

Number 1

JAN - MAR 2019

Released

April 22<sup>nd</sup> • Year 03

Executive Secretariat of CAMEX

### ■ Information Note

This first issue of the Foreign Investment Newsletter - Selected Countries - adopts the same methodology developed to map China's direct investment in Brazil, as disclosed in seven editions until the end of 2018. Adopting the same methodology, this Newsletter presents data on investments from China, the United States of America, Japan, France and Italy.

These countries were chosen because CAMEX's Executive Secretariat has signed Memoranda of Understanding and Cooperation with them.

This Newsletter is the outcome of information collected from different sources, hence it may not accurately represent all the investment from these countries in Brazil. This is so because several companies do not disclose the values or the specific Federation Unit where some projects are located. The SE-CAMEX team was able to build a sample of the investment from those countries, identifying the trend of FDI inflows in the 2003- 1<sup>st</sup> quarter of 2019 period, even if aware of these limitations.

## SECTION 1 FDI in the 1<sup>st</sup> Quarter 2019 – Selected Countries

In the first quarter of 2019, eight investment projects from the five selected countries were confirmed in Brazil, as follows:

**JAN 2019** – CGN Energy, China's largest nuclear power operator, acquired three renewable energy plants in the Northeast region, belonging to the Italian company Enel. It was an approximately US\$ 785 million transaction that inaugurated the company's operations in Brazil. (Source: [www.sunoresearch.com.br](http://www.sunoresearch.com.br))

**JAN 2019** - Perkins confirmed the opening of a new Regional Logistics Center (RLC) in Curitiba to support original equipment manufacturers (OEMs) and distributors in South and Central America. The new RLC, which is expected to be operational in the first quarter of 2019, will store more than 3,000 original parts and will result in the next day or the next two days deliveries for most of the region. Investment value not disclosed. (Source: [www.construcaolatinoamericana.com](http://www.construcaolatinoamericana.com))

**JAN 2019** - Amazon opened its first direct product distribution center in South America. Located in Cajamar, 45 kilometers from São Paulo city, the warehouse is now part of over 175 "Fulfillment by Amazon" warehouses, as they are called worldwide. The company invested US\$ 24 million (R\$ 97.5 million) in the Brazilian subsidiary. (Source: [www.folha.uol.com.br](http://www.folha.uol.com.br) e [tecnoblog.net](http://tecnoblog.net)).

**FEB 2019** - Carrefour Group confirmed investments of around US\$ 50 million in Brazil, opening new stores, especially for the Atacadão flag and for the convenience stores format "Martket (supermarkets) and" Express ". (Source: [www.epocanegocios.globo.com](http://www.epocanegocios.globo.com))

**FEB 2019** – With investments since 2016, the Honda plant in Itirapina (SP) went into operation and began to produce the Honda FIT. The company will transfer its production from Sumaré (SP) to the new unit. (Source: [Bloomberg](http://Bloomberg) e [www.motor1.uol.com.br](http://www.motor1.uol.com.br))

**MAR 2019** – The software company UiPath confirmed the opening of its official office in Brazil to serve the RPA market - Robotic Process Automation. Investment value not disclosed. (Source: [www.inforchannel.com.br](http://www.inforchannel.com.br))

**MAR 2019** - Automation Anywhere Company, one of the world leaders in RPA (Robotic Process Automation), announces the opening of a subsidiary in the Brazilian market, together with the expansion of its operations in Latin

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America. Investment value not disclosed. (Source: [www.tiinside.com.br](http://www.tiinside.com.br))

**MAR/2019** - Kraton Corporation approved the construction of a semi-functional latex unit in Paulinia - SP to expand its production of Cariflex (synthetic polysoprene rubber). Constructions will begin in the first half of 2020. Investment value not disclosed. (Source: [www.rubbernews.com](http://www.rubbernews.com))

## SECTION 2

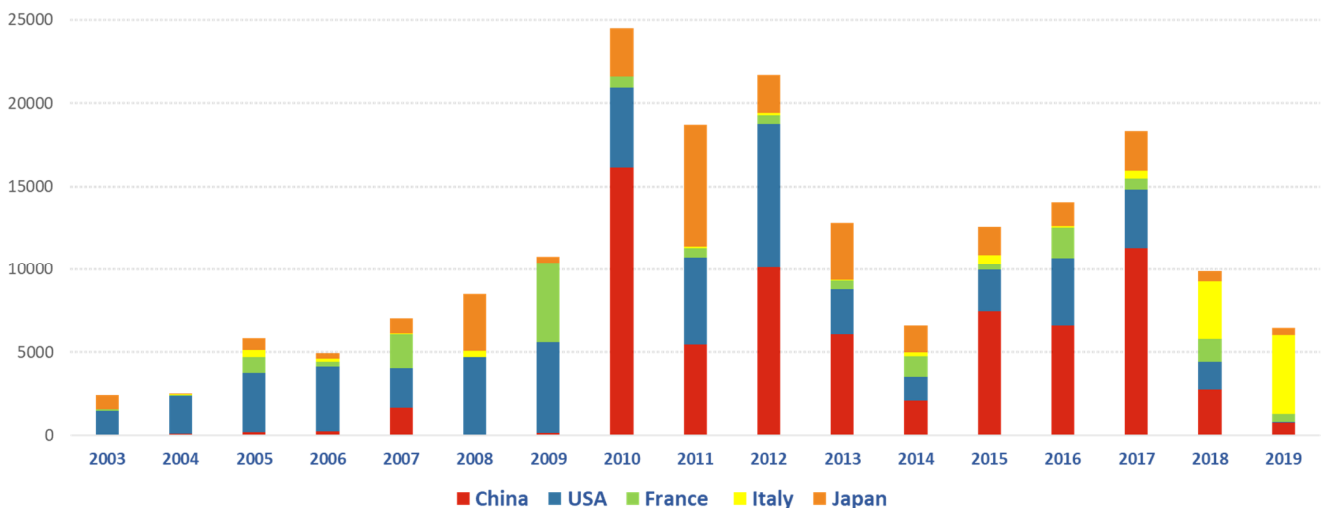
## FDI Overview - Selected Countries

Chart 1 shows that in the last sixteen years there have been significant changes in the amounts invested by companies from the five countries in Brazil. It presents an intensification of investment in 2010-2013, and again in 2017, but without a clear trend.

In parallel, there has been a change in the geographical origins of the invested capital. In the last decade the most significant amount (albeit quite low) came from the USA, and in a slightly smaller volume from France. Since 2010, however, there has been a clear predominance of Chinese resources in this group.

It is worth mentioning the participation of Japanese investment since 2010. French investors have always been present, peaking in 2007 and 2009. Italian investment is by far the most significant presence in 2018 and the first quarter of 2019.

**Chart 1: FDI confirmed in Brazil (2003 – 1<sup>st</sup> quarter of 2019) - Selected Countries**  
US\$ millions



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Charts 2 and 3 present the types of projects invested by the companies of the selected countries during the period in question, whether greenfield (investment into a new productive unit) or brownfield (enlargement or reformulation of existing projects).

There is a clear concentration of investment in brownfield projects. Most of these investments have been made through mergers and acquisitions, reflecting the entry of foreign investors as controllers of large Brazilian companies and the low pace of expansion of production capacity.

### Types of projects confirmed (2003 – Q1/ 2019) - Selected Countries

Chart 2- Number of Projects

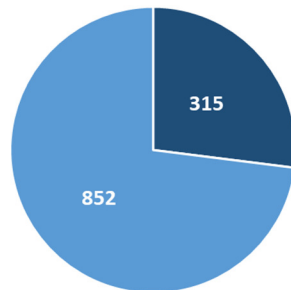
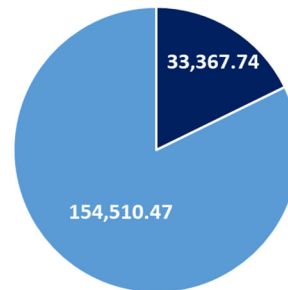


Chart 3 - Project Value (US\$ million)



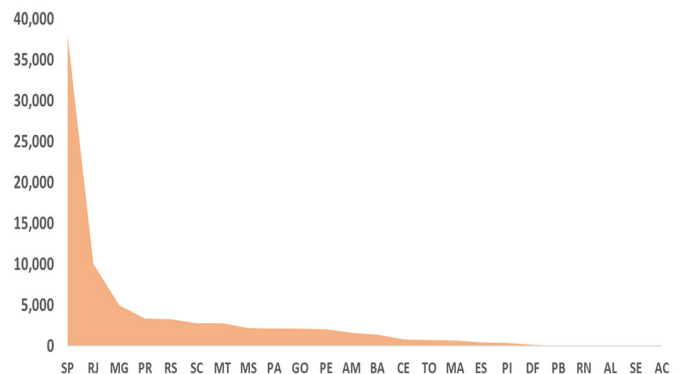
■ Brownfield ■ Greenfield

### Concentration of the confirmed projects of the five countries by Federation Units (Accumulated - 2003 to Q1/ 2019)



The investment by these countries has been concentrated in the Southeast and South regions, with a predominance of the State of São Paulo, followed by Rio de Janeiro and Minas Gerais.

Chart 4 – FDI Concentration per UF (US\$ million)



### SECTION 3 Confirmed investment by country of origin of capital (Accumulated - 2003 to Q1/ 2019)

Chart 5- Number of Projects

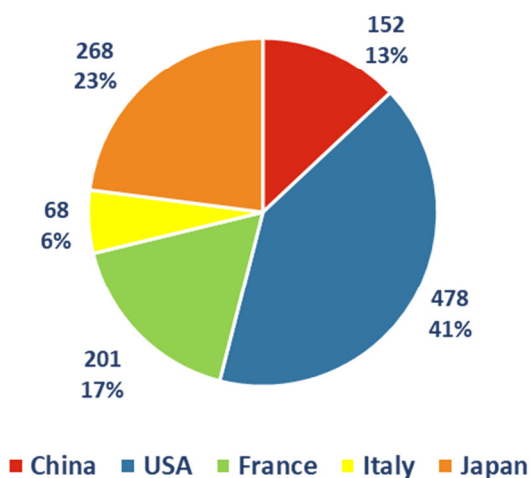
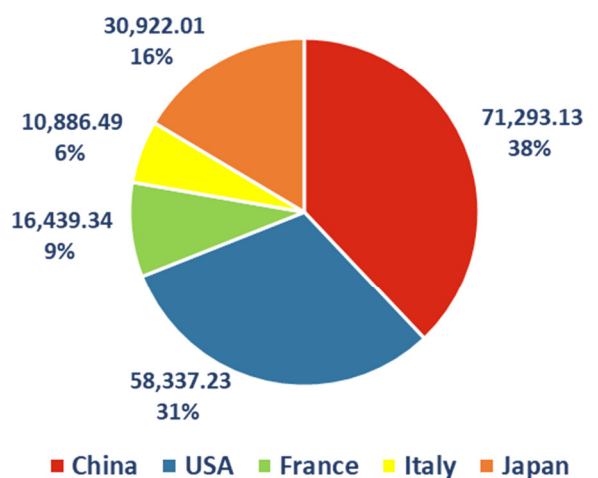


Chart 6 - Project Value  
(US\$ million)



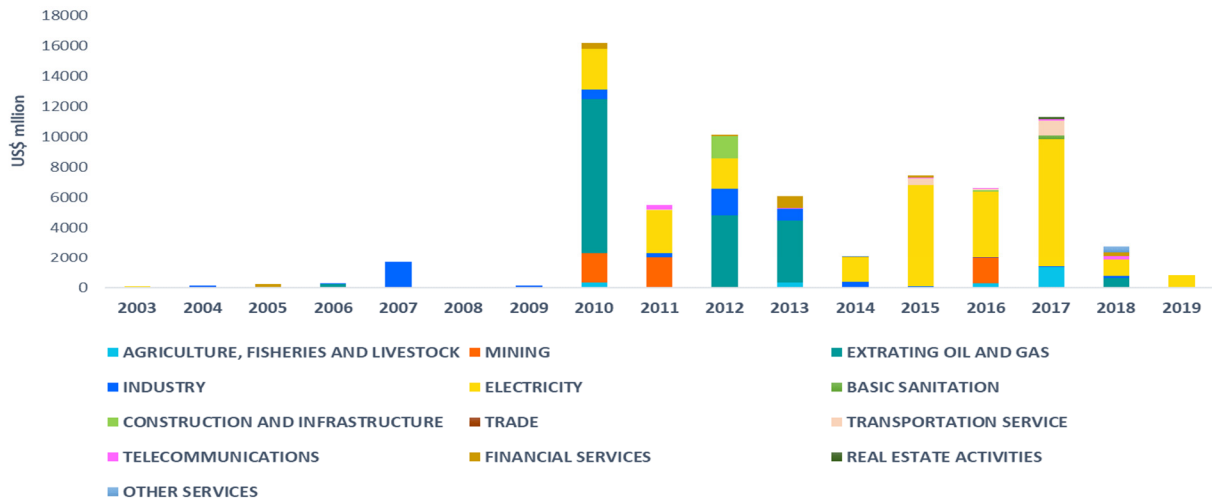
In the period considered, the number of projects by US companies is predominant, with more than 40% of the five countries total. Secondly, Japanese investment accounted for almost a quarter of the number of projects. Chinese projects come in fourth place, followed by the French.

The distribution in invested amounts is different, as shown in Figure 6. Between 2003 and Q1 / 2019 direct investment from China accounted for 37% of the total of these five countries, with US \$71 billion. US investment in this period is worth \$ 58 billion, despite the bigger number of projects. The third place, in this group, corresponded to Japanese investment, strongly influenced by the results of 2011.

There is little doubt that this distribution - both in value and number of projects - largely reflects the size of the projects, which are related to the sectors of destination. The charts in the next session detail the sector composition of investment from each country.

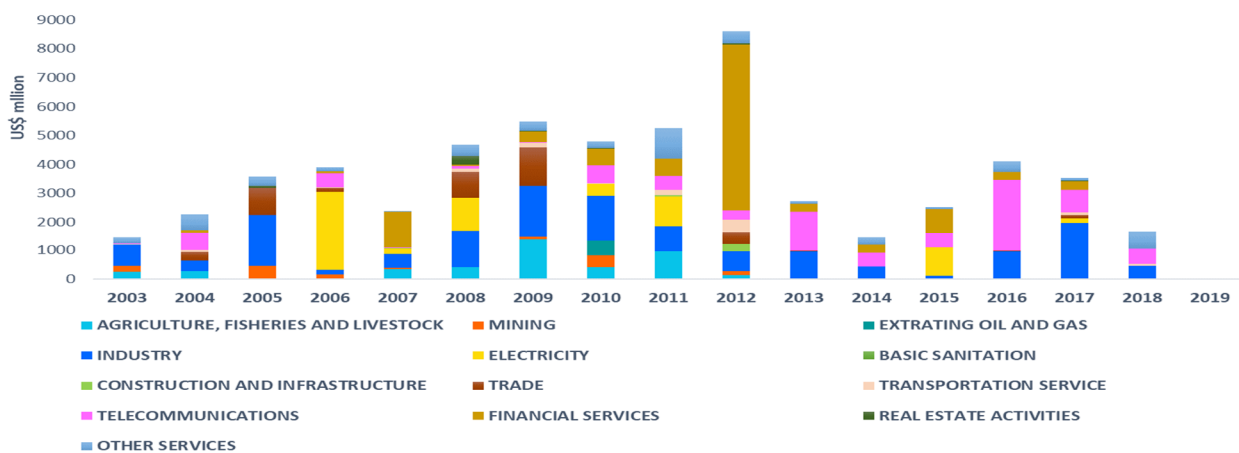
### SECTION 4 Sectoral distribution of investment by country of origin of capital (2003 to Q1/ 2019)

#### CHINA



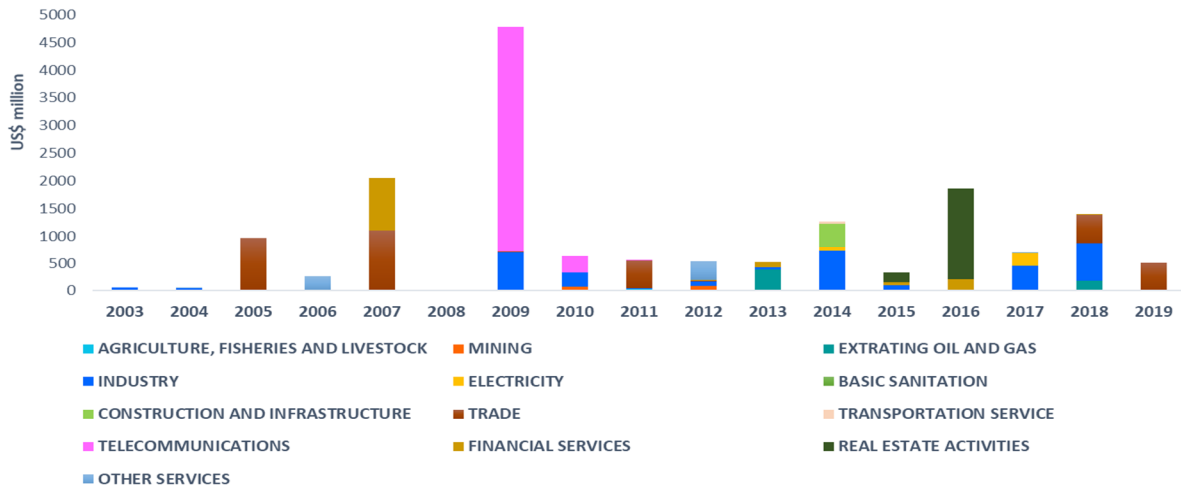
Data from China reflects a behavior found both in Brazil as well as in other Latin American countries. The beginning of the involvement of that economy with direct investment abroad was, for several years, associated with the exploitation of natural resources. In the case of Brazil, between 2010 and 2013 the highlight was clearly in mining and extraction of oil and gas projects. Since 2014, however, there is a clear concentration of projects in the electric sector (generation and transmission).

#### USA



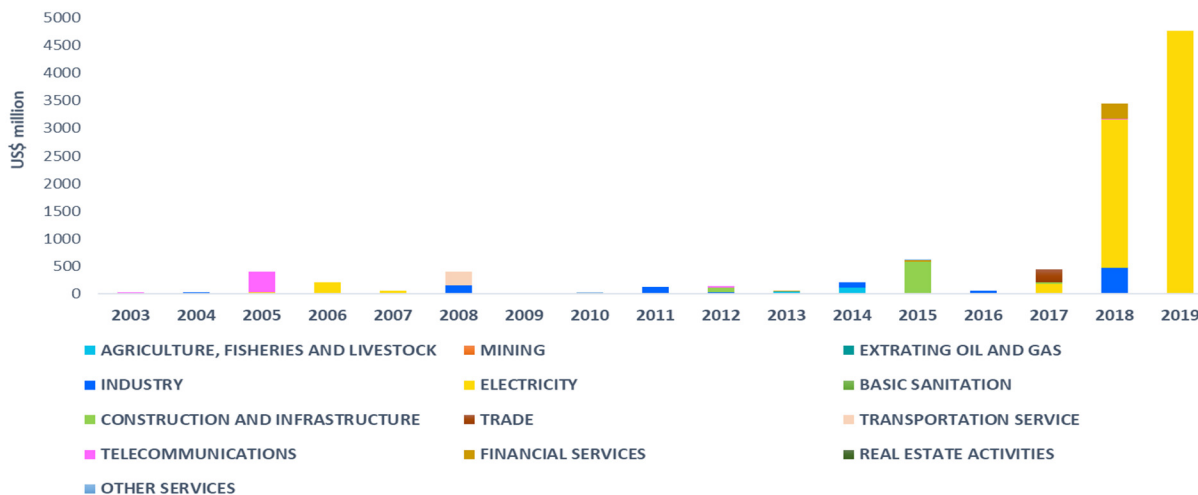
The US investment in Brazil is concentrated in the services sector, especially financial services, although the presence in the industrial sector is a constant over time. This concentration reflects the very format of the international insertion of that economy, with comparative advantage increasingly concentrated in this sector. The share of US investment in other sectors is relatively marginal. It is remarkable, however, the incidence of projects in telecommunications since 2013.

### FRANCE



France's direct investment is more modest, compared to China and US investment. In addition, French investment has been more diversified in sectoral terms, and a clear profile or trend is not identifiable, as in the case of the former two countries. For example, there has been significant inflows in commerce (2007), telecommunications (2009), real estate activities (2016) and industry (2018).

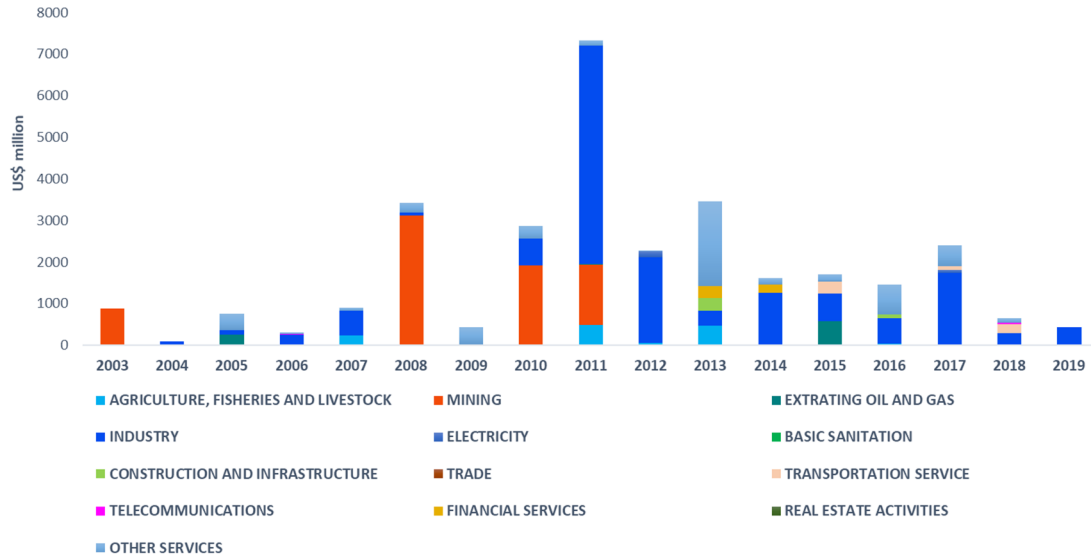
### ITALY



Italian investment has a peculiar trajectory, among the five countries considered. Until 2017 the amounts were very small<sup>1</sup> compared to the other countries, with more significant registrations in 2005 (telecommunications), 2008 (transportation) and 2015 (sanitation). As already indicated in Chart 1, in 2018 and the first quarter of 2019, Italian investment in the electricity sector was the biggest in this group of countries.

<sup>1</sup> Most investment announcements of Italian companies in Brazil, raised by this coordination, do not present the values of the negotiations, which may directly interfere with the results presented by the chart.

### JAPÃO



The sector distribution of Japanese investment shows some similarity with the trajectory of Chinese investment, with emphasis on the mining sector until 2011. That same year, and in the following years, however, the concentration of investments in the industrial sector is preponderant, associated, in some years (2013, 2016, 2017) with investment in the services sector.

**Sources:**

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

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Link to the Newsletter – <http://www.economia.gov.br/central-de-conteudos/publicacoes/boletim-de-investimentos-estrangeiros>