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## FEATURED Q&A

# What Is the State of Chinese Investment in Latin America?



Chinese investment in Brazil fell sharply last year, following a spike in 2021. Chinese President Xi Jinping is pictured with Brazilian President Luiz Inácio Lula da Silva last April in Beijing. // File Photo: Brazilian Government.

**Q Chinese investment in Brazil fell 78 percent in 2022 as compared to 2021, the Brazil-China Business Council said Aug. 29. At \$1.3 billion, Chinese investment last year in Brazil was at its lowest level in 13 years. Despite the fall, Brazil received \$90.6 billion in foreign direct investment last year, nearly twice the amount from the year before. What are the reasons behind last year's plunge in Chinese investment in Brazil, and how significant is it to the South American country's economy? What is the state of Chinese investment in Latin America more broadly, and what effects will China's economic slowdown have in the region?**

**A Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue:** "There are several possible explanations for the drop this year in Chinese investment in Brazil. One, as noted, was the relative spike in Chinese investment in 2021, making this year's transactions seem more underwhelming than they perhaps are. China may also have been reluctant to explore and start new projects during an election year in Brazil, and a critical one at that. But in Latin America, it's relatively common to see ebbs and flows in foreign direct investment, whether greenfield or mergers and acquisitions. This includes at the country level, as some Chinese companies invest heavily in projects and then wait for some progress or returns on investments before beginning new large-scale ventures. It should also be said that across the region, we've seen some indications of a tapering of Chinese investment and finance. This may be temporary—related to Covid-19—but is likely driven by growing Belt and Road Initiative

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## TODAY'S NEWS

### POLITICAL

## Retired Colombian Soldier Pleads Guilty in Moïse Assassination

Germán Rivera, a retired Colombian army colonel, pleaded guilty Thursday in U.S. federal court in connection with the July 2021 assassination of Haitian President Jovenel Moïse.

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### BUSINESS

## Avianca to Invest \$473 Million to Grow Fleet

Avianca's chief executive officer said Thursday that the Colombian airline will invest \$473 million to increase its number of routes and the size of its fleet by 16 planes.

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### ECONOMIC

## Maduro Arrives in China to Discuss Investment, Debt

Venezuelan President Nicolás Maduro arrived today in China for a weeklong visit expected to focus on investment and debt repayment issues.

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Maduro // File Photo: Venezuelan Government.

## ECONOMIC NEWS

## Venezuela's Maduro Arrives in China for Weeklong Visit

Venezuelan President Nicolás Maduro arrived today in China for a weeklong visit expected to focus on issues including energy investment and debt repayment, Reuters reported. In a posting on X, the social media site formerly known as Twitter, Maduro said he had arrived in the city of Shenzhen "ready for what will be a historic visit to strengthen cooperation ties and build a new global geopolitics." The visit by Maduro, who is to remain in China until Sept. 14, follows meetings in Beijing and Shanghai between Venezuelan government officials, including Vice President Delcy Rodríguez and Oil Minister Pedro Tellechea, and Chinese officials including Foreign Minister Wang Yi, Reuters reported, citing China's foreign ministry. "China-Venezuela relations have withstood the test of changes in the international situation and have remained rock solid," Chinese foreign ministry spokeswoman Mao Ning told reporters today. "Political mutual trust between the two countries has become increasingly strong," she added. Mao also called the two countries "comprehensive strategic partners," Agence France-Presse reported. Rodríguez said today in a posting on X that the Venezuelan and Chinese governments were working to strengthen ties and expand "strategic cooperation and international joint work in favor of peace and respect for the principles and purposes of the U.N. charter." The visit to China by Rodríguez and Tellechea was aimed at securing new oil investments and also discussing a potential joint venture between Venezuelan and Chinese oil firms, Bloomberg News reported. Venezuela has long sought assistance from China to strengthen its crisis-racked economy, which has an inflation rate of about 400 percent, according to the International Monetary Fund. China imported approximately 390,000 barrels of oil per day from Venezuela between January and August of this year, Reuters reported, citing commodities consultancy Vortexa.

## POLITICAL NEWS

## Retired Colombian Soldier Pleads Guilty in Moïse Killing

A retired colonel of Colombia's army pleaded guilty Thursday in U.S. federal court in Miami to charges that he helped organize the July 2021 assassination of Haitian President Jovenel Moïse, The Wall Street Journal reported. Germán Rivera agreed to cooperate with prosecutors and provide information about the operation that led to Moïse's killing. Rivera entered guilty pleas to three counts, each of which carries a maximum sentence of life in prison, the newspaper reported. Prosecutors said Rivera met with co-conspirators in Haiti and in Florida, where they discussed "methods for carrying out the operation and the need to acquire weapons to facilitate the operation," the Financial Times reported.

## BUSINESS NEWS

## Chevron, Repsol End Offshore Exploration in Mexico: Regulator

Energy companies Chevron and Repsol ceased offshore oil and gas exploration operations in Mexico, the regulator for the sector said on Thursday, Reuters reported. They are the latest companies among more than a dozen others, including BP, Shell and TotalEnergies that have begun the process of returning blocks to the Mexican state after disappointing results, the wire service reported. Both Chevron and Repsol had won blocks in the Gulf in Mexico in a tender process held by the government of former President Enrique Peña Nieto, who was looking to attract private investment into the energy sector as part of an energy reform. Only a few companies have made significant discoveries in the blocks so far, including Italian energy company Eni. Chevron said it

## NEWS BRIEFS

## Cuba Arrests 17 People in Connection With Russia Trafficking Ring

Cuban authorities said Thursday that they had arrested 17 people in connection with a human trafficking ring that allegedly coerced Cubans to fight on Russia's side in its war with Ukraine, Reuters reported. Earlier this week, Cuban officials said authorities were seeking to "neutralize and dismantle" the network, which it said operated in both countries.

## Mexican Opposition Candidate Gálvez Calls for Reforms at Pemex

Mexican opposition presidential candidate Xócthil Gálvez called for a sweeping reform of state-owned oil company Pemex, Bloomberg News reported Thursday. The reform includes attracting more private investment and prioritizing renewable energy. "We have a very serious problem, which is that state companies are terrible at managing Mexicans' money, and they're terrible at being productive. So, yes, I do look toward the private sector," she told the news service. Gálvez will face former Mexico City Mayor and environmental engineer Claudia Sheinbaum in the election next June.

## Hess, Partners to Finalize Investment Decision on Guyana Project Next Year

U.S.-based energy company Hess Corp. and its partners are expected to finalize an investment decision on Guyana's sixth oil project, Whiptail, early next year, Chief Executive John Hess said Thursday, Reuters reported. Hess, China's CNOOC and Exxon Mobil proposed the \$12.9 billion oil project to Guyana's government last month, but it is pending regulatory approval. The Whiptail project would start operating in 2027 and would increase the country's production capacity to more than 1.2 million barrels per day.

will keep an office in Mexico and continue to monitor industry developments in the country, and Repsol said it would keep one deepwater block. Mexico's state-run oil company, Pemex, is the world's most indebted state company. Earlier this year, the company's bonds plunged after Fitch Ratings cut its credit rating. Fitch said the company's oil production will not grow and that recent incidents have generated uncertainty amid rising debt levels. "Despite all the support provided, the company continues to report suboptimal financial and operating figures," Adrian Duhal, a research scholar at Columbia University's Center on Global Energy Policy, told the weekly Energy Advisor in a Q&A published Aug. 4.

## Colombia's Avianca Investing \$473 Million to Increase Fleet Size

Avianca, Colombia's flag-carrier airline, is set to invest \$473 million to increase its number of routes and its fleet by 16 aircrafts, Chief Executive Adrian Neuhauser said in a press conference on Thursday, Reuters reported. The plan involves leasing 14 Airbus A320 NEO planes and two A320 CEO planes to increase the airline's daily domestic flights from 600 to 750—nearly 25 percent. The new planes are expected to be added to Avianca's fleet between October and the end of December, Aviación 21 reported. Neuhauser, who spoke in Bogotá, said the increase of nearly one million weekly seats is "unprecedented growth" in the airline's history. "The resources to finance the incorporation of these planes come from our available cash and additional debt that we take on leases," he said, Reuters reported. In addition to the new flights, Avianca also announced a shakeup within its executive leadership, Aviación 21 reported. Frederico Pedreira, who has been chief operating officer since 2021, will take on the role of deputy CEO, with Gabriel Oliva, CEO, replacing him. Pedreira, who joined the company in January 2021, has been responsible for helping increase Avianca's competitiveness, as well as securing a place in global rankings for on-time flights.

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tive-related limitations, as China grapples with economic uncertainties at home. China is also looking to support deals with direct implications for its own economic growth. These include productivity-boosting high-tech products, services and investments. Of course, local tech projects tend to be smaller in value than large-scale infrastructure, which would naturally contribute to a drop in foreign direct investment values. Finally, some important shifts are also taking place in Latin America. Several countries in the region are rethinking their engagement with China, especially as they look to manage already high levels of sovereign debt. All of that said, Brazil remains a top trade partner and destination for Chinese investment, despite this momentary downturn in investment. China remains committed to investment in Brazil and in much of the rest of the region, whether in pursuit of energy and food security, or the integrity of its industrial value chains. Latin America and the Global South are increasingly critical markets for Chinese tech producers, especially as parts of the Global North restrict access to China's high-tech goods and services."

**A** Lin Hua, associate researcher at the Institute of Latin American Studies of the Chinese Academy of Social Sciences: "Brazil is one of the main destination countries for Chinese investment in Latin America. Observing China's investment in Brazil cannot only be based on one year of data, but rather on a longer period of time. After all, many factors influence investment activity. Last year, China's investment in Brazil decreased, but in 2021, it increased by 208 percent as compared to 2020. Between 2007 and 2022, China invested a total of \$71.6 billion in 235 projects carried out in Brazil. And in 2022, China's large-scale investment projects in Brazil reached 32, an increase of 14 percent compared to 2021. President Lula's visit to China this year is sure to greatly boost China-Brazil economic and trade cooperation."

tion. China's investment in Latin America has remained stable, and in the first half of this year, Chinese companies announced more mergers and acquisitions in Latin America than in other regions, indicating that Latin America remains one of the regions of greatest interest to Chinese investment. In the first half of the year, China's economy gradually shook off the impact of the pandemic, with a GDP growth rate of 5.5 percent, which exceeded the majority of the world's economies, especially developed economies. Against the backdrop of the current deteriorating world economic environment and weak global economic recovery, China remains an important driving force for the global economy. For Latin American countries, China-Latin America cooperation is crucial. China maintains a strong demand for goods from Latin American countries. In the first seven months of 2023, China's imports decreased by 7.6 percent year-on-year, but imports from Latin American and Caribbean countries increased by 1 percent."

**A** Jorge Heine, research professor at the Pardee School of Global Studies at Boston University and former Chilean ambassador to China: "Brazil harbors half of all Chinese foreign direct investment in Latin America, approximately \$70 billion. In 2021, Brazil attracted \$5.9 billion in Chinese investment. Accordingly, this significant drop in Chinese investment flows in 2022 is bound to raise eyebrows. The real question is whether these figures signal a turning point, or whether they are merely an outlier. Some will attribute them to China's current economic difficulties and proclaim that the era of massive Chinese foreign direct investment in the region is over. My own take is somewhat different. For 2022, the China-Brazil Business Council reported that a record 32 Chinese projects in Brazil were announced. This does not indicate any lessening of China's interest in Brazil. On the contrary, the announcement of major projects by Chinese

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vehicle-makers BYD and Great Wall Motor in Bahia and in São Paulo state, respectively, shows a continued commitment by Chinese companies to Brazil. It also reveals a decision to make Brazil the regional hub for their expansion into manufacturing, thus diversifying from the traditional Chinese focus on the extraction of natural resources and infrastructure development in Latin America. These two particular projects also show something else: in Bahia, BYD is taking over an industrial park that had been run by the Ford Motor Company, which left in 2022; in São Paulo state, Great Wall Motor is taking over a factory previously owned by Mercedes Benz. As U.S. and European companies disinvest in Latin America, Chinese ones move in. Can anyone blame them?"

**A** **Thomas Rideg, president of M-Brain Americas Inc.:** "Brazil continues to be a high-priority investment market for China.

Despite the massive decrease in monetary investment value, China actually invested more in Brazil in 2022 than in any previous year in terms of the number of projects—35 projects in total, representing an increase of 14 percent. The decrease in value is mostly a result of some large projects that did not move forward due to delays in government

licenses. For instance, Honbridge Mining Company was planning an investment of \$2.1 billion, which did not move forward as the company couldn't get an environmental license. Had this investment alone proceeded, it could have been a record year of Chinese investment in Brazil rather than the 13-year low it turned out to be. All this said, the Chinese economic slowdown can change the scene in the Brazilian economy as well as other commodity and export driven economies in the region (and globally for that matter). In 2023 alone, 30 percent of Brazil's exports have been to China. The Brazilian secretary of trade mentioned that the media may be overstating the Chinese slowdown and that even a projected 5 percent growth in the Chinese economy with the slowdown is attractive and will be highly beneficial to Brazil—so there is warranted caution but no panic. The signs seem clear that Brazil will continue placing more and more eggs in China's basket. Brazil can continue to nourish its relationship with China but should also keep seeking healthy relationships with the rest of the world."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.*

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