we were to disconsider the investments in Brazil.

When we disconsider investments in Brazil, we see that the energy sector continues to be a relevant sector, accounting for 36% of total investments, however, the mining segment is clearly the sector that attracted the most interest of Chinese investors in recent years. The mining industry accounted for just over half of the investments (in total value) between 2007 and 2018. There were particularly large investments made during this period, such as the purchase of the Las Bambas copper mine in Peru by a consortium between China Minmetals, Guoxin International, and CITIC

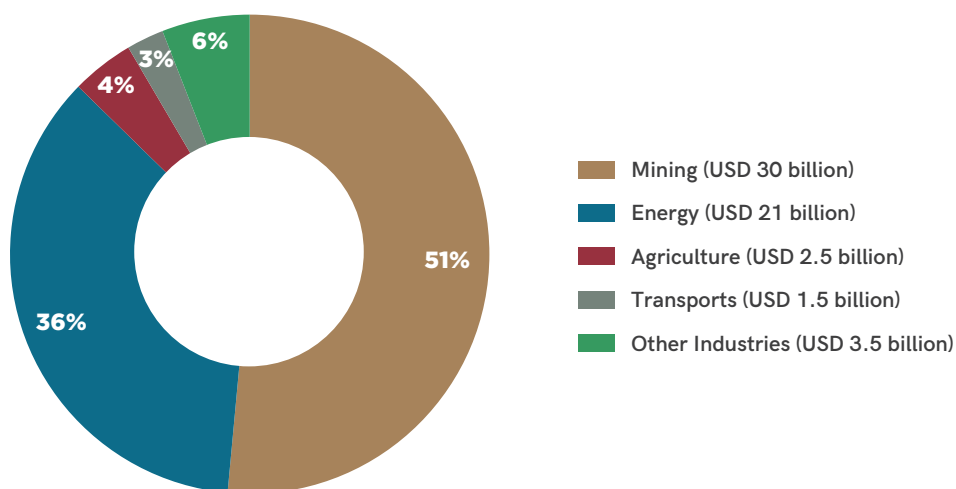
together with Glencore. The total value of the transaction was approximately USD 10 billion, one of China's largest overseas acquisitions in the mining sector¹².

When we look at investments in mining for all of the Latin American and Caribbean countries included in the China Global Investment Tracker, it is clear that Peru was the country that attracted most of China's investments in the region, having received 54% of all investments made in this sector. Chile comes next having received 18% of the investments, while Brazil received 12% and Ecuador 11%.

Energy and mining have attracted most of the Chinese investments in Latin America and the Caribbean.

CHART 14

Chinese Investments in Latin America and the Caribbean (Excluding Brazil) by Industry | 2007-2018



Source: China Global Investment Tracker | Prepared by: CEBC

12. "China's largest overseas acquisition in metal and mining industry put into operation". China Minmetals Corporation

As the following table shows, Peru attracted five of the 10 largest investments in the region, while Chile and Brazil received investments for two projects each, and Ecuador one.

TABLE 2

Major Chinese Investments in the Mining Industry in Latin America and the Caribbean | 2007-2018

Year	Investor	Investment Partner/Recipient	Recipient Country	Investment Value (USD Billion)
2014	Minmetals, Suzhou Guoxin, CITIC	Glencore	Peru	6.99
2018	Chengdu Tianqi	Sociedad Quimica y Minera	Chile	4.07
2010	Minmetals	-	Peru	2.5
2018	Zhongrong Xinda	Pampa de Pongo	Peru	2.36
2008	Chinalco	-	Peru	2.16
2014	China Railway Construction, China Nonferrous	Mirador	Ecuador	2.04
2011	Taiyuan Iron, CITIC, Baosteel	CBMM	Brazil	1.95
2010	Shunde Rixin, Minmetals	-	Chile	1.91
2018	Chinalco	-	Peru	1.3
2010	East China Mineral Exploration and Development Bureau (Jiangsu)	Bernardo de Mello Itaminas	Brazil	1.2

Source: China Global Investment Tracker | Prepared by: CEBC

CONCLUSION

A number of factors have been imposing new challenges to China's globalization, which has been reflected in a relative decline in Chinese investments in some regions of the world. Some of these factors include: the Chinese government's increased control over capital outflows, China's commercial and technological dispute with the United States and their effects on international investments, and the emergence of obstacles to the implementation of China's new Silk Road.

In Brazil in 2018, there was a considerable drop in confirmed Chinese investments to around USD 3 billion, 66% less than the USD 8.8 billion invested in 2017.

In addition to the general reduction in China's investments in Latin America, the Brazilian case was further marked by uncertainties that the end of a transitional government and a particularly troubled election year brought about. Additionally, hostile statements made by Brazil's current President about China during the 2018 election campaign also created uncertainties about the bilateral relationship.

Maintaining constructive bilateral relations is important - especially considering that the largest Chinese investors in Brazil are state-owned companies - nevertheless, China's announced and confirmed investments in Brazil in 2018 reached a record number of 42 projects.

This serves to show that China's interest in investing in Brazil is pragmatic; investment decisions are defined by a market strategy and opportunities that arise, and are executed according to Brazilian law.

President Xi Jinping announced at the 2015 China-CELAC meeting that China would invest about USD 250 billion in Latin America and the Caribbean in the next decade, which indicates that the region will continue to attract Chinese interest. Brazil, having received about half of Chinese investments in the region to date, is the obvious center of gravity for investments in the region, and the country will continue to influence Beijing's foreign policy in the region.

In this sense, there is room for Brazil to attract Chinese investments in industries beyond the traditional investment sectors such as the energy sector, which is already well-explored and currently maturing. New investments in areas in which China has great expertise, such as logistics and construction, could bring benefits to Brazil's uncompetitive infrastructure. Additionally, Chinese investments in the industrial sector may potentially stimulate economic activity in the country. Not any less important are the opportunities for cooperation in technology, given China's rapid development in this industry.

DESCRIPTION OF CHINESE INVESTMENTS IN BRAZIL IN 2018





AGRICULTURE, LIVESTOCK, AND RELATED SERVICES

Pingle

Chinese manufacturer Pingle, a leading supplier of wheat mill machines in China, has confirmed investments in a technical and commercial office and in the construction of a mill parts warehouse in Ponta Grossa, Paraná. The business' initial value was estimated at BRL 3.6 million. Sources: Reuters and Ponta Grossa City Administration.



TRANSPORT AUXILIARY ACTIVITIES AND STORAGE

China Communications Construction Company (CCCC)

1. In 2018, the Asian giant China Communications Construction Company (CCCC) announced an investment in the Babitonga Grain Terminal (TGB) in São Francisco do Sul, Santa Catarina. The investment is valued at approximately BRL 1 billion. The Chinese group also intends to acquire a 51% stake in the Anessa Infrastructure Participation Fund. Sources: Diário Catarinense and Estado de São Paulo.

2. In March 2018, the foundation stone of São

Luís Port was laid. The port is in the city of São Luís, Maranhão state's capital, and the work will take up to four years to be completed, at an estimated cost of BRL 800 million. The Chinese company CCCC has been leading the project since it acquired a 51% stake in the venture, alongside Brazilian companies WPR and Lyon Capital. China's then-ambassador to Brazil, Mr. Li Jinzhang and the governor of Maranhão state, Mr. Flávio Dino, attended the launching ceremony, together with representatives of the companies involved including other partners such as the Chinese group Herun, ICBC and the China Development Bank. Source: the Government of Maranhão and Xinhua.

PetroChina (CNPC)

PetroChina International, a subsidiary of CNPC - China National Petroleum Corporation for foreign businesses - completed the acquisition of a 30% share in TT Work, a Brazilian petroleum products distribution group. The transaction amount was not disclosed. Source: Jornal do Commercio and TT Work.



FINANCIAL SERVICES ACTIVITIES

Fosun

Fosun International, a multi-industry Chinese conglomerate, acquired a controlling interest in Guide Investimentos, a Brazilian brokerage and wealth management company. The announcement was made through Banco Indusval, Guide's controlling partner. The sale of 69.14% of the Brazilian brokerage firm to

the Asian group was a transaction estimated in up to BRL 287.9 million. The bank transferred 195,115 common shares and 39,404 preferred shares from Guide to Fosun, for an amount of BRL 155.9 million. Another BRL 120 million will be paid to Indusval, depending on Guide's financial results for the following fiscal years. Sources: Bloomberg and Reuters.



INFORMATION TECHNOLOGY

Didi Chuxing

China's mobile transport and urban mobility platform Didi Chuxing acquired control of 99, a Brazilian company in the same industry. The transaction's value was approximately USD 600 million. Other investors are Riverwood Capital, Monashees, Qualcomm Ventures, Tiger Global and Softbank. Didi had acquired a minority stake in 99 in January 2017, when it took part in a USD 100 million investment round. Sources: Estado de São Paulo and G1.

Huobi

China's cryptocurrency broker Huobi arrived in Brazil with the intention of being the main trading partner for cryptocurrencies of traditional investment brokers and investment banks, as Huobi's CEO in Brazil said in an interview to Exame Magazine. Huobi offers about 150 types of currency to the cryptocurrency industry, from the best known - bitcoin, ethereum and litecoin - to the lesser popular iota, decred, and tron.

The company has informed that there are no targets or fixed values for investments in the country, and said that its headquarters' check size will depend on the agreements made in Brazil. Source: Exame.

Tencent

1. Nubank, the credit card fintech company, has confirmed that the company has received an investment from Tencent, China's Internet technology and services giant. According to Valor Econômico newspaper, the transaction value was approximately USD 90 million, according to a statement from Nubank. Source: Valor Econômico.

2. According to Exame magazine, the Chinese company Tencent would be in negotiations with Dotz, a Brazilian company that runs loyalty programs. The possible investment value was not disclosed. Source: Exame.



RETAIL

Aihuishou

Trocafone, the Brazilian sales portal for used electronics, received a USD 3 million capital investment from Aihuishou, a Chinese sales company for second-hand electronic good, and from Pedralbes Partners. The company operates through a portal where users can exchange their phones for vouchers, which can be used in electronics stores to buy a new device. Source: Latin American Venture Capital and Private Equity Association (LAVCA).

Midea

Midea, the Chinese home appliance company, has launched an e-commerce platform for selling its residential line products. The company has launched its own website in Brazil, and has made available a series of products, aiming at direct sales to the final consumer. The amount invested was approximately USD 900 thousand. Sources: Valor Econômico and Midea.



PULP, PAPER, AND PAPER PRODUCTS MANUFACTURE

GSPak

1. GSPak announced the installation of a branch in the municipality of Castro, Paraná, with an investment of USD 400 million. The announcement was made in July 2018, at the Iguazu Palace in Curitiba. At the occasion, governor Cida Borghetti ensured that the initiative will benefit from the “Paraná Competitivo” program. Source: Castro City Administration.

2. During a meeting at Palmares Republic Palace in the state of Alagoas in October 2018, members of the State Council for Economic and Social Development (Conedes) have approved tax benefits to GSPak. The company should invest BRL 117 million in a factory in the metropolitan region city of Rio Largo. Source: State Council for Economic and Social Development of Alagoas (Conedes).



OIL AND NATURAL GAS EXTRACTION

CNOOC

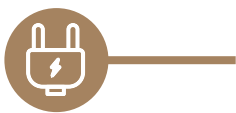
The consortium formed by companies BP Energy, Ecopetrol, and CNOOC acquired the Pau Brasil block in the Santos Basin pre-salt. The consortium bid amounted to 63.79% of Federal Government’s oil surplus, versus a minimum percentage of 24.82%. BP Energy is the winning consortium’s operator, with 50% - Ecopetrol has 20%, and CNOOC 30%. Source: Reuters.



WATER COLLECTION, TREATMENT, AND DISTRIBUTION

China Gezhouba Group Company

China Gezhouba Group Company (CGGC), a Chinese company that operates in the construction and engineering industry, has signed an agreement to purchase 100% of the Sistema Produtor São Lourenço, operated by Sabesp, a government company in the state of São Paulo that is co-responsible for managing the state’s metropolitan region water supply. The investment amount was not disclosed. Sources: Reuters and Sistema Produtor São Lourenço S.A.



ELECTRICAL MACHINERY, EQUIPMENT, AND MATERIALS MANUFACTURE

CEE Power

China's CEE Power announced a venture of approximately BRL 20 million to be built in Santa Catarina, in partnership with a local company still to be selected. The plan is to set up a factory in Brazil to produce medium voltage equipment such as lightning rods, fuse switches, isolators, and reclosers. Source: Reuters.

Corona Energy Technology

The mayor of Cuiabá, Emanuel Pinheiro, and vice-mayor Niuian Ribeiro have received representatives from Chinese company Corona Energy Technology in January 2018. During the meeting, brokered by the "Desenvolve MT" Agency, the parties discussed a possible partnership for the installation of a solar panels factory in the state's capital. The Chinese representatives announced an investment from USD 30 to 40 million in the new venture, for the construction of a solar-powered lamps assembly line. Source: Cuiabá City Administration.

Gree

With a factory in the Manaus Free Trade Zone, Gree is developing a project to double the production volume in the country. The company intends to include new items in its production line with the factory's expansion.

The company has already begun to display a catalogue of 23 items, from electric cookware to fans, for Brazilian consumers. Another initiative announced was taking another laboratory from China to Manaus for products' total testing. The company currently has an energy efficiency laboratory in Manaus, the Amazonas state's capital. The investment amount was not disclosed. Source: Valor Econômico.

Hanergy

Hanergy Thin Film Power Group Ltd, a Chinese manufacturer of thin film photovoltaic modules, has announced its interest in investing in Brazil. The plans for the country are divided into two stages. In the first stage, Hanergy intends to develop a distribution and sales network for its products. In the future, the company's idea is to invest in building a factory of its own. The company has pointed out that it would be looking for partners and talking with banks and potential investors to implement the project, which is estimated at approximately USD 400 million. Source: Valor Econômico.

Sanxing Electric

Chinese meter manufacturer Sanxing Electric has finalized the deal to acquire 100% of the Brazilian Nansen. Sanxing is part of the AUX Group, a business conglomerate that is one of the 500 largest Chinese companies. According to a note from Nansen, the two companies started negotiations in 2015, when Sanxing acquired 51% of the Brazilian company. Since then, the Chinese have invested about BRL 30 million in expanding and revamping the meter factory located in the city Contagem, state of Minas Gerais. Sources: Nansen and Diário Comércio Indústria & Serviços (DCI).



MACHINERY AND EQUIPMENT MANUFACTURE

Skystone

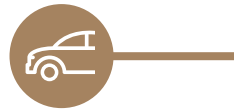
In the city of São Domingos do Norte, state of Espírito Santo, the Guidoni Group has sold the diamond wire factory that the company owned in partnership with the Chinese company Fuzhou Skyston Diamond Tools Co. Ltd., which now controls 100% of Skystone Brasil's equity. Sources: Revista Rochas and Skystone Brasil.

YDF Valves

YDF Valves, a Chinese valve manufacturer, has merged with IPPG Brazil. The latter is Triple M's parent company, and operates in the pipes, valves, and fittings industry. The transaction amount was not disclosed. With that merger, YDF Valves will add all the innovative projects consultants expertise to its portfolio, and will have a new manufacturing, distribution, and automation center in Brazil. Source: O Petróleo.

Zhuhai Yuren Agricultural Aviation Co

The government of Mato Grosso has reached an agreement with the Chinese company Zhuhai Yuren Agricultural Aviation Co Ltd for the installation of an agricultural drone factory in the state. The initial investment will be USD 22 million. Source: Mato Grosso State Government.



AUTOMOTIVE VEHICLES MANUFACTURE

Anhui Zhongding Holding

Chinese rubber manufacturer Anhui Zhongding Rubber-Plastic Products Co. Ltd. has started operations in the Brazilian state of São Paulo. It is the company's first factory outside China, and was established to meet local manufacturing needs of General Motors' Global Emerging Markets platform, which was designed for 9 entry-level passenger car models and crossover utility vehicles for developing markets. Source: Ministry of Planning, Development, and Management of Brazil - Secretariat of International Affairs.

TAILG

The installation of Vinco Motos Elétricas company should bring TAILG electric motorcycle technology directly from China to the Technological Hub located in the city of Uberaba, state of Minas Gerais. The investment amount was not disclosed. TAILG is a Chinese company specializing in sustainable energy vehicles research and development, manufacture, marketing, and services. Its products include electric bicycles, electric scooters, and electric tricycles, among other vehicles. Source: Uberaba City Administration.



ELECTRICITY GENERATION, TRANSMISSION, AND DISTRIBUTION

CED Prometheus

Chinese company CED Prometheus has signed an agreement with the state government of Mato Grosso to invest USD 330 million in an energy production project that will supply local industries. The governor of Mato Grosso do Sul, the mayor of Chapada dos Guimarães, and representatives from project's companies signed the respective memorandum of understanding at the end of January 2018. Sources: Government of Mato Grosso and Mato Grosso Municipalities Association.

China Three Gorges (CTG)

According to information that China Three Gorges Brazil sent directly to CEBC, the Chinese giant has invested in BRL 398 million in the country in 2018, through four projects. BRL 345 million were invested by the Rio Paraná company, including BRL 300 million for the Ilha Solteira and Jupuíá hydroelectric plants' modernization project, aimed at renewing and updating the plants' 34 generating units. The investment covers the states of São Paulo and Mato Grosso do Sul. Rio Parapanema, a company that covers the state of São Paulo, has made another investment in the amount of BRL 45 million. Additionally, CTG has also confirmed two other projects through

the Rio Verde and Rio Canoas companies, and respective transactions amount to BRL 3 million and BRL 5 million, respectively, in the states of Goiás and Santa Catarina. Source: China Three Gorges Brasil.

Jiangsu Communication Clean Energy Technology (CCETC)

Chinese group Jiangsu Communication Clean Energy Technology has announced its first investment in Brazil, with the construction of two thermoelectric plants in Bahia: Camaçari Muricy II and Pecém Energia, with 143 megawatts each. The investment of approximately BRL 400 million includes acquiring the control of the two Special Purpose Entities (SPEs) and resources to build the diesel-powered plants. The Chinese company will have approximately 50% stake in the companies, whose shareholders were Petrobras and an investment fund managed by Pacifico Administração de Recursos, called MDC. Source: Estado de São Paulo.

Jinjiang Environment

Chinese Jinjiang has signed an agreement to acquire a 51% stake in a project to build Brazil's first waste-based generation thermal power plant. Foxx URE - BA Ambiental, a Brazilian company that operates in the non-hazardous waste collection, treatment, and disposal areas, owns the plant. Foxx URE-BA Ambiental will build and operate a waste-based power plant in Barueri, state of São Paulo, with a processing capacity of 825 tons per day. The transaction value was approximately USD 15 million. Source: Barueri City Administration and MacaHub.

State Grid

According to information that State Grid sent directly to CEBC, the Chinese power giant has invested approximately USD 5.8 billion in Brazil in 2018 through eight projects:

1. A 2,500-km high voltage transmission line, through subsidiary Xingu Rio Transmissora de Energia. The investment covers the states of Pará, Tocantins, Goiás, Minas Gerais, and Rio de Janeiro, with an transaction amount of approximately BRL 4.8 billion.

2. A transmission line of approximately 1,000 km, through the Paranaíta Transmissora de Energia. The investment value was approximately BRL 748 million, and covers the state of Mato Grosso.

3. A 275-km transmission line through the Canarana Transmissora de Energia. The investment covers the state of Mato Grosso, and amounts to BRL 91 million.

4. A project to reinforce the Ribeirão Preto Transmissora de Energia's transmission line. The investment amounted to BRL 25 million and covers the state of Minas Gerais.

5. A project to reinforce the subsidiary Atlântico Transmissora de Energia for Celpa - Centrais Elétricas do Pará, at the Xinguara 2 substation. The investment was BRL 3.8 million.

6. A project to strengthen the Iracema Transmissora de Energia in the Curral Novo do Piauí substation, with an investment of BRL 13 million.

7. A project to reinforce the Porto Primavera Transmissora de Energia at the Nova Porto Primavera Substation, in the state of São Paulo. The investment value reached approximately BRL 15.9 million.

8. A high voltage transmission line of approximately 2,000-km in the Belo Monte Transmissora de Energia project.

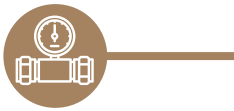
The investment amounted to BRL 82.8 million and was made in partnership with Furnas (24.5%) and Eletronorte/Eletronorte (24.5%), while State Grid kept holding the remaining 51%. The investment covers the states of Pará, Tocantins, Goiás, and Minas Gerais. Source: State Grid Brazil Holding.



LAND TRANSPORT

BYD

BYD, a Chinese manufacturer of electric cars and buses, rechargeable batteries and solar panels, signed an agreement in May 2018 for building a monorail system in the city of Salvador, state of Bahia. The contract was signed by state government and the winning bidder consortium, Skyrail Bahia, consisting of companies BYD Brasil and Metrogreen. The work should be carried out through the Public-Private Partnership (PPP) modality. With a total investment estimated at BRL 1.5 billion, the electricity-driven monorail metropolitan modal will link the Salvador city's business area to São João Island. The monorail is expected to be approximately 20-km long, with 22 stations and capacity for approximately 150,000 users a day. Source: BYD Brasil.



FUEL GAS PRODUCTION AND DISTRIBUTION THROUGH URBAN NETWORKS

Shandong Kerui Petroleum

A consortium that includes the Chinese company Shandong Kerui Petroleum was the winner in a Petrobras' bidding event for the implementation of a Natural Gas Processing Unit (UPGN) at Comperj, in Itaboraí, state of Rio de Janeiro. The expected investment would be approximately USD 600 million. Source: Ministry of Planning, Development, and Management of Brazil - Secretariat of International Affairs.

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