

Bimonthly Newsletter on Chinese Investments in Brazil - nº 5

May - June 2018
Released
July 06th, 2018

Section 1 — Chinese FDI in May - June 2018

In May-June of 2018 three Chinese investment projects were reported in Brazil, as shown below:

May 10th — The China Three Gorges' CEO in Brazil, Li Yinsheng, responsible for 17 hydroelectric plants in the country, announced the need to consolidate investments, updating the facilities of Jupuí and Ilha Solteira Power Plants in SP.

An investment of R\$ 704 million (US\$ 198.87 million) is expected by the end of the first half of this year, in order to update the Ilha Solteira plant. The company intends to invest about R\$ 3 billion (US\$ 847 million) in the two hydroelectric plants in the next 10 years.

May 29th — The China Gezhouba Group Company Limited (CGGC) announced a deal to buy 100% of the maintenance company in charge of the São Lourenço water production system. Opened in April 3rd, 2018, the São Lourenço system is the fourth biggest plant in distribution capacity, behind the Cantareira, Guarapiranga and Alto systems. The value of the transaction was not disclosed.

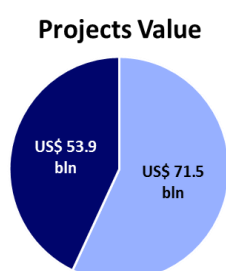
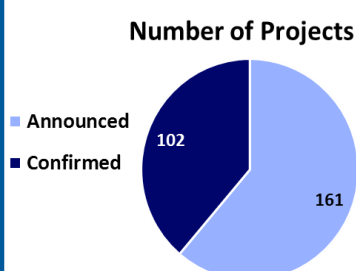
June 28th — CPFL Geração de Energia S.A. (controlled by China State Grid) won lot number 9 of the auction held by ANEEL (Brazilian Electricity Regulatory Agency). The company presented an offer of R\$ 7.8 million. Lot 9 has a 2 km stretch of transmission line and a 450 MVA power substation located in Ceará. The projects aim to serve the metropolitan region of Fortaleza.

Investor company	Project or Company	Public / Private	Sector	Status ¹	State	Value (US\$ million)	Modality of investment ¹
China Three Gorges	Jupuí and Ilha Solteira Powerplants	Pub	Energy	Announced	SP	198.87	Intra-company
CGGC	Maintenance Company	Pub	Water treatment	Announced	SP	NA	M&A
CPFL	ANEEL Auction — Lot 9	Pub	Energy	Confirmed	CE	2,02	Public Concession

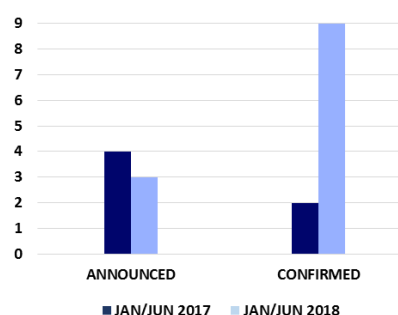
*NA — Not available 1 — To methodology, see section 5 (SOURCES: Folha de S. Paulo and Reuters)

Section 2 — Compilation of Chinese investment in Brazil

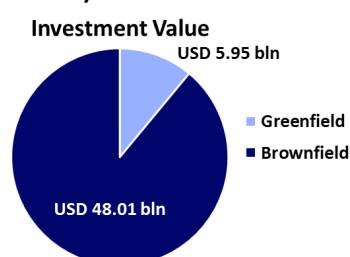
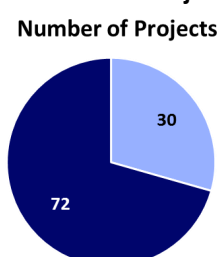
Chinese Projects in Brazil — 2003 - Apr 2018



Number of projects per periods



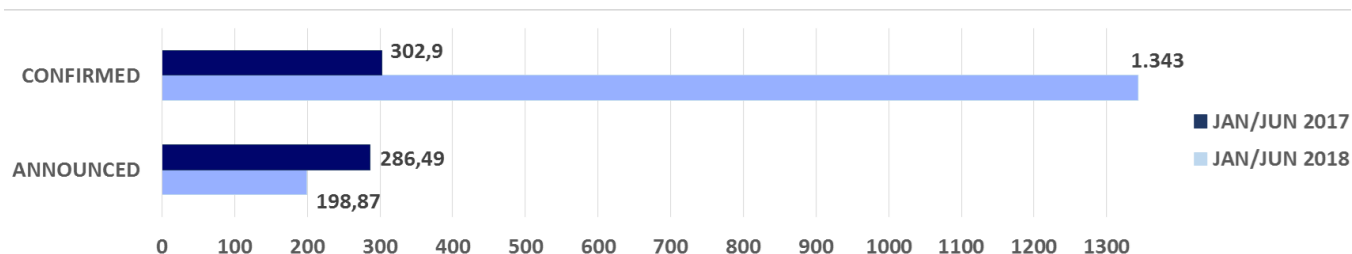
Project Types — 2003/June 2018



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Investment amount per period (US\$ million)



* The value of two of the 03 investment announced in 2018 have not been disclosed.

Retroactive Adjustments

Until the completion of the present newsletter, two projects referring to the year 2013 have been cancelled, worth US\$ 1.52 billion.

Section 3 — Announcements of Chinese investment intentions in Brazil - Mar-Apr 2018

May 17th — The CEO of China's State Power Investment Corporation (SPIC)/Pacific Hydro has informed the company's intention to acquire more power plants after obtaining the São Simão hydroelectric concession. The company's interest comprise Santo Antônio powerplant in Rondônia, where Odebrecht and Cemig are trying to sell their participation. (Sources: Reuters, DCI, MacaHub, Último Instante)

June 27th — Pingle, a leading supplier of wheat mill machinery in China, has announced its intention to set up an assembly plant in Brazil, from September 2018, with an initial investment of US\$ 1 million expected in a technical-commercial office and the construction of a warehouse for stock of parts for mills in Ponta Grossa/PR. (Source: G1)

Section 4 — News

1) On May 3rd, a delegation of 12 Chinese tourism officials from Shanxi province, led by the deputy mayor of Shuozhou City, Chen Erdong, was hosted by the Secretary of Tourism of the State of Rio de Janeiro, Nilo Sérgio Félix, and the president of TurisRio, Paulo Senise. During the visit, they signed an agreement for the development of tourist activities in both parties, aiming to promote projects and programs, involving institutions focused on Tourism in the Shanxi region and the State of Rio de Janeiro. (Source: Diário do Turismo)

2) On May 4th, the Secretary of State for Tourism, Culture and Sport of Santa Catarina, Tufi Michreff Neto, and the Director General of the Department of Sports of the Chinese province of Shanxi, Zhao Xiaochun, signed a cooperation protocol for the development of sports activities in soccer, martial arts, judo and table tennis. The signing ceremony was held at the Legislative Assembly of Santa Catarina, in Florianópolis. (Source: Sulista)

3) Also during the first week of May, a Chinese delegation from the city of Huzhou went to Cabo Frio/RJ to sign a protocol making the two cities friends. The mission was hosted by Mayor Marquinho Mendes, by the Secretary of Tourism, Fabíola Bleicker, by the president of the City Council, Aquiles Barreto and by government secretaries and city businessmen. In addition to discussing the possibility of partnerships within the tourism sector, the group considered the possibility of investments in manufacturing aluminum tubes for the oil sector. (Source: Clique Diário, G1)

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4) On May 5th, Syngenta's global president, Erik Fyrwald, said the company plans to serve as a "bridge" between Brazil and China, after a year of the company's purchase by Chinese giant ChemChina. For Fyrwald, Brazilian exports to China will increase and Syngenta will play a key role in this process. (Source: Valor)

5) On May 9th, it was announced that CPFL Energia, which belongs to the Chinese company State Grid, has evaluated electricity distributors in Northeast Brazil that Eletrobras may sell this year. These impaired assets, but with potential for profit under private management and new investments, with special interest in state-owned distributors operating in Piauí (Cepisa) and Alagoas (Ceal). (Source: Reuters and Exame)

6) On May 15th, the Government of the State of Tocantins received the visit, in the Araguaia Palace, of the CEO of the Brazilian Association of Chinese Enterprises (ABEC) and XCMG President, Wang Yansong and the director of XCMG and executive secretary of ABEC, Tian Dong. In their very first visit, the businessmen wanted to know the potentialities and the opportunities for investment in that State. A future visit of representatives of Chinese multinationals based in Brazil to that State was agreed. (Source: Surgiu)

7) On May 15th, it was published that the Brazil-China Chamber of Commerce and Industry (CCIBC) inaugurated the first chamber of mediation and arbitration involving the two countries. The idea of the institution is to increase legal certainty in eventual disputes between Brazilian and Chinese investors and businessmen. The arbitral tribunal will work in partnership with China's main national chamber, the China International Economic and Trade Arbitration Commission (Cietac), and will specifically address Brazil-China contracts. (Source: ConJur)

8) The Mayor of the Municipality of Siderópolis/SC and President of the Association of Municipalities of the Carboniferous Region, Hélio Cesa, announced on May 18th that a Chinese company of LED lamps could bet on the growth potential of the Southern region of Santa Catarina. The official also said that he intends to hold a forum with the participation of the Brazil-China Chamber of Commerce and Industry (CCIBC) to stimulate investments in that region. (Source: DNSul)

9) Representatives of Embratur, from the Brazilian Consulate and from the city of Foz do Iguaçu/PR met in Shanghai with managers of CTRIP, China's largest online tourism operator, to establish cooperation and competitive intelligence exchange. From May 18th, Embratur will provide content about Brazil, such as texts, videos and promotional campaign materials to feed the company's database. (Source: Comex do Brasil)

10) Also on May 18th, the Governor of the State of Mato Grosso, Pedro Taques, argued that the States that are part of the Central Brazil Consortium (BrC) jointly negotiate agreements with companies and the Chinese government. The governor participated in a workshop with representatives of the Asian country, attended by the Chinese Ambassador Li Jinzhang. (Source: CenárioMT)

11) On June 19th, it was announced that the Chinese market will accelerate entrepreneurship and business education in Brazil. The President of the National Confederation of Services (CNS), Luigi Nesse, participated in the CIFTIS 2018 Conference held in Beijing, which he says it already generates new opportunities for Brazilian service companies. The CNS partnership with Beijing B & R International Co-incubation brings to the "PME Academy", an online platform dedicated to supporting small and medium entrepreneurs, a new educational perspective. Starting in the second half of 2018, the entrepreneurship and business education portal will also include classes with case studies from Chinese companies. (Source: Exame)

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12) On June 20th, it was reported that the Chinese company Qingdao Xinyutian Chemical, responsible for the refinery project expected to be installed in the State of Ceará, sought the Ceará State Environmental Superintendence (Semace) to obtain the environmental license. (Source: MaisFM)

13) On June 28th, President Michel Temer met in Planalto Palace with a delegation from the Communist Party of China led by Yang Xiaodu and a group of Chinese politicians. The parties have ratified their intention to expand relations in several sectors with China, currently Brazil's main trading partner. (Source: Agência Brasil)

14) On July 4th, Petrobras has announced that it has signed a letter of intent with China National Petroleum Corporation International (CNPCI), to make investments in the Rio de Janeiro Petrochemical Complex refinery (Comperj), located in the city of Itaboraí/RJ, and in the Marlim field, deep waters in the Campos Basin, on the coast of Rio de Janeiro. (Sources: Valor and O Globo)

Section 5 — Methodology

Confirmed investment (Confirmed group) — An Investment is included in this category when it is directed to projects or companies in Brazil, whose information can be confirmed by more than one data source, including institutional pages of companies or institutions directly involved.

Announced Investment (Announced group) — An Investment is included in this category when there are formal announcements of future investment, thus becoming subject to be monitored by the market and interested institutions. When such Investment is confirmed it leaves this group and joins the “Confirmed” group.

Greenfield — An Investment is included in this category when the investor puts resources into the construction of a new structure necessary for the operation. In other words, when the operation is not based on a pre-existing structure.

Brownfield— An Investment is included in this category when there is a pre-existing Project or a project to be updated that will be based on an existing structure.

Sources:

Websites of the named companies, federative entities, China’s Embassy in Brasil and Brazil’s Embassy in China, database from China-Brazil Business Council, Financial Times (FT), The Heritage Foundation & American Enterprise Institute and other referenced communication vehicles, highlighted: Agência Brasil, Aiddata, Bloomberg, China Daily, Dealogic, Estado de S. Paulo, Exame, Folha, Gazeta Mercantil, G1, Investing.com, Istoé, MacaHub, Reuters, Terra, UOL, Valor Econômico.

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GENERAL COORDINATION OF INTERNATIONAL INVESTMENTS - SECRETARIAT OF INTERNATIONAL AFFAIRS

CONTACT: PRESS OFFICE - IMPRENSA@PLANEJAMENTO.GOV.BR

PHONE: +55 (61) 2020-4547/5309/4159

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