

# **Chinese Capital Capturing Overseas Energy Industry: the case of Brazil and Latin America**

Thursday 23 March 2017, by [HKCTU](#), [NOWAK Jörg](#) (Date first published: 22 March 2017).

**Due to the slowdown in China's economic growth and the growing domestic overcapacity in recent years, the Chinese Government and enterprises have participated in a number of overseas investment and construction projects. In December 2015, when Chinese President Xi Jinping attended the China-Africa Cooperation Forum, he promised to invest US \$60 billion in Africa during the next three years and support local construction of roads and railways. Apart from Africa, Latin America is also the destination of China's production and capital. In this issue, we interviewed a German scholar Dr. Jörg Nowak (Assistant Professor (Visiting), Department of Asian and International Studies, City University of Hong Kong) who in recent years studied the process of strikes in India and Brazil, and witnessed Chinese enterprises attempting to invest or acquire Brazilian enterprises.**

Lately, the Brazilian government is actively preparing for a number of energy-related infrastructure projects. For instance, the current Brazilian government is studying the possibility of building dozens of hydroelectric power stations in the Amazon Forest, in order to solve the problem of hydropower generation in recent years. Leaving aside the impact of the plan on the environment, this plan is a good opportunity for Brazilian construction companies. However, due to the Brazilian political and business corruption scandal in 2014, a large number of Brazilian construction industry executives and bosses were exposed. Moreover, the Brazilian economy has been declining seriously since 2015. These Brazilian companies urgently need foreign investments to maintain business operations, so Chinese investments and acquisitions are welcomed by the Brazilian Government and businesses. "The ruling right-wing coalition has been questioning if the Rothschild government has worked too closely with the Chinese government to make Brazil a raw material supplier," Nowak said. "They think that Brazil should trade with the United States because the US deal was majority in industrial products, and I thought they were telling the truth, but after the right wing came to power, we did not hear them against the sound of Chinese capital coming into Brazil."

Chinese capital is currently investing in Brazilian energy companies or construction companies holding shares of energy companies. According to the International Energy Organization data, China's investments in Brazil, Mexico, Chile, and Uruguay's solar power generation is the largest in the region. "In 2016, China's total investment in Brazil's energy projects surpassed the US for the first time and there was a report published yesterday (January 25, 2017) that the State Grid Corporation had successfully acquired large-scale energy companies in Brazil." Nowak here refers to the central enterprises of the State Grid Corporation on January 24, successfully acquired more than half of the shares of CPFL company which was Brazil's largest private energy companies. The acquisition is also the largest foreign investment projects of the State Grid Corporation, making this corporation achieve a comprehensive coverage of investment in energy transmission, distribution, new energy power generation, electricity and other business areas in Brazil. In addition, there may

be a new hydroelectric power projects launching in the near future. Chinese capital is expected to gradually increase its market share in energy industry locally.

However, Nowak believes that China will not copy their investment model in Africa to make a large-scale investment in Latin America. Instead it will selectively invest in projects based in areas that can gain bank financing nationally and internationally. For example, the above-mentioned two-phase railway, the hydroelectric power plant plans and energy companies, which are currently in the research stage. He believes that the cost of labour in Latin America is still higher than in Africa and South-East Asia. Therefore, the Chinese government will have more interest in investing in agricultural products, raw materials and some special projects rather than industrial investment projects.

### **Hong Kong Confederation of Trade Unions (HKCTU)**

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\* "Chinese Capital Capturing Overseas Energy Industry":  
<http://en.hkctu.org.hk/mainland-china/position-and-analysis/>