Financing the New Silk Road

Asian Investment in Latin America's Energy & Mineral Sectors

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One of the most important trends in trade and investment of the past two decades has been the increased participation of Asian firms in world markets. This emergence of Asian actors as large investors in a variety of industries – from boosting advanced technology companies to leasing large tracts of land for agriculture – has certainly also been witnessed in Latin America.

The region's abundance of commodities – particularly in minerals and energy sources – has attracted capital from Asian investors looking to secure provision of goods and products essential to maintain Asia's high growth levels. Japanese and Korean capital was the first to reach Latin America and the Caribbean in the mid-1980s, while more recently Chinese and Indian investors have joined their continental counterparts.

This entry into Latin America by Chinese and Indian firms follows a larger international pattern. The gradual internationalization of Chinese and Indian firms began with the opening of their economies in the 1990s, but took off in earnest after 2000, particularly strongly for China. China's high domestic growth, large foreign exchange reserves, and growing need to secure natural and knowledge resources led to a boom in overseas investments. From 1990 until 2013, outward foreign direct investment (OFDI) flows by Chinese firms grew from US$4.5 billion to US$613.6 billion, with most of this growth occurring in the last decade (see Figure 1). Over the same period, Indian OFDI flows grew from US$124 million in 1990 to US$119.8 billion in 2013.[1]

While this growth is significant, outward direct investment by Chinese and Indian firms still remains below the levels exhibited by Japan and other developed nations. Japan's OFDI, for example, stood at US$201.4 billion in 1990 and grew to US$993 billion in 2013.

Nevertheless, China and India's increasing dependence on energy and mineral imports has propelled their search to secure these supplies overseas and encouraged investment in Latin America and the Caribbean. The aim of this note is to provide a detailed analysis of the level of investment by Chinese and Indian firms in the energy and mining sectors in Latin America and the Caribbean, and to describe the patterns and trends exhibited by this capital influx into the region from Asia.

Several data limitations prevent a comprehensive analysis of Chinese and Indian OFDI in the Latin American and Caribbean region. Comparable official OFDI statistics for China and India broken down by destination country and sector are not available. Therefore, to produce estimates of Chinese and Indian FDI into LAC for this report, we relied on a variety of sources, including The Heritage Foundation and The Financial Times, among several others.[2]

An analysis of the available data shows that, between 2005 and 2014, China's FDI in LAC climbed from US$3.8 billion to US$109.5 billion, while India's FDI in the region reached US$16 billion by 2014.[3] The majority of these Chinese and Indian investments in the region are made in the natural resource sectors, particularly oil & gas and mining.[4]

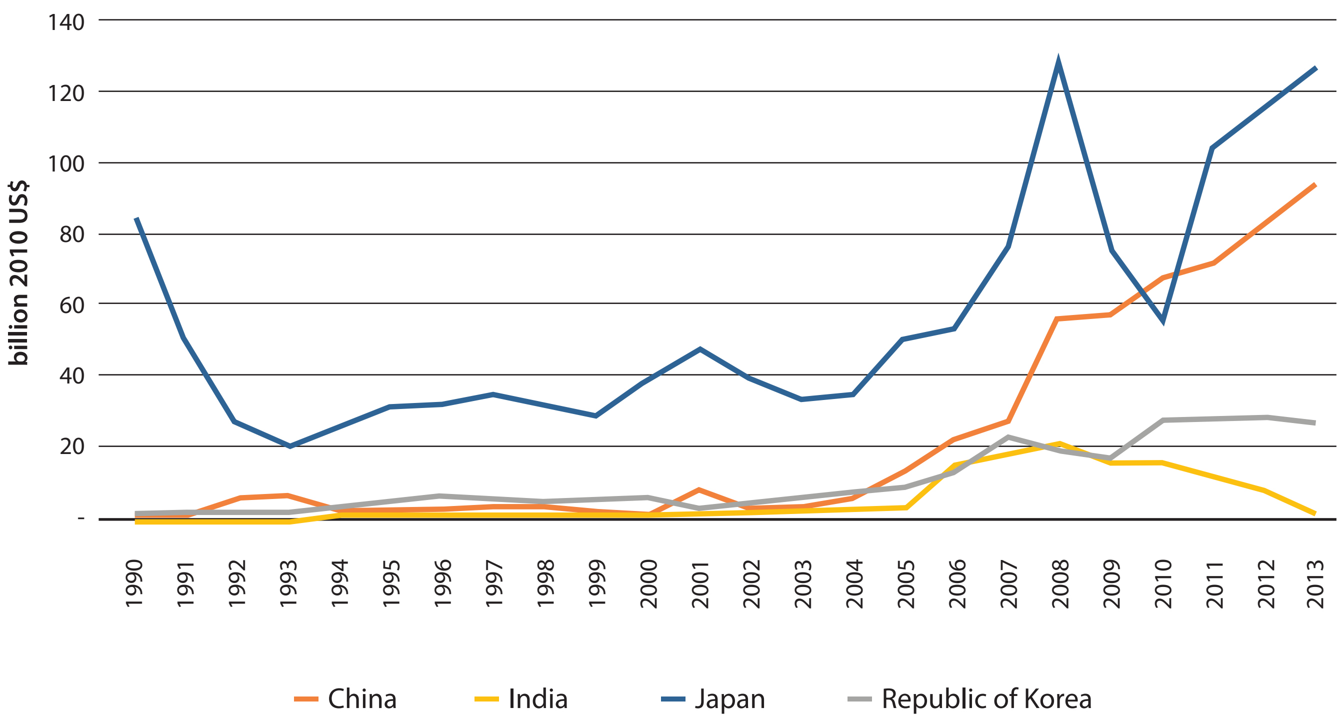
1 Authors' calculations from UNCTAD data. Note that UNCTAD figures are derived from each country's official statistics and are not available by destination and/or sector.

2 Estimates for Chinese FDI in LAC are primarily taken from The Heritage Foundation's Chinese Investment Tracker, which is only available from 2005. Other studies confirm that Chinese FDI in LAC was minimal until 2009-2010, however (see ECLAC (2014)). Estimates for Indian FDI into LAC are compiled from lists in ECLAC (2011) and Business with Latin America (http://www.businesswithlatinamerica.com/). Only initial investment figures that could be verified by two or more sources were included in this analysis.

3 Federation of Indian Chambers of Commerce and Industry (2014)

4 Authors' calculations from Heritage Foundation data; ECLAC (2011)

Figure 1 Outward FDI by Selected Asian Countries, 1990-2013



I. Chinese Investment in LAC

In line with the autarkic model of economic development it followed, China heavily regulated outward investments by Chinese enterprises for the better part of the 20th century. The international expansion of Chinese firms was either prohibited or allowed only in key sectors in order to support the government's economic or political goals. Yet, with the opening of the Chinese economy beginning in the late 1970s, the country began the gradual liberalization of OFDI.

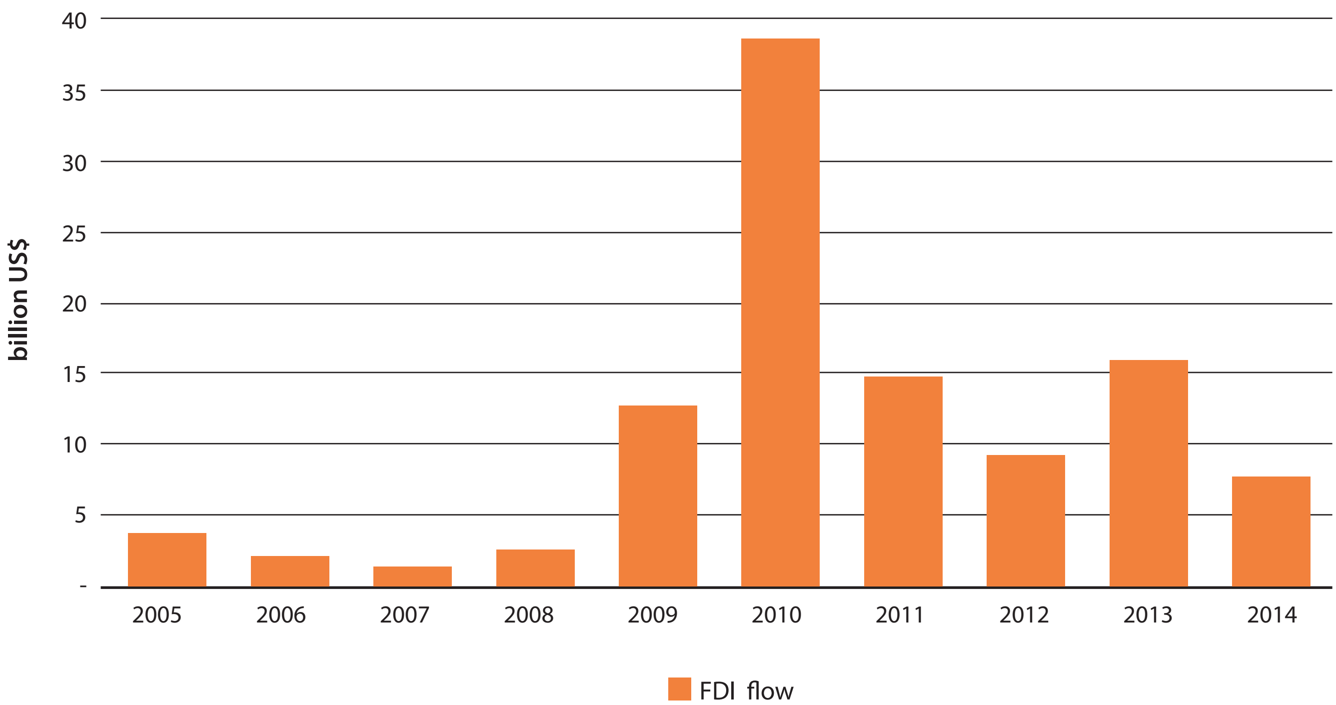
During the initial phases of liberalization, only state-owned companies as well as provincial and municipal economic enterprises could invest overseas, yet the number of potential investors was kept limited to a small group of already successful international trading firms that earned foreign exchange.[5] Increased OFDI liberalization followed through the 1990s as the government began to allow more enterprises, including non-state-owned firms, to investment overseas so long as they could prove they had the financial resources and the technological and managerial expertise required to do so, and only if they had a suitable foreign partner.[6]

A major turning point came in 2001 when the Chinese government began to formally encourage domestic firms to invest abroad with the launching of the "Go Out" strategy.[7] The strategy is aimed at assisting Chinese firms to access international markets by providing them with a network of financial and diplomatic assistance, usually in the form of low interest loans or foreign aid to host governments where Chinese firms are interested in investing. Although China's natural resource-seeking firms had been identified early on as a category of firms allowed to invest abroad,[8] in 2004 China's National Development and Reform Commission and the Export-Import Bank of China jointly issued a circular making OFDI in resource exploration and extraction a priority in order to mitigate the domestic shortage of natural resources in China.[9] The government and state banks began offering preferential access to finance, tax concessions, and other incentives for these projects.[10] OFDI by Chinese firms in this and other sectors has grown dramatically as a consequence of the "Go Out" policy.

5 U.S.-China Economic & Security Review Commission (2011); Voss (2011)
6 Ibid
7 U.S.-China Economic & Security Review Commission (2011)
8 Zhang (2003)
9 U.S.-China Economic & Security Review Commission (2011)
10 Voss (2011)

In regards to the portion of this OFDI from China that has been directed towards Latin America, the majority of investments occurred after 2009 (see Figure 2). In the wake of global financial crisis, even as global OFDI plummeted by 43%, overseas investments by Chinese firms grew as a result of government support.[11] In contrast to many developed-country firms, Chinese companies did not face a credit crunch. This allowed them to take advantage of investment opportunities abroad with less foreign competition.[12] Since 2009, China has invested US$99.6 billion, around 90% of its total FDI in the region. Close to three quarters of all Chinese investments in LAC are in the energy and mining sectors.

Figure 2 **Chinese FDI flows into LAC, 2005-2014**



I.A. Energy

Between 2005 and 2014, more than 14%, or US$56.4 billion, of China's global energy investments were directed at Latin America and the Caribbean. The sum amounts to 51% of all Chinese FDI in LAC. Figure 3 shows China's FDI flows into LAC's energy sector by year. It is evident at first glance that the largest increase in FDI took place in 2010 due to four large investments in the oil and gas sector, amounting to US$17.8 billion. Together these capital allocations into oil and gas accounted for 46% of China's total FDI into the region that year.

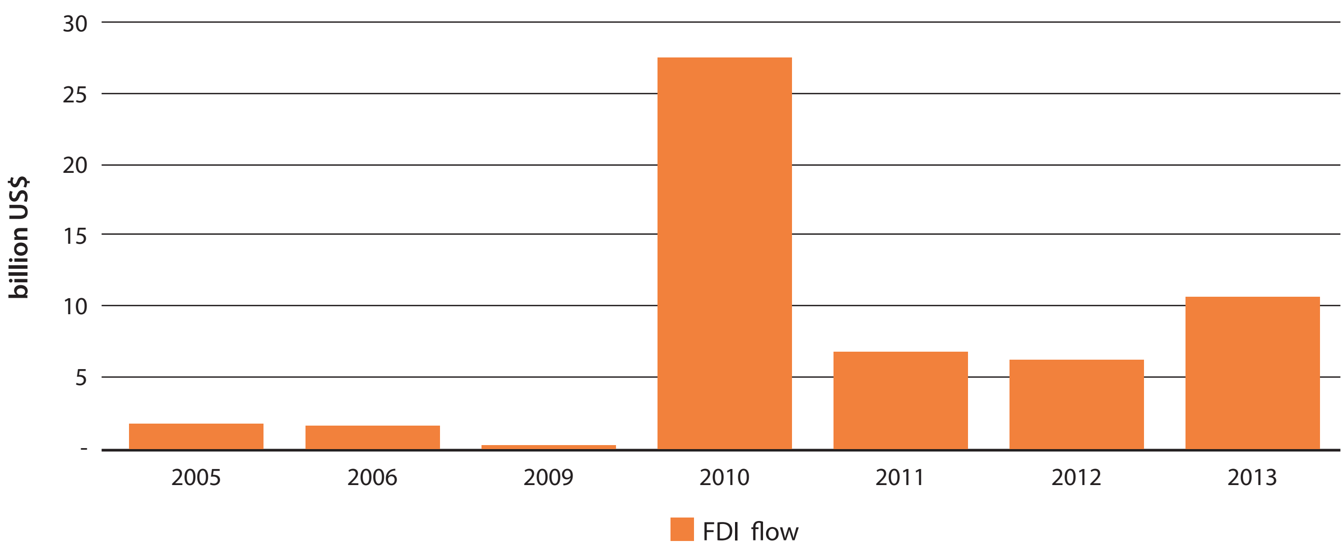
Included among these four projects made in 2010 is China's largest equity investment in Latin America's oil & gas sector: China Petroleum & Chemical Corporation's US$7.1 billion dollar acquisition of a 40% stake in Repsol assets in Brazil, including a stake in the Sapinhoa field – one of Brazil's largest pre-salt plays – and an operating interest in the deep water pre-salt BMC-C-33 block.[13]

11 U.S.-China Economic & Security Review Commission (2011)

12 De Beule Van Den Bulcke (2010)

13 Mendoza (2014)

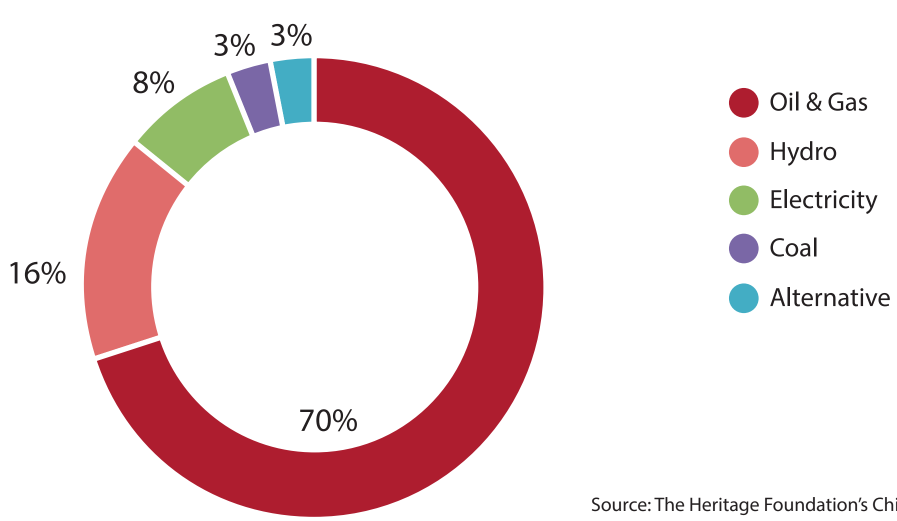
Figure 3 **China's FDI in LAC's Energy Sector, 2005-2014**



Oil and gas has attracted US$39.3 billion or 70% of all Chinese foreign direct investment into LAC's energy sector, as shown in Figure 4. In line with its energy security policy, Chinese national oil companies (NOCs), which dominate China's oil and gas sector, have expanded their overseas asset purchases with the aim of securing oil and gas supplies, making commercial investments, and gaining technical know-how.

Each of China's major NOCs, including China National Petroleum Corporation (CNPC), China Petroleum & Chemical Corporation (Sinopec), China National Offshore Oil Corporation (CNOOC), and Sinochem Group (Sinochem), have invested in LAC.

Figure 4 **China's FDI Stock in LAC in Energy by Subsector, 2005-2014**



Source: The Heritage Foundation's China Global Investment Tracker

Chinese NOCs made their first foray into Latin America with CNPC's acquisition of the Talara oil field in Peru in 1994, the first overseas oil field operated by CNPC.[14] Their typical mode of entry into LAC – with the exception of Brazil – has been mostly carried out through government concessions or through a mix of public bidding and state-to-state deals, negotiated at the highest levels of government. In these investments, Chinese NOCs have tended to take on more significant equity or operator roles.[15] For example, Sinopec and CNPC established a presence in Venezuela's prolific Orinoco heavy oil belt through direct government negotiations.[16]

Although Brazil is China's top destination for investments in the oil sector, making up US$17.5 worth of FDI from 2005-2014, the strategy of Chinese NOCs in the country has been to acquire minority stakes and form joint ventures with experienced international operators.[17] In 2013, for example, CNPC and CNOOC were each awarded a 10% share for the exploration of Brazil's Libra oilfield as part of a consortium with Netherlands-based Royal Dutch Shell, France's Total, and Brazil's state-owned Petrobras. With an estimated 8 to 12 billion barrels of recoverable reserves, Libra is one of the largest oilfield discoveries in the world this century. Together, the two Chinese companies paid US$1.3 billion as a signing bonus and plan to invest around US$20 billion over the next 35 years to develop the field.[18]

The Libra acquisition marked China's largest purely exploratory play in LAC and is in line with the NOCs' more recent global strategy, which has turned increasingly toward seeking greater know-how in deep water and more technically challenging fields by participating as minority shareholders in projects with experienced international players.[19]

Table 1 shows a breakdown of Chinese NOC investment in LAC. To date, Sinopec has the largest presence in the region, with investments near US$18 billion in Argentina, Brazil, Colombia, Ecuador, Trinidad and Tobago, and Venezuela. CNPC has over US$10 billion worth of investments in LAC, with operations in Brazil, Cuba, Ecuador, Peru, and Venezuela. Sinochem and CNOOC have each invested over US$4 billion in the region. Sinochem has investments in Brazil and Colombia, and CNOOC is present in Argentina, Brazil, and Trinidad and Tobago.

14 CNPC company website: http://www.cnpc.com.cn/en/Peru/country_index.shtml
15 Mendoza (2014)
16 Ibid
17 Ibid
18 Ibid
19 International Energy Agency (2013)

Table 1 Major Investments by Chinese Oil Companies in Latin America, 1994-2014

Year of Entry	Company	Country	Estimated Investments (in US$ million)
1994	CNPC	Peru	326
1998	CNPC	Venezuela	1,140
2003	CNPC	Ecuador	199
2005	CNPC and Sinopec	Ecuador	1,420
2006	Sinopec	Brazil	1,290
2006	Sinopec	Colombia	430
2009	CNOOC and Sinopec	Trinidad & Tobago	320
2010	Sinopec	Brasil	7,100
2010	CNPC	Cuba	4,500
2010	CNOOC	Argentina	3,100
2010	Sinochem	Brazil	3,070
2010	Sinopec	Argentina	2,470
2010	CNPC	Venezuela	900
2010	CNPC and Sinopec	Ecuador	610
2011	Sinopec	Brazil	4.800
2011	CIC	Trinidad & Tobago	850
2011	CNOOC	Argentina	330
2012	Wison	Venezuela	1,470
2012	Sinochem	Colombia	980
2012	Sinochem	Nicaragua	230
2013	CNPC	Peru	2,600
2013	Sinopec	Venezuela	1,400
2013	CNOOC and CNPC	Brazil	1,280
2013	CNOOC	Argentina	120

Source: Investments before 2005 were derived from ECLAC 2012; all other investment figures are calculated with Chinese Investment Tracker data from the Heritage Foundation

Aside from their entry into the oil and gas upstream business in Latin America, Chinese companies have also invested significant sums in hydropower projects in the region. Since 2010 Chinese firms have invested US$9.2 billion in electricity generation projects using hydraulic energy in Argentina, Bolivia, Brazil, Ecuador, and Guyana. This amounts to 16% of Chinese energy investment in Latin America, with Ecuador and Argentina emerging as the largest recipients of this capital influx for hydro generation.

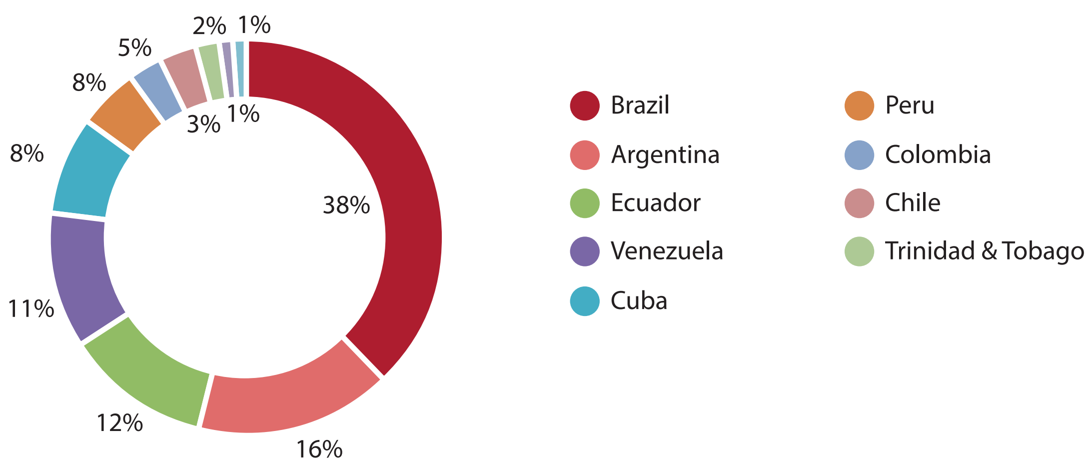
Ecuador has received US$5.3 billion worth of investments, the most prominent of which is Sinohydro's US$2.3 billion engineering, construction, and procurement contract for the Coca Codo Sinclair hydroelectric facility to be completed in 2016. Coca Codo Sinclair is the largest energy project in Ecuador's history, expected to supply approximately 44% of the country's electricity demand when completed.[20] In Argentina, Chinese firm Gezhouba was awarded a US$4.7 billion contract to build the Nestor Kirchner-Jorge Cepernic hydroelectric plants, which will have a combined capacity of 1.74 GW.

20 Power-Technology Market and Consumer Insight (2014)

Eighty-five percent of the Coca Codo Sinclair project and all of the Nestor Kirchner-Jorge Cepernic project will be financed through loans extended to the Ecuadorian and Argentine governments by Chinese state-owned banks. As of April 2015, Ecuador's Coca Codo Sinclair project was still on track to be completed in 2016, though the government announced that the project's cost would rise by an additional US$606 million as a result of tax and social compensation payments.[21] As of January 2015, China's first disbursement of US$288 million was extended to the Argentine government to begin construction of the Nestor Kirchner-Jorge Cepernic dam.[22]

While Argentina and Ecuador top the charts for investments made in hydropower generation, Brazil is the primary destination for aggregate Chinese FDI in LAC's energy sector, at US$21.5 billion – 38% of the total – of accumulated investments between 2005 and 2014 (see Figure 5). Argentina comes in second with 16%, or US$ 8.8 billion, in foreign direct investment during the same period. Ecuador, Venezuela, and Cuba follow with US$6.8, US$6, and US$ 4.5 billion respectively.

Figure 5 **China's FDI Stock in LAC in Energy by Country, 2005-2014**



Source: The Heritage Foundation's China Global Investment Tracker

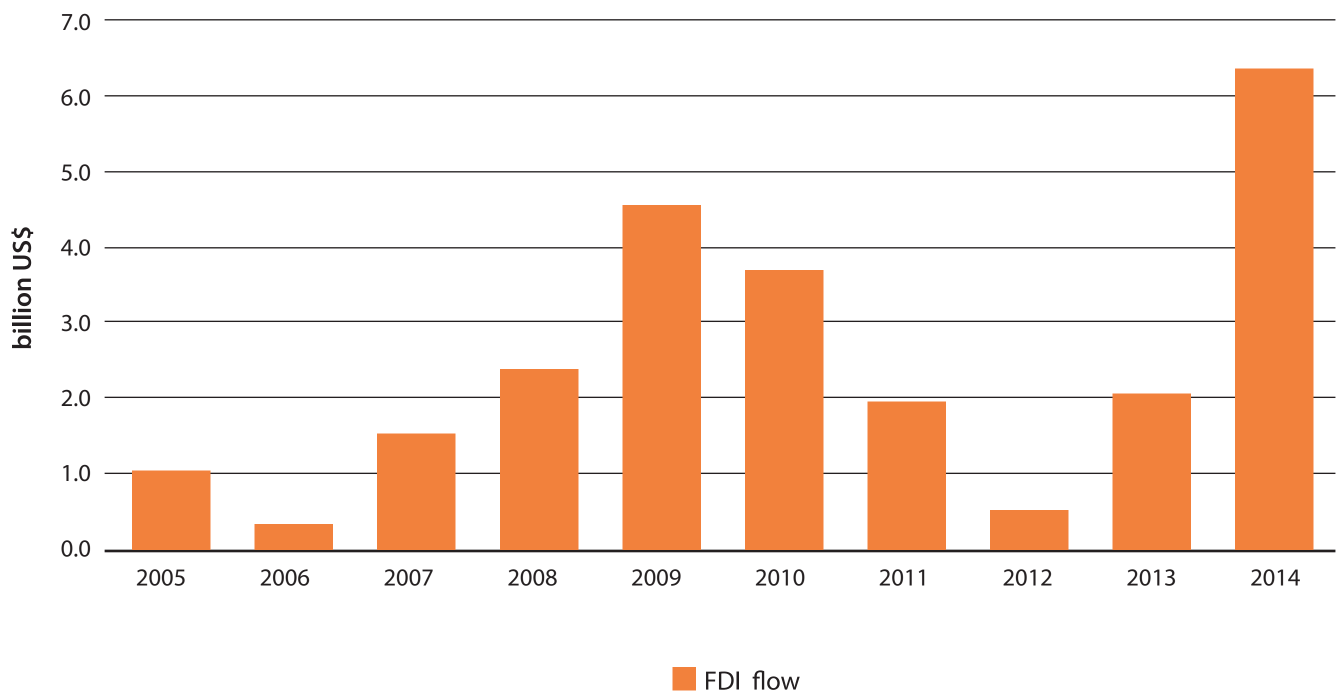
I.B. Mining

Chinese OFDI into Latin America and the Caribbean's mining sector is more concentrated than their private sector energy investments in the region. Chinese capital is focused primarily in the copper sector and, to a lesser extent, in iron ore extraction and steel processing projects. Since 2005, Chinese firms have invested US$24.4 billion in Latin America's mining sector, representing 22% of the country's FDI into LAC and 20% of Chinese FDI in mining worldwide.

Chinese OFDI in mining began to ramp up in 2007 and spiked in 2014 as a result of Minmetals' acquisition of the Las Bambas copper project in Peru. It was bought from Swiss-based company Glencore for US$5.9 billion. Las Bambas is China's largest mining investment in the region and one of the country's largest overseas investments in the sector worldwide, signaling China's continued interest in the copper industry.

21 Araujo (2015)
22 AGEERA (2015)

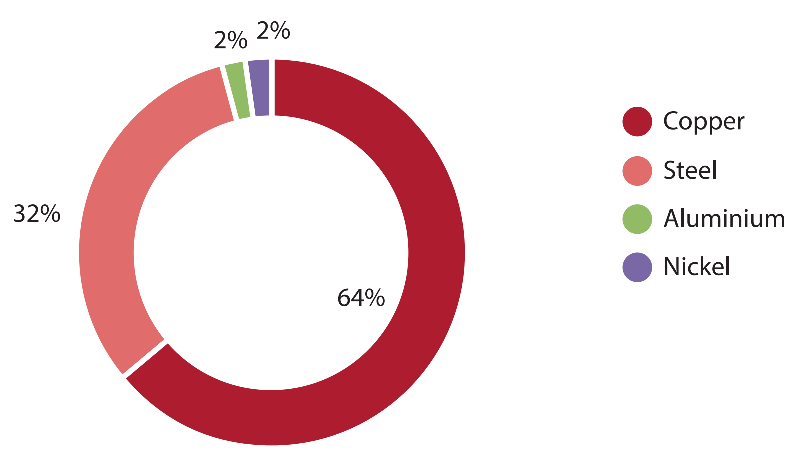
Figure 6 China's FDI in LAC's Mineral Sector, 2005-2014



The copper industry is the largest recipient of Chinese OFDI in the region's mining sector, making up 64% of investments or US$15.5 billion (see Figure 6) with the majority of that investment – around US$11.9 billion since 2005 – going to projects in Peru. Ecuador is the second-largest recipient of Chinese foreign direct investment in the copper industry with US$2.7 billion.

Minmetals is the largest Chinese investor in copper, with over US$8.5 billion in investments in Peru and US$550 million in Chile. The company's Las Bambas project in Peru is expected to produce 400,000 metric tons of copper per year, equivalent to more than 12% of China's imports of copper in 2013. Estimates are that half of the mine's production will be destined for China. With this acquisition, Chinese companies will control one third of Peru's entire mining sector.[23]

Figure 7 China's FDI Stock in LAC in Minerals by Subsector, 2005-2014



23 Hill (2014)

Investment into iron ore extraction and steel production reached US$7.8 billion, or 32% of Chinese FDI in mining since 2005. CITIC Group, Baosteel Group, and Taiyuan Iron and Steel Group's US$1.9 billion acquisition of a 15% stake in the Brazilian company Companhia Brasileira de Metalurgia e Mineração's (CBMM) niobium mine and Shunde Rixin and Minmetals' US$1.9 billion acquisition of a 70% stake in an iron ore mine in Chile are the largest Chinese investments in the sector.

CBMM was producing around 80% of the world's niobium supply at the time of its purchase by Chinese investors.[24] Shunde Rixin and Minmetals' Chilean iron ore mine is estimated to have reserves of 3 billion tons, and economists predict production from the mine could be large enough to satisfy 10% of China's iron ore demand in the coming years.[25] Between 2005 and 2014, Brazil received the majority of Chinese investments in LAC's iron and steel industry, amounting to US$4.4 billion.

Table 2 **Major Investments by Chinese Mining Companies in Latin America, 1992-2014**

Year of Entry	Company	Country	Estimated Investments (in US$ million)
1992	Shougang	Peru	453
2005	Minmetals	Chile	550
2005	Minmetals	Cuba	500
2006	CITIC	Brazil	340
2007	Zijin, China Nonferrous, and Xiamen C&D	Peru	190
2007	Chinalco	Peru	790
2007	Minmetals and Jiangxi Copper	Peru	450
2007	Golden Dragon	Mexico	100
2008	Chinalco	Peru	2,160
2008	Jinchuan	Mexico	210
2009	Shougang	Peru	990
2009	Najinzhao	Peru	100
2009	Wuhan Iron and Steel	Brazil	400
2009	CIC	Brazil	500
2009	Shunde Rixin and Minmetals	Chile	1,910
2010	China Railway Construction and China Nonferrous	Ecuador	650
2010	East China Mineral Exploration and Development Bureau (Jiangsu)	Brazil	1,200
2011	Minmetals	Peru	2,500
2012	Taiyuan Iron, CITIC, Baosteel	Brazil	1,950
2012	Bosai	Guyana	100
2012	China Railway Construction	Venezuela	410
2013	China Railway Construction and China Nonferrous	Ecuador	2,040
2014	Minmetals	Peru	5,850
2014	Chinalco	Venezuela	500

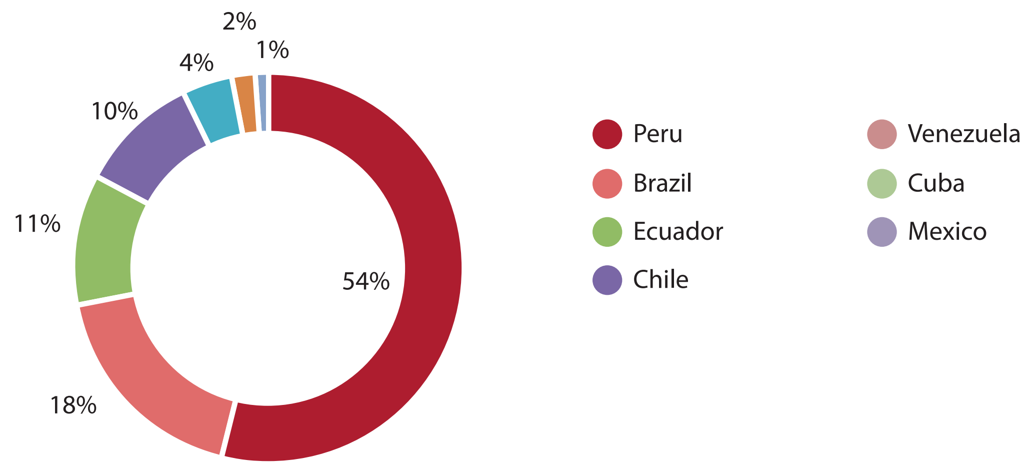
Source: Investments before 2005 were derived from ECLAC 2012. All other investment figures are calculated with Chinese Investment Tracker data from the Heritage Foundation

Peru is also the largest recipient of aggregate investment by Chinese firms in LAC's mining sector (including copper as well as other sub-sectors) with a total of US$13 billion in investment since 2005 (see figure 7). Brazil is the second-largest recipient of Chinese aggregate investment in mining, reaching a total of US$4.4 billion in 2014.

24 Hook (2011)
25 Investment Review Chile (2009)

In Peru, Chinese companies operate mines on their own, while in Brazil they take minority stakes in existing operations owned by domestic companies.[26] While being the sole operators of their investments in Peru has granted Chinese firms access to a large share of the country's mineral wealth, it has also exposed Chinese firms to ongoing political risks and social opposition to mining. Chinese investments in the country have raised concerns over the ability of the country's firms to comply with global standards in revenue transparency as well as environmental and labor practices.[27]

Figure 8 **China's FDI Stock in LAC in Minerals by Country, 2005-2014**



II. Indian Investment in LAC

Reflecting the smaller size of the Indian economy, Indian investment overseas remains much lower compared to China's. Moreover, in contrast with state-led Chinese foreign investment, Indian OFDI is private-sector driven as Indian firms do not have access to comparable financial or diplomatic support by the Indian government, reflecting differences in the countries' political economy as well as wealth. With respect to Indian FDI in LAC, similar comprehensive estimates to those given for China are not currently available as the Indian government does not publish investment statistics disaggregated by country and sector.

Nevertheless, according to the Federation of Indian Chambers of Commerce and Industry, an organization of private and public corporate entities in India, total Indian FDI in LAC has reached a cumulative US$16 billion to date– small when compared to China's cumulative US$109.5 billion since 2005. A survey of estimated Indian investments since 2005 reveals that Indian companies have invested over US$2.8 billion in LAC's energy sector and over US$3.3 billion in the region's mining sector. It should be noted, however, that estimates only take into account any amount that was reported for initial acquisition that could be verified by two or more sources, potentially underestimating actual investments.[28]

26 ECLAC (2014)
27 Kotschwar, Moran, et al. (2011); Sanborn and Chonn (2015)
28 For a list of all verified and unverified Indian investments in LAC used as a basis for this analysis,see Business with Latin America (http://www.businesswithlatinamerica.com/) and ECLAC (2011)

II.A. Energy

India's energy investments in LAC focus primarily on the oil and gas sector. The country's hydrocarbon industry is a broad mix of public and private companies, with the public national oil companies dominating the upstream sector and private companies leading refining activities.[29] Unlike their Chinese counterparts, Indian oil companies are smaller in size, market capitalization, and revenue. Moreover, they do not have comparable access to the level of economic and diplomatic support provided by China to its NOCs. As a result they have had less success in their overseas acquisitions vis à vis their Chinese counterparts.[30]

Still, India's growing dependence on imported crude oil and gas has led its firms to diversify their supply sources and the Indian government has begun to encourage companies to acquire overseas assets in an effort of offset any potential effects of global price volatility. In 2013, the Indian government proposed to create the Indian Overseas Investment Corp Ltd, an institution similar to a sovereign wealth fund, to aid in financing overseas energy acquisitions, though it has yet to be established.[31] To date, Indian oil and gas companies have acquired stakes in Africa, the Caspian Sea region, South America, and Southeast Asia.[32]

Indian oil and gas companies made their first entry into Latin America in 2006 with Oil and Natural Gas Corporation Videsh's (OVL) acquisition of a 15% stake in the deep-water offshore BC-10 block in Brazil for US$165 million. OVL is the overseas arm of Oil and Natural Gas Corporation Limited, India's largest national oil and gas firm. In 2003, OVL increased its share in Brazil's BC-10 oilfield to 27% for another US$529 million. Royal Dutch Shell is the operating partner with a 50% stake and Qatar Petroleum International owns another 23% of the oilfield. Production began in 2009 and is now estimated at 50,000 b/d.[33]

Table 3 **Estimated Indian Energy Investments in LAC**

Year of Entry	Destination	Company	Sector	Estimated Investments (in US$ million)
2006	Brazil	ONGC Videsh Ltd.	Oil & Gas	694
2006	Colombia	ONGC Videsh Ltd.	Oil & Gas	425
2006	Brazil	Suzion Energy Ltd.	Wind Energy	N/A
2008	Brazil	Bharat Petro Resources, Videocon Industries Ltd.	Oil & Gas	283
2008	Ecuador	Gammon India Ltd.	Oil & Gas	50
2008	Venezuela	ONGC Videsh Ltd.	Oil & Gas	356
2008	Peru	Reliance Industries Ltd.	Oil & Gas	N/A
2009	Colombia	Reliance Industries Ltd.	Oil & Gas	50 (over 6 years)
2010	Venezuela	ONGC Videsh Ltd., Oil India Ltd. and Indian Oil Corp. Ltd.	Oil & Gas	1,005
2011	Colombia	Assam Company	Oil & Gas	N/A
2013	Uruguay	Suzion Energy Ltd.	Wind Energy	N/A

Source: Authors' calculations from ECLAC 2011 and various media outlets

29 EIA India (2014)
30 Zhao (2012)
31 Economic Times (2013)
32 EIA India (2014)
33 Shell: http://www.shell.com/global/aboutshell/major-projects-2/bc-10/overview.html#iframe-L3dlYmFwcHMvZGVlcF93YXRlci92Mi9pbmRleC5odG1s

Since 2006, Indian oil firms have invested further in Brazil, Colombia, Ecuador, Peru, and Venezuela (see Table 3). Venezuela is the largest recipient of Indian FDI to the hydrocarbon sector. OVL, Oil India Ltd (OIL), and Indian Oil Corporation Ltd (IOC)'s 2010 acquisition of a cumulative 14.5% stake in Venezuela's Carabobo blocks in the Orinoco Belt for US$1.005 billion represents the largest Indian investment in hydrocarbons in Latin America. The consortium is also made up of Spain's Repsol and Venezuela's PdVSA. Production from the field began in 2012. Brazil is the second-largest recipient of Indian FDI in the oil and gas sector with close to US$1 billion worth of investments.

II.B. Mining

Indian mining investments in LAC are primarily made up of a single influx of capital: Zamin's 2014 US$3 billion investment in Uruguay's Valentines iron ore project represents since 2007 over 90% of all Indian FDI in LAC's mining sector. The project is the largest of its kind in Uruguay's history. It involves the development of mining, processing, and exporting facilities, including building a deep sea export terminal in Uruguay. Potential resources available are estimated to be between 3 to 5 billion tons. The project has faced ongoing popular disapproval since it was first proposed in 2008 and is stalled as of April 2015.[34]

Table 4 **Estimated Indian Mining Investments in LAC**

Year of entry	Destination	Company	Sector	Estimated Investments (in US$ million)
2007	Brazil	Aditya Birla	Aluminum	N/A
2008	Chile	JSW Steel	Iron Ore	52
2009	Brasil	Essar	Iron Ore	N/A
2009	Argentina	Indo-Borax Ltd.	Borax	2
2011	Chile	Tega Industries Ltd.	Manufacturing	35
2012	Peru	Zuari Industries Ltd.	Fosfato	46
2013	Brazil	Zamin	Iron Ore	134
2014	Uruguay	Zamin	Iron Ore	3,000
N/A	Argentina, Brasil, Costa Rica, Mexico, Trinidad & Tobago, Uruguay	Arcelor Mittal	Steel	N/A
N/A	Brasil	Minery Resources	Iron Ore, Gold and others	N/A

Source: Authors' calculations from ECLAC 2011 and various media outlets

34 El Economista (2015)

Along with its Uruguay investment, Zamin has also allocated US$134 million in an iron ore project in Brazil and is by far the largest Indian investor in the Latin American mining sector (see Table 4). The company acquired 100% stake of an iron ore mine in the Amapa region in 2013. An additional US$130 million in investments are expected over 5 years. Production of the mine was estimated at 6 million tons of iron ore in 2012.

Aditya Birla is also a large investor in the Latin American mining industry, though exact estimates of the company's original acquisitions are not available at this time. Nevertheless, in 2012 the company's turnover for its investments in Brazil was US$1.8 billion.[35] The company acquired three aluminum plants in Brazil from Canadian company Novelis in 2007, but the amount of the acquisition could not be verified. It also has mining rights to bauxite reserves and carbon black plants in the country. Although Aditya Birla has a strong presence in Latin America, mining investments by Indian firms pale in comparison to those made by their Chinese counterparts.

As is the case in the energy sector, the overseas expansion of Indian mining firms is not supported by an equally strong policy or network of incentives as it is in China. This can be attributed in part to India's overall lower level of demand for mineral resources compared to China's – a phenomenon that will likely change as the Indian economy industrializes in the coming decades.[36]

III. Conclusions

Over the past decade, the two main factors behind the rise of FDI in LAC have been economic growth in the region and high international demand for export commodities, including mining and energy commodities. With both of these slowing partly as a result of lower growth in the Chinese economy, the region's prospects for foreign direct investment will be impacted in the short to medium term.

Yet, although growth in Chinese demand for energy and minerals will likely taper in the future, the scale of demand for these resources from Asian countries will continue to rise in the coming decades. In the long run, China and India will continue to look to diversify their investments in order to gain access to resources critical to their continued development and to help shield their domestic industries from global price volatility.

Led primarily by China, the weight of Asian demand for energy and mineral commodities has already altered the patterns of global trade and investment in these sectors. While China and India continue to absorb increasing shares of LAC's mineral and energy export,[37] current levels of Asian investments in LAC still leave considerable room for growth. Nevertheless, an analysis of the recent developments shows a clear upward trend that is unlikely to wane in the future. In January and May 2015, Chinese President Xi Jinping and Premier Li Keqiang visited Latin America respectively, pledging over US$250 billion of Chinese investments over the next decade, highlighting China's strong, long-term economic interest in the region. In the future, the challenge for both regions therefore will not be to attract more investment, but rather to diversify Asian interests in LAC, both in terms of geography and sector

35 Mercopress (2013)
36 Espinasa, Marchan, Sucre (2015)
37 Ibid

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